Social capital, Board Behaviour and Governance: Evidence from Ugandan Banking

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A thesis submitted in partial fulfilment of the requirements of the University of Greenwich for the Degree of Doctor of Philosophy

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DECLARATION

I certify that the work contained in this thesis, or any part of it, has not been accepted in substance for any previous degree awarded to me or any other person, and is not concurrently being submitted for any other degree other than that of the degree of Doctor of Philosophy in Accounting and Finance which has been studied at the University of Greenwich, London, UK.

I also declare that the work contained in this thesis is the result of my own investigations, except where otherwise identified and acknowledged by references. I further declare that no aspects of the contents of this thesis are the outcome of any form of research misconduct.

I declare any personal, sensitive or confidential information/data has been removed or participants have been anonymised. I further declare that where any questionnaires, survey answers or other qualitative responses of participants are recorded/included in the appendices, all personal information has been removed or anonymised. Where University forms (such as those from the Research Ethics Committee) have been included in appendices, all handwritten/scanned signatures have been removed.

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ABSTRACT

This thesis aims to identify how social capital influences the governance work of Boards of directors.

Design/methodology/approach – A qualitative analysis of semi-structured interviews with 30 directors from six commercial banks in Uganda were used. The interviews identified directors' perceptions of social capital and practices of governance. A social capital model was used to analyse the data along structural, relational and cognitive dimensions.

Findings – The findings show the mechanisms that foster the creation, development and use of social capital as well the social capital effects on directors’ behaviour in the governance of Ugandan banks. Highlited is need to consider the importance of the processes that exist in the formation of relationships and how these relationships might affect actors’ behaviour. The study finds that it is problematic to study the three social capital dimensions separately from each other.

Aligned with structural dimensions, frequent informal meetings were positively associated with board effectiveness because they increased trust and teamwork. Directors feel powerful because they have access to influential people in their networks. The link and access to influential and powerful people enabled directors to enjoy reciprocal benefits.

Aligned with the relational dimension, good working relationships were characterised by long-term working relationships coupled with norms of reciprocity and conformity. Directors build interpersonal trust through familiarity with one another’s skills, habits and personalities, thereby enabling them to function and make decisions effectively as a group. However, increased familiarity hindered directors’ work because it reduced directors’ openness to outside information, led to avoidance of critical debate and questioning in decision-making processes and development of groupthink tendencies.

Aligned with the cognitive dimension, a lack of shared understanding of the banking business, corporate governance guidelines, short-term focus and unclear individual roles and organisational goals are seen as barriers to directors’ governance work.

Research limitations/implications – The evidence is based on participants' perceptions and may not reflect actual practices or others' perceptions.

Contribution – This study applie social capital theory to advance our understanding of corporate governance. It adds relevant and timely insights into the softer side of corporate governance: the behavioural factors that encourage or impede effective governance, especially in developing countries where regulatory functions and capital markets may be weak. The study is unique because it examines how Ugandan directors build and mobilise social networks in the context of corporate governance, using Nahapiet and Ghoshal's (1998) social capital model. This approach allows researchers to identify the cognitive, structural and relational issues that either support or impede corporate governance.

Additionally, this study draws on Bourdieu's theory of social capital. Findings show directors' networks as strategic investments through which board members devote their effort and resources towards their own benefit, with implications for corporate governance. The results have limitations because by focusing on Nahapiet and Ghoshal's view of social capital it fails to fully account for the concept of power within organisations and society more generally. This approach is juxtaposed to the holistic and contextual class theory of Bourdieu's, whose view that social capital cannot be separated from other forms of capital (economic, cultural and symbolic) and his concept of Habitus and Field,- appears to offer a wider analysis of power that helps us better understand the benefits that acrrue to the elite in the boardrooms.

Keywords

Social capital; corporate governance; board of directors; Uganda

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LIST OF ABBREVIATIONS

BOU – Bank of Uganda

CEO – Chief Executive Officer

SSA – Sub-Saharan Africa

DFCU - Development Finance Company of Uganda Bank

UBA – Uganda Bankers Association

BoD – Board of Director

UK – United Kingdom

US – United States

1. CHAPTER 1: INTRODUCTION

1.1. Chapter Overview

This thesis addresses the question: 'how does social capital influence directors' behaviours in the governance of Ugandan banks?'

This chapter provides an overview and outlines the premises of this thesis. It sets out the study's background, research problem, objectives and methods of the study and then proceeds to detail the main research questions and sub-research questions that operationalise the main objectives. Then an overview of the research contributions is followed. Finally, the chapter provides an outline of this thesis and a summary of each chapter.

1.2. Background

Corporate governance has been divided into two complementary components: a formal or hard component and an informal or soft component (Tucker, 2010). The formal component comprises frameworks, structures and processes, while the informal component is concerned with organisational culture and employee behaviour. Both components are recognised as critical to an organisation's success in terms of achieving its goals, but the informal component "is frequently neglected" (Tucker, 2010, p. 105). This study contributes to the governance research by examining the informal component in the context of Ugandan banks. The researcher reports the results of interviews with thirty directors from six commercial banks in Uganda. This study's unique aspect is the adoption of the social capital perspective put forward by Nahapiet and Ghoshal (1998) to analyse how factors related to directors' social relations work to assist or impede their overall governance work.

Corporate governance research over the last decades has been extensive, with the research agenda dominated by boards of directors as an important governance mechanism. Empirical studies to date have typically focused on the composition of boards of directors and sub-committees, and their impact on organisational outcomes such as firm performance and accountability ((Rhoades, Rechner and Sundaramurthy, 2000; Daily, Dalton and Cannella Jr, 2003; Gillan, 2006). Further, agency theory has been the predominant theoretical lens for analysing the various governance relationships and outcomes (Hambrick and Fukutomi, 1991; Brennan Niamh M. and Solomon Jill, 2008; Merino, Mayper and Tolleson, 2010). However, another line of research in this area has considered alternative theoretical perspectives such as stakeholder or stakeholder-agency theories (Sikka, 2008), resource-

dependency and stewardship theories (Keay Andrew, 2017) and behavioural theories (Forbes and Milliken (1999); Finkelstein and Mooney, 2003); Huse 2007).

Contributing to these emerging lines of research, an overarching objective of this study is to use a broader conceptualisation of governance as a set of legal rules, relations and behaviours that constitute the system by which a company is controlled and directed according to the Organisation of Economic Corporation and Development (OECD) (2004) toward the achievement of organisational goals to examine the factors that affect corporate governance in Ugandan banks. Such a conceptualisation parallels the definition adopted by the Institute of Corporate Governance (ICGU) in Uganda. The study extends this line of alternative theories for understanding corporate governance by utilising a social capital perspective (Nahapiet and Ghoshal, 1998). While some accounting studies have used a social capital approach (Speckbacher and Wentges, 2012; Worrell et al., 2013; Awio et al., 2011; Chenhall et al., 2010; Xu and Xu, 2008; Jacobs and Kemp, 2002), these have generally focused on social capital in the context of external networking. The present study focuses on social capital theory in the context of internal and external networking. The present study is to the researcher's knowledge, the first to focus on social capital theory in the context of corporate governance in the Ugandan context.

Social capital is defined in this study as the actual and potential resources embedded within, available through, and derived from the network of relationships acquired by an individual or social unit (Bourdieu, 1977a; Nahapiet and Ghoshal, 1998; Woolcock and Narayan, 2000). Social capital is an essential mechanism through which individuals gain access to other people's resources (Coleman, 1988a). As a critical enabler for resource sharing, it encourages organisational members to form relationships, communicate with one another, and cooperate in achieving organisational goals (Burt, 1992; Putnam, 1995b; Tsai and Ghoshal, 1998; Adler and Kwon, 2000; Cohen and Prusak, 2001). Bourdieu argues that ''the profits which accrue from membership in a group are the basis of the solidarity which makes them possible'' (Bourdieu, 1985: 249). He is explicit that social networks are constructed through investment strategies in group relations of mutual advantage. Therefore, it comes as no surprise that to facilitate resource sharing among network actors, social capital needs to be developed first (Nahapiet and Ghoshal, 1998). Social capital development is affected by factors shaping the evolution of social relationships such as time, interaction, closure and interdependence (Nahapiet and Ghoshal, 1998). Furthermore, these factors affect the social group's behaviours (Granovetter, 1992; Bourdieu, 1986). So far, neither the

processes of building social capital nor its effects on actors' behaviours within the network have been researched in detail (Adler and Kwon, 2002).

Against this background, company directors are argued to exist in a complex network of relationships that have different value and impact on shaping directors' behaviours and governance work (Burt, 1992; Westphal, 1999; Stevenson and Radin, 2009). While director networks have been of interest to research throughout the 1990s (Johnson, Daily and Ellstrand, 1996; Mizruchi, 1996; Chu and Davis, 2016), it is with the rise of the concept of board capital – specifically social capital – in the early 2000s (Hillman and Dalziel, 2003) that more mainstream corporate governance research began to emphasize directors' relationships. Meanwhile, an independent stream of research grounded in behavioural governance theory began to explore the socio-psychological mechanisms that operate within the corporate elite's internal and external networks (Westphal and Zajac, 2013). From a theoretical standpoint, research in both domains remains fragmented and disconnected, as social network theory concepts continue to dominate across these domains, with scholars mainly focusing on the instrumental aspects of corporate actors' social capital. Moreover, the board capital and behavioural governance theory literature have grown along separate lines, which constitutes an essential problem in governance research. For example, prior network studies have typically treated expressive and instrumental ties as separate forms of social relationships (Ibarra, 1993; Umphress *et al.*, 2003).

Instrumental ties, primarily task-oriented relationships (Mizruchi, 1996; Hillman and Dalziel, 2003; Lester *et al.*, 2008; Chung, C. N., 2014) tend to be developed based on resource exchanges, as in the case of advice relationships (Ibarra, 1993), whereas expressive ties are developed based on some form of interpersonal effect, as in the case of friendship ties (Krackhardt, D, 1998; McDonald and Westphal, 2003, 2010; Westphal and Bednar, 2005; Boivie *et al.*, 2011; Park and Westphal, 2013; Westphal and Shani, 2016). Further, there is need to understand the processes of how directors build their social capital and how social capital affects the behaviours of directors (Burt, 2002; Westphal & Zajac, 2013). Motivated by these significant contradictions, the purpose of this study is to provide a comprehensive examination of board social capital, that is, how directors build social capital and how does social capital affect directors' behaviours in governance. In doing so, the study acknowledges both the behavioural and instrumental nature of social capital, thereby

providing a more coherent understanding and use of social capital theory in the field of corporate governance.

1.3. Research problem

Social capital is rapidly becoming an important concern in business studies in an attempt to better understand organisational practices as influenced by social networks (Burt, 2000). Although important differences persist among scholars as to what exactly social capital comprises (see Adler, a broad consensus is that social capital is an asset and that its value stems from the access to resources that it engenders through an actor's social relationships (Bourdieu, 1977b; Granovetter, 1992; Coleman, 2000). Social capital's impact on behaviour has been studied at various levels, ranging from the individual and small groups (Burt, 1992) to larger organizations, including firms (Krackhardt, D, 1998; Tsai and Ghoshal, 1998; Rowley, Behrens and Krackhardt, 2000) and even communities and nations (Nahapiet and Ghoshal, 1998; Putnam, 1995). It is important to state from the outset, that this thesis is based on the understanding of social capital developed by Nahapiet and Ghoshal (1998) and not from the work of Pierre Bourdieu. Nahapiet and Ghoshal (1998) does not embrace the work of Pierre Bourdieu in a holistic way.

A summary of the many benefits commonly attributed to social capital includes timely and novel information, greater political control and manoeuvrability, enhanced status, and greater group cohesion (Bourdieu, 1986; Coleman, 2000; Adler and Kwon, 2002a; Burt, 2002).

Beyond the broad consensus about the importance of one's social relations (Burt, 2000), there is a debate surrounding the definition of social capital and the mechanisms through which it has its impact, specifically, whether network structure alone is all that needs to be considered in theorizing about social capital or exploring its benefits. For example, is it enough to focus exclusively on whom one knows, without considering how well one knows them? (Moran, 2006).

This study seeks to advance the debate on this issue in two ways. First, the researcher develops the argument that social capital rests on more than just the structural configuration of one's network, which is by far the most commonly conceptualised form of social capital. The researcher demonstrates that social capital encompasses structural (as in linkages between people), relational (the nature of personal relationships people have developed with each other through a history of interactions) and cognitive dimensions (resources within the

network that are influenced by shared values, interpretations and systems of meaning between social actors that are developed over time) (Bourdieu, 1986; Nahapiet and Ghoshal, 2000a). In other words, in considering how one's network of contacts affects behaviour the configuration of that network is not all that matters; the quality of one's relationships matters too.

Second, the researcher aims to further demonstrate the interrelated nature of all the three dimensions of social capital - most previous studies emphasize the dimensions assigned by Nahapiet and Ghoshal (1998), either collectively or individually (For example, Castro & Roldán, 2013; Coeurderoy & Lwango, 2012; Ebers & Maurer, 2014; Koka & Prescott, 2002; Moran, 2006; Rowley et al., 2000; Yli-Renko et al., 2002). However, one can argue that all these studies have based their definition of social capital on Bourdieu (1977).

For Bourdieu, social capital is seen as one of several resources that actors use to pursue their interests and to position themselves. Furthermore, there is an uneven distribution of these resources within the networks, indicating an expression of power relationships that should be studied. A Bourdiesian approach allows the researcher to study how directors acquire and leverage social capital within the context of Ugandan banks ('fields') with their own unique rules of the game ('habitus'). This study follows Bourdieu's (1986) argument that social capital is created through accessing network ties, imposing normative behaviour and creating a shared interpretative framework between actors. Nahapiet and Ghoshal (1998) proposed a structured social capital model that combines the elements in Bourdieu's social capital definition. Nahapiet and Ghoshal (1998) refer to three interdependent dimensions in their social capital framework – structural (related to networks), relational (related to the quality of relationships within the network) and cognitive (related to shared norms and values of means, characteristics). To date, the majority of social capital research has focused on the structural dimension, using quantitative measures of network analysis, consequently failing to account for the multi-dimensionality of the concept (Nahapiet and Ghoshal, 2000a; Lee, 2009). This is why this study will focus on the processes inherent in social relationships that exist within a given field in order to examine the effect of social capital on boards of directors' behaviours and thus all three dimensions.

This study places social capital in the context of boards of directors. While the majority of corporate governance studies apply the logic of agency theory to theorise about the influence of board behaviour and governance (Steven and Rading, 2009), this study suggests that

arguments in favour of agency theory may disregard the reality that directors are embedded in social networks that expose them to social influences (Coleman, 1988a; Granovetter, 1992). Theoretically, the researcher argues that directors are subject to these social influences to maintain access to the social networks and enjoy the benefits of the resulting board social capital – defined here as resources residing in social networks that benefit directors (Haynes and Hillman, 2010).

An underlying assumption of this research is that boards of directors' relationships influence organizations, or, at least have the potential to do so. The social capital theory explains how interpersonal relationships in organizations have value (Bourdieu, 1977b; Cohen and Prusak, 2001). For that reason, social capital concepts and theory were used as the theoretical framework for the study. Social capital is the resource which is created as a result of interpersonal relationships within a social structure (Coleman, 1990). The theory states that social capital resources are only accessible through social ties - they are not the possessions or specific attributes of the individual (that is, not human capital). Research has shown that social capital facilitates efficient and effective action when the goals of the individuals involved in the relationship are consistent with the social capital resource the relationship has created (Bourdieu, 1977b; Putnam, 1995a; Qin Kede and Xin Lin, 2011).

Using social capital theory as a lens for beginning to understand whether and/or how boards of directors' relationships affect organizations, this study asks the question: ***how does social capital influence the behaviour of directors in the governance of Ugandan banks?*** Using a qualitative methodology, the researcher probed for information on how the boards of directors' relationships are built, develop and used, if they affect the behaviour of directors, and if they affect their governance duties and if they do, how. The experiences, observations, and reflections of these directors were explored as they considered their relationship in the context of the Ugandan banks in which they serve.

The next section lays out the research aims and objectives.

1.4. The research aims and objectives

The central aim of this study is to understand how social capital influences the behaviours of boards of directors in the governance of Ugandan banks. In addressing this, the researcher needs to demonstrate how directors build, develop, use social capital and how social capital affects directors' behaviours which may ultimately impact on the governance of Ugandan

banks. Thus, the researcher aims to add to the literature that examines social influences faced by boards of directors embedded in different social networks.

The concept of Social capital can be traced in the critical sociological perspective of Pierre Bourdieu (1977, 1990), whose work has rarely featured in corporate governance literature. For Bourdieu, social capital is seen as one of several resources that actors use to pursue their interests and to position themselves. Furthermore, there is an uneven distribution of these resources within the networks which indicates an expression of power relationships that should be studied. However, alongside Bourdieu, several other authors have presented different definitions, dimensions and theories of social capital (for example Bourdieu links social capital to field, habitus and other forms of capital) which ultimately makes it difficult to use the theory of social capital in its various forms. Subsequently, Nahapiet and Ghoshal (1998) have integrated these ideas to produce a framework of social capital based on three interdependent dimensions – structural social capital, relational social capital and cognitive social capital. As such, this study strengthens the concept's suitability for analysing boards of directors' relations by adding insights from Nahapiet and Ghoshal's (1998) framework of social capital to enable the researcher to define boundaries within which the theory of social capital can be used in this study. Nahapiet and Ghoshal (1998) proposed a structured model of social capital, which was subsequently empirically validated by Tsai and Ghoshal (1998). They define social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or group. Social capital, therefore, comprises both the network and the assets that may be mobilised through that network" (1998, p.243). The authors further argue that social capital consists of three separate, but related dimensions: the structural dimensions, relational dimension and cognitive dimension.

1.5. The research questions

The overarching research question to be answered by this PhD study is:

> **Research question 1 (RQ1):** How does social capital influence the behaviour of board of directors in the governance of Ugandan banks?

To answer this question the researcher will firstly need to define what social capital is, and explore how directors build, develop and use social capital. The researcher will then explore how this process impacts the directors' behaviours and how it ultimately affects Ugandan

banks' governance. In the process of answering this question, further sub-questions will need to be addressed: -

SQ1: How is social capital manifested in the context of board of directors who govern Ugandan banks?

For social capital to influence directors' behaviours, it must first be developed (Nahapiet and Ghoshal, 1998). Social capital development is largely affected by factors shaping the evolution of social relations such as time, interaction, interdependence, and closure (Bourdieu, 1986; Nahapiet and Ghoshal, 1998). Additionally, the dynamic nature of social relationships could hamper the development of social capital (Bourdieu, 1986, Granovetter, 1992). A few studies have focused on the development of social capital (For example, Newell et al., 2006) but these studies although important have failed to provide adequate empirical evidence on how the interaction of social capital dimensions affects the network actors (board members). To explicitly understand these interactions or relationships, (Leana & Van Buren III (1999) suggested that future research should empirically refine social capital dimensions and develop specific indicators for it. Additionally, (Chiu, Hsu and Wang, 2006) suggested that future research should examine the social capital dimensions' interrelated nature.

This study contributes to this research body by empirically examining the development of the social capital dimensions and their indicators. By answering sub-question one, the researcher examines how directors as social agents come to build social capital (structurally, relationally and cognitively). Drawing from Bourdieu (1987) Nahapiet and Ghoshal (1998) defined social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or group. Social capital, therefore, comprises both the network and the assets that may be mobilised through that network" (1998, p.243). Moreover, the authors argue that social capital consists of three separate, but related dimensions: structural dimensions, relational and cognitive.

The structural dimension refers to the "pattern of connections" among individuals. This study defines structural social capital as the directors' networks and can be identified by the size, quality, density, and network connectivity patterns. The researcher examines structural social capital through the lens of role-related networks, education-related networks, informal networks, facilitating access to a broader range of networks within and outside the banks

and an appropriate balance of self-initiative strategies. Having network connections with fellow board members, customers, government officials, and regulators was particularly beneficial (Lin, 2001). Structural social capital was the foundation dimension through which relational social capital and cognitive, social capital could then be built and used.

Relational social capital, defined as trust and the development of mutually valuable relationships, was examined through the effective execution of the current role (directorship), investing time in developing relationships with close ties and navigating structural holes. Findings revealed the existence of three different relationships contexts:

- 'Long-term colleagues' (usually those directors with whom one had attended the same school or been in the industry with for a long time would provide support, act as advocates and teamwork easy due to the existent familiarity);
- 'regulators' (close ties with regulators were very important for directors because regulators are the ones who threaten and give them "stick" – so close ties with them makes it easy for directors to negotiate for pardons);
- 'customers' (close ties with customers helped to solidify bank reputation and presented a means for getting customer feedback);

Directors built and used relational social capital with regulators, customers and colleagues through repeated contact, often over prolonged times.

The cognitive dimension refers to those resources providing shared representations, interpretations, and systems of meaning among individuals (Nahapiet and Ghoshal 1998 p. 244). This dimension, the least studied of the three (Nahapiet and Ghoshal, 2000b; Krause, Handfield and Tyler, 2007), incorporates the shared meanings and shared interpretations between people in a relationship. The cognitive dimension captures the concepts of shared norms, systems of meanings and values, and, as such, one can expect the cognitive dimension to directly impact the development of social capital and the development of relationships (Bourdieu, 1986).

The research then seeks to examine how the interaction of social capital dimensions affects the network actors (board members) by answering the following question:

SQ2: How does social capital affect directors' behaviour?

Bourdieu views the social agent (in this case, directors) as a physical, embodied actor, subject to developmental, cognitive and emotive constraints and affected by the field's very

real physical and institutional configurations. From this perspective, the researcher believes that social groups to which directors belong define the 'self', based on the social group's characteristics – focusing on the norms, values, and stereotypes of social group membership as affecting directors' behaviours. Thus, each identity shapes behaviour. When identifying with a social group, individuals undergo a self-categorisation process that steers them to act in a manner appropriate for that group. Therefore, the researcher in this study needs to examine how social capital affects directors' behaviour.

If directors' social capital affects their behaviour, directors' behaviour likely affects board functions. This then leads the research to ask the following question:

SQ3: How does board social capital affect the governance of Ugandan banks?

By considering both directors' role and social capital, the researcher can better understand the holistic effects of social capital on directors' behaviour in the governance of Ugandan banks. However, rather than examining either role or social capital in isolation from the other, sub-question 2 and 3 will be examined in parallel by identifying which aspects of directors' social capital (for example group memberships of directors) affect the monitoring and resources provision functions. As the social agent's identity and hence their behaviour is shaped by the social group they belong to, this process may predict prototypical behaviours whereby individuals attempt to align their actions (such monitoring and resource provision) with the normative behaviours of their social identity. Research on social identification has shown that identification occurs when a social groups' member comes to define himself or herself in terms of the perceived social group (David A. Whetten and Peter Foreman, 2002). For example, the more directors identify with their social fields (such as workgroups and informal social clubs) the more likely that their attitudes and behaviours toward those groups are affected – particularly cooperation, commitment and satisfaction. Thus, the more strongly directors identify with their fellow board members (workgroup), the more they will work to benefit it because they see themselves as partly defined by that social group. Corporate elites such as directors often form connections with similar others in their networks because they can obtain direct power or influence, yielding private benefits of control to a director, or other resources such as information benefits that may be useful for the corporation.

The focus on directors' power accumulated through social capital is highlighted when answering sub-questions 2 and 3. Governance research has focused very little on the

extremely powerful at large organisations' pinnacle (Pettigrew, 1992; Mcnulty, 1998). Very little attention has been paid to the corporate elite (Savage and Williams, 2008, pg.19), the 'professionals of power', who are fundamental to governance regimes' functioning (Tjosvold and Wisse, 2009). This is even though such action goes to the heart of governance systems, where the economic and social are closely involved (Tjosvold and Wisse, 2009). It is this gap which the present study seeks to address through Bourdieu's theory of practice.

1.6. Defining key concepts

This thesis examines the role of social capital in the governance of Ugandan banks in the context of the board of directors. Social capital is a commonly used term which is differentially understood and contested across academic domains.

1.6.1. Introduction to the social capital concept

From its origins in sociology, the concept of social capital has grown in both interest and salience in studies of organizational theory and practise over the last two decades. Academic publications with 'social capital' in the title have risen since the 1980s (Campbell, 2013). Scholars and policymakers see social capital as one way of acquiring resources at the individual, organizational and societal levels (Bourdieu, 1986; Putnam, 1995a; Coleman, 2000; Nahapiet and Ghoshal, 2000a; Halpern Jodi and Weinstein Harvey M, 2004; Adler and Seok-Woo Kwon, 2014).

Social capital is used to describe a community's resources and the degree of shared values and trust within it. It is not a quality of individuals in the same way that human and physical capital are but instead refers to resources embedded in the networks of relationships between individuals and their ability to access those resources (Ertug et al., 2012). The notion is rooted in the critical sociological perspective of Pierre Bourdieu (1977, 1990), whose work has rarely featured in corporate governance literature. For Bourdieu, social capital is seen as one of several resources that actors use to pursue their interests and to position themselves. Furthermore, there is an uneven distribution of these resources within the networks, indicating an expression of power relationships that should be studied.

Bourdieu discusses social capital relating to his concepts of 'field', 'habitus' and other forms of capital, making it difficult to use the theory of social capital in its various forms. Subsequently, Nahapiet and Ghoshal (1998) have integrated these ideas to produce a social capital framework based on three interdependent dimensions – structural social capital, relational social capital and cognitive, social capital. This study strengthens the concept's

suitability for analysing boards of directors' relations by adding insights from Nahapiet and Ghoshal's (1998) framework of social capital to enable the researcher to define boundaries within which the theory of social capital can be used.

Nahapiet and Ghoshal (1998) proposed a structured social capital model, which was subsequently empirically validated by Tsai and Ghoshal (1998). They define social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or group. Social capital, therefore, comprises both the network and the assets that may be mobilised through that network" (1998, p.243). The authors further argue that social capital consists of three separate, but related dimensions: the structural dimensions, relational dimension and cognitive dimension. The combined approach of Bourdieu's (1977) concepts (field, habitus and capital) and Nahapiet and Ghoshal's (1998) social capital framework allows a focus on social capital as a multi-dimensional concept and enables the researcher to set social capital within the wider context of the field and habitus of Uganda banking industry.

To provide a more complete picture of how social capital is built, developed, and used by the boards of directors in the Uganda banking industry, this study draws upon two more Bourdieusian concepts – field and habitus. An analysis of directors' social capital and its effects on their behaviour in the governance of Ugandan banks could be theorized by an understanding of the Uganda banking industry as a social arena or field with its own unique rules and structures. To succeed in this field, a mixture of economic (for example bank capital), cultural (banking knowledge, knowledge of banking regulations, and social capital (the focus of this study) is required. Therefore, the main concepts which this thesis will use from Bourdieu's writings are social field, (to theorise the banking industry as a demarcated arena), capital, (mainly social capital which can be converted into other forms of capital) - and finally, habitus which provides a theoretical base for understanding one's dispositions, how one reacts in certain situations, and how they operate in fields. Habitus and field are defined below.

1.6.2. Habitus

Habitus can be defined as a system of dispositions (lasting, acquired schemes of perception, thought, and action). The habitus of a group is acquired through organisational socialisation (Cooper and Joyce, 2013; Holmes, 2019). The vital theoretical point here for researchers is that while actors adopt unconscious strategies, their dispositions are partially developed in

response to objective social structures and objective conditions. Habitus is part of everyday life due to the socialized norms that guide behaviour and tendencies. Brubaker (1993) posits that habitus is the past that is evident in the present. Although subsequent events impact habitus, it is "dominated by the earliest experience" (p. 226). One's habitus is initially structured in the family environment, then modified in a school environment, and so on (Brubaker, 1993). Bourdieu argues that the capital possessed by individuals, embodied in their habitus, partly defines how well they are accepted and integrated into a field, their legitimacy within that field, and how they can position themselves within it.

1.6.3. Field

A 'field' consists of 'a set of objectives, historical relations between positions anchored in certain forms of power (or capital)' (Bourdieu and Wacquant, 1992, p. 16). Bourdieu thus uses the concept of *field* to refer to a social space in which social agents are positioned and position themselves in relation to each other (Bourdieu 1991, p. 215). Each social field has its *capital* that represents what is valued, that is, what enables a participant in a field to gain power and position (Bourdieu, 1986). Thus, a *field* is a social arena in which people manoeuvre and struggle in pursuit of desirable resources (Chris Humphrey, Jane Baxter and Sven Modell, 2008; Cooper and Joyce, 2013). All human actions in modern societies take place within differentiated social fields. For example, there may be fields of business and commerce, education, science and technology. Individuals, institutions, and other agents try to differentiate themselves from others and attain capital which is useful or valuable in the field(s) in which they operate. The outcome of struggles within fields is frequently determined by one's access to capital[1] (for example social capital).

1.7. Contribution to knowledge

This study makes three contributions.

First, this study makes use of Bourdieu's (1977) practice frame including field, habitus and capital (social capital specifically) thereby contributing to academic literature about social capital's potential use in studying boards of directors' relationships. However, since Bourdieu discusses social capital concerning his concepts of field, habitus and other forms of capital this ultimately makes it difficult to use the theory of social capital in its various forms. Subsequently, Nahapiet and Ghoshal (1998) have integrated these ideas to produce a

[1] Three forms of capital (cultural, social and economic) dominate Bourdieu's work. Bourdieu's capitals are related but analytically distinct systems of social hierarchization.

framework of social capital based on three interdependent dimensions – structural social capital, relational social capital and cognitive social capital. As such, this study strengthens the concept's suitability for analysing boards of directors' relations by adding insights from Nahapiet and Ghoshal's (1998) to set boundaries within which to study the theory.

Second, the study extends Nahapiet and Ghoshal's (1998) theory of social capital in the context of governance. The study will demonstrate how each social capital dimension (structural, relational and cognitive) is built, developed and used. The study further demonstrates that the three dimensions are interdependent rather than separate. In investigating the role of social capital in knowledge transfer, Nahapiet and Ghoshal (1998) proposed a structured model of social capital, which was subsequently empirically validated by Tsai and Ghoshal (1998). They define social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or group. Social capital, therefore, comprises both the network and the assets that may be mobilised through that network" (1998, p.243). The authors argue that social capital consists of three separate, but related dimensions: structural dimensions, relational and cognitive. The structural dimension refers to the "pattern of connections" among individuals; the relational dimension refers to the assets created and leveraged by relationships (Nahapiet, 1998, p. 3). These two dimensions have dominated the social capital literature while the cognitive dimension is less explored. The cognitive dimension "refers to those resources providing shared representations, interpretations, and systems of meaning among parties" (Nahapiet, 1998, p. 4).

One of the challenges facing social capital theory is in understanding how the separate dimensions interact with each other to facilitate action (Krause et al. 2007, Nahapiet 2008). The researcher's aim to add clarity to remove the ambiguity of these interactions would contribute to social capital research. At present, these dimensions have been hypothesized to relate in several various ways. In this study, the conceptualizations of the relationships are consistent with the hypothesized relationships suggested by Nahapiet and Ghoshal (1998). However, most researchers who have delved into social capital have limited their study of social capital to less than all of the dimensions (Burt, 2000; Cousins et al., 2006, 2006, 2008), or considered the three dimensions entirely independent of each other (Krause, Handfield and Tyler, 2007). This thesis supports the importance of considering each dimension interactively. The research would suggest that considering the dimensions of social capital independently leaves open the possibility of there being significant gaps in the

ability of corporate governance researchers to draw meaningful and accurate interpretations from their findings. The researcher believes that considering the dimensions in isolation misses much of the essence of the underpinnings of social capital theory.

Third, the research adds to a growing literature that examines the social influences faced by boards embedded in different social networks (Bing Ren *et al.*, 2013; Ihm and Shumate, 2019). Specifically, it proposes that the reliance on board social capital places boards under different and sometimes competing social influences upheld by directors who want to maintain the social capital residing in external and internal social networks. While prior research suggests that internalized norms influence director behaviour (Khanna and Westphal, 2003; Eugene Kang and Mark Kroll, 2014), this study suggest that ongoing social relationships have more than just a minor effect on directors. This is because even independent directors may comply with social norms that may or may not be in their best interest or that of the firm (Cowen and Marcel, 2011). Furthermore, the study responds to calls for greater use of qualitative methodologies which will add to our understanding of how relational and cognitive social capital are played out through network activity (Kilduff and Tsai, 2003). Thus, the study will examine more closely, the links between interactions within a network structure and an individual's perceptions and actions (Ibarra, Kilduff and Tsai, 2005).

The next section provides the thesis outline.

1.8. Thesis Outline

This section outlines the structure of the remaining chapters of this thesis.

Chapter two provides an analysis of the literature relating to social capital and boards of directors. The researcher reviews the definitions of social capital, theories on board work and board influence and social capital influence on directors' behaviour in governance. Section 1&2 will trace the theoretical background of the concept of social capital describing and analysing competing definitions in order to facilitate a deeper understanding of social capital and to build on the work of the leading theoretical author, Pierre Bourdieu (1980). In chapter two the researcher aims to demonstrate that this research is grounded in, as well as complementing existing theoretical literature.

Chapter three accounts for the research strategy used in conducting this research. This includes: a review of the philosophical perspective adopted and the implications for this, an

outline of the research design and the practical methods utilised in undertaking the fieldwork together with a detailed description of how the analysis was conducted.

Chapter four presents the contextual background of the study. In order to explore how social capital affects the behaviour of directors in the governance of Ugandan banks, it is important to understand the broader social and institutional context of Uganda banking industry.

As previously explained, to answer the question 'How does social capital influence the behaviour of boards of directors in the governance of Ugandan banks?' the researcher has chosen to focus on three sub-questions that will assist in addressing the main research question. The findings in chapter five address the first sub-question *"how is social capital manifested in the context of boards of directors who govern Uganda banks?"* The aim is to first understand how directors go through the process to create, develop and maintain social capital across the three dimensions developed by Nahapiet and Ghoshal (1998): structural, relational and cognitive. It, therefore, considers how social capital is operationalized in the context of boards of directors who govern Ugandan banks. Furthermore, it considers the interdependent nature of the three dimensions and the implications of this.

Chapter 6 will proceed to address the next two sub-questions of this study: *"How does social capital affect directors' behaviour?"* and *"how does board social capital social capital impact the governance of Ugandan banks?"* Having identified in chapter five how directors build, develop and use social capita, the findings in this chapter seek to explore how this process impacts directors' behaviour generally, and ultimately what impact this has on the governance of Ugandan banks.

Chapter 7 is the discussion and concluding chapter. This is where the researcher summarizes all findings from the previous sub-questions to show how they address the over-riding research question. It will then differentiate this study from that which already exists by way of its contribution to the theory and practice. The limitations of the study together with suggestions for future research are also discussed.

1.9. Chapter summary

This chapter introduced the thesis. It explained its main aims, provided an outline of the research problem and the subsequent research questions. Definitions of the key concepts were also provided together with an overview of the contribution made by this study. Finally, it provided an outline of the thesis to explain the content of each chapter. In chapter 2 the researcher provides a literature review in the key areas covered in this study.

2. CHAPTER 2: LITERATURE REVIEW

Chapter 2 reviews the relevant scholarly literature that forms the foundation for the proposed research project. In doing so the researcher will synthesise what is already known, critiquing this and identifying the research gap. The purpose of this review was to identify the literature that is directly related to this inquiry. There are two parts to this chapter. The first part of the chapter deals with the concept of social capital and social capital theory. Although social capital has its origins in sociology (Bourdieu, 1977b, 1986) and was initially used to help explain success differentials between communities (Lin and Dumin, 1986; Putnam, 1995a; Coleman, 2000), it has increasingly been applied to the field of management and organisational studies (Nahapiet and Ghoshal, 2000a; Adler and Kwon, 2002a). The social capital theory explains the potential value embedded in interpersonal relationships in organizations and, thus, a way of understanding how the boards of directors' relationships influence behaviour and governance. The review revealed that empirical studies of the social capital theory focus on social networks, yet less is known about how social capital is created, developed and used.

The second part of this chapter discusses the literature on corporate governance. Mainly the different perspectives on corporate governance, identifying how corporate governance in banks is different from non-banking institutions and finally discusses the literature on board social capital. Before applying social capital to boards of directors' behaviour and their governance work, one must understand what directors' governance work entails. To this end, the researcher first briefly discussed boards of directors' work, including the monitoring and resource dependence functions. This is followed by discussing the literature on board social capital and how this has been linked to directors' governance work. Here the researcher draws from Westphal and Zajac's (2013) literature review, which presents "social processes that commonly characterize the behaviour of corporate leaders as they relate to each other and to their constituents," which are identified as "social influence", "helping behaviour", "social learning", and "norms of reciprocity" (2013, p.611). This study draws on Westphal and Zajac's (2013) research to the extent that these processes relate to how boards of directors relate to others in their networks. Overall, this discussion focuses on social processes to entail four functions of social mechanisms: social similarity, social influence, social exchange, and social history. These mechanisms also reflect the three central dimensions of social capital outlined in the literature review: structural social capital, relational social capital and cognitive, social capital (Nahapiet and Ghoshal, 1998). The

researcher traces the concepts of Bourdieu (1986), Coleman (1998) and Putnam (1993) within this line of literature.

Finally, the researcher will then demonstrate the research gap and conclude this chapter by framing the research questions.

2.1. PART 1: Introduction to social capital and social capital theory

There is currently a debate amongst social capital academics exploring whether the concept of 'social capital' is original (Lin and Dumin, 1986; Portes, 2000a; Sobel, 2002). Social capital has its roots in sociology where, although not mentioned as a specific concept, the notion of social capital can be found in the early social science works of Adam Smith (economics), de Tocqueville (politics) and Durkheim (sociology). More recently, the work of eminent sociologists such as Bourdieu (1985), Coleman (1990), Putnam (2000) and Fukuyama (1995, 2002) have introduced social capital to mainstream academia. The term 'social capital' was frequently used in community studies to highlight the importance of networks of strong personal relationships that developed over time, leading to trust and co-operation between individuals and, therefore, to collective action that resulted in the survival and functioning of city neighbourhoods (Nahapiet and Ghoshal, 1998). Moreover, social capital has been applied to the field of corporate governance and has received an increased degree of prominence over the past years (Speckbacher and Wentges, 2012; Subramaniam Nava *et al.*, 2013; Avina-Vazquez Carlos Rafael and Uddin Shahzad, 2016).

Social capital is difficult to define and identify as an independent concept and is frequently linked with other concepts. Adler and Kwon (2002, p. 18) suggest that social capital includes many other concepts such as "informal organization, trust, culture, social support, social exchange, social resources, embeddedness, relational contacts, social networks and inter-firm networks", suggesting it is both a transactional and a relational process. With so many different definitions and conceptualisations of what social capital 'is', it is incumbent upon researchers to be clear regarding how they are conceptualising social capital in their work (for example, personal network, neighbourhood, state/province, small groups) (Moore *et al.*, 2002).

The multi-dimensional nature of social capital is apparent in the theoretical and empirical literature, where social networks and relational contacts and the relationships between them are explored (Nahapiet, 2011). Lin (1999a, p. 28) states, “any theory and research enterprise must be based on the fundamental understanding that social capital is captured from embedded resources in social networks”. Seibert, Kraimer and Liden (2001) argue that those who research social capital recognise the relationships or ‘ties’ within a network as the basic data for analysis. As a result, the definitions and theories of social capital, social networks, relational contacts and the interconnections between them will need to be examined before exploring how they are developed and used, particularly about governance.

2.1.1. Defining social capital

Bourdieu (1986) defined social capital as ‘‘the aggregate of actual or potential resources which are linked to possession of a durable network of institutionalised relationships of mutual acquaintance or recognition’’ (cited in Portes, 1998). Bourdieu’s analysis focuses on the benefits of sociability and argues that ‘‘the profits which accrue from membership in a group are the basis of the solidarity which makes them possible’’ (Bourdieu, 1986, p.249). He is explicit that social networks are constructed through investment strategies in group relations of mutual advantage. This thesis mobilises Bourdieu’s notion of social capital and draws on studies from other disciplines (for example, management) to understand the potential implications of directors’ networks for corporate governance.

While research within social sciences and management has expanded upon Bourdieu’s early conceptualisations in seeking to understand better social capital and the forms in which it may exist, there is still a need for further understanding of the resource that is key to and can be mobilized to facilitate social action (See Adler and Kwon, 2002, for some areas of concern). Research needs to be done to explore the ‘how’ and ‘why’ of social capital generation. As Adler and Kwon (2002 p. 33) posit, “to foster social capital in organizations, our framework suggests that managers need to do more than merely encourage social interactions among employees.” Possibly the first needed step is to consider the various conceptualizations of the term ‘social capital’. Table 1 presents some of the most frequently cited definitions.

Variation in the conceptualization of the term social capital is apparent in two main ways (Adler and Kwon 2002, Nahapiet 2008):

1. Emphasis on sources versus the outcomes of social capital.

2. Focus on the quality and descriptive of actual relationships versus the structure of the relationships. For example, some previous research (such as Burt, 2007) has only considered the existence of relationships between people and not the nature of the relationship (such as length of the relationship or the presence of trust in the relationship).

Adler and Kwon (2002) posited: "It is not obvious, however, that we gain more than we lose by gathering all these various phenomena under an "umbrella concept" (Appleyard *et al.*, 2016) of social capital. Such a move risks conflating different processes and their distinct antecedents and consequences. More fundamental, it is inevitable that an object of research encompassing as much as this should attract researchers from heterogeneous theoretical perspectives (p. 18). Adler and Kwon (2002) stress that too much network research and relationship research has been classified under the general term of social capital without a consensus on what social capital is and is not. This study suggests that for social capital research to move towards being a well-established and useful theoretical lens for researchers, the theory must be delineated from previous relationship research with more precise boundaries of the theory. This study strengthens the concept's suitability for analysing boards of directors' relations by adding insights from Nahapiet and Ghoshal (1998), which draws largely from Bourdieu's (1980) definition.

Nahapiet and Ghoshal (1998) proposed a structured social capital model, which was subsequently empirically validated by Tsai and Ghoshal (1998). They define social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or group. Social capital, therefore, comprises both the network and the assets that may be mobilised through that network" (1998, p.243). The authors further argue that social capital consists of three separate but related dimensions: structural, relational, and cognitive. This approach allows a focus on social capital as a multi-dimensional concept that embodies the structure of relationships and the nature of those relationships. Nahapiet (2008) suggests the following three points to clarify not only the definition of social capital but, perhaps just as important, the theoretical domain of social capital:

Firstly, social capital is a resource-based concept[2]. The actual connections, interactions and access to resources that occur between people represent the resource of interest. Many alternative perspectives are taken in network and trust research conducted outside the social capital lens. For example, another network and social capital literature consider concepts such as structural holes[3] (Burt 1992) to be the focus of the investigation—where the actual '*hole'* between social networks is the unit of analysis. The concept of structural holes is covered in more depth in section 5.3.3. For example, there is typically a correlation between the number of contacts or numbers of holes and actual compensation of an individual in a social network in structural hole analysis. In the present study, the researcher's view of social capital is that it is both a *resource* and a *source of access* to resources.

Secondly, performance outcomes are a vital point of emphasis of social capital research, and this includes both positive and negative consequences of social capital. Negative effects of social capital exist, for example, when social networks begin to create inertia between partners due to a 'locking in' of past expectations (Maurer and Ebers 2006). Only by considering performance outcomes can the social capital lens deliver much-needed insight to both researchers and practitioners alike.

Finally, Nahapiet (2008) suggests that Social capital, unlike much of the existing network research—considers the interplay of all its three dimensions. The interaction of the structural connections, relational, and cognitive dimensions separates social capital from most network research. Social capital research must consider each of the structural, relational, and cognitive dimensions and how they interact. Nahapiet (2008) proposes that by outlining these theoretical boundaries to social capital, social capital becomes a more robust, well-defined, theoretical lens with greater applicability for researchers developing meaningful and applicable insights. Therefore, this study uses these three theoretical boundaries throughout this thesis to study social capital and its relation to directors' behaviour in Ugandan banks' governance.

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[2] "The aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition" (Bourdieu 1985, p243).

[3] Burt (2002) states that Within-group cohesion is stronger than between-group cohesion. In the absence of any relationship between two groups, a structural hole exists. Structural holes can be filled by individuals who are members of both groups ('brokers'), or who are willing to serve as a go-between or bridge between the two groups.

Over the past years, ample research has been conducted to understand better what social capital is and to avoid ambiguity with the term. Various uses of the term have left the theory broad in its potential scope and generalizability but, simultaneously, weak as a theoretical lens. In this study, the researcher uses Nahapiet and Ghoshal's (1998) well-cited definition of social capital, which draws largely from Bourdieu (1985) (while alternative definitions are offered in Table 1) for two primary reasons. First, these authors 'definition is consistent with the conceptualization of social capital suggested by the social capital theoretical domain we have outlined and, secondly, because several academics have frequently cited this definition in the social capital field (Nahapiet 2008, Lawson et al. 2008, Krause et al. 2007, Cousins et al. 2006).

The next section discusses how social capital is used in the literature as a theory. This section emphasises that there is no single social capital theory due to its diverse interpretation and usage.

2.1.2. Review of Social capital theories

Bourdieu (1985), who is seen as the main contributor in introducing the concept of social capital to the literature (Portes, 2000b; Moran, 2005, 2006), describes different forms of capital that individuals use to realise their life choices. For Bourdieu, the term capital simultaneously represented both a 'power' relationship and a 'power' resource. In this sense, people's lived experiences (habitus) derive from relative endowments of different forms of capital, which, in turn, define their historically evolving `positions' within social settings. Actors exchange and accumulate capital in the course of everyday social interaction. His perspective ties the concept explicitly to the production and reproduction of power relationships over time. In this sense, social capital is not an individual or collective attribute but rather an intangible set of relationships - a sphere of formal and informal exchanges in which differentially empowered actors pursue other forms of capital such as cultural and economic capital (Bourdieu, 1998). Economic capital constitutes material and financial assets, while cultural capital encompasses symbolic goods, skills, and titles such as educational credentials (Wacquant, 2007). When contrasted with the first two forms, social capital represents a slightly different form, given its intangible character. It is best distinguished as a means (set of relationships) by which actors accrue economic and cultural capital due to participation in culturally embedded networks (Wacquant, 2007).

Bourdieu’s concept of social capital is connected with his theoretical ideas on class. He identifies three dimensions of capital, each with its own relationship to class: economic, cultural and social capital. These three resources become socially effective, and their ownership is legitimized through the mediation of symbolic capital (see p. 13). Bourdieu’s perspective emphasises conflicts and the power function (social relations that increase an actor's ability to advance her/his interests). Social positions and the division of economic, cultural and social resources are legitimised with the help of symbolic capital. Bourdieu’s analysis of social capital and its influence on objective achievements cannot be understood without his broader theory of capitals (which encompasses cultural and economic capital) and the concept of field and habitus. In Bourdieu’s theory, the foundation of all capitals is economic capital, as a cause and consequence of possessing social and cultural capital. Bourdieu also claims that possession of and access to capitals is unevenly distributed in society (Bourdieu, 1986).

Bourdieu's perspective on social capital is relevant to this study because it allows an understanding of social interaction that is contextually grounded, explicitly relational, and attentive to dynamic power relationships over time. Bourdieu's (1986) discussion of the forms of capital offers two observations that inform analyses of directors’ networks in this study. First, given unequal distributions of capital in any given context, social interactions tend to reproduce existing power relationships even as incremental change occurs. So Bourdieu’s notion of social capital is a compelling narrative for understanding the motivation, tendencies and trajectories of networks of relationships. Directors’ networks and their durability can be understood from powerful actors' motivations derived from material, cultural, and symbolic exchanges. For example, by serving on boards in different companies, directors put themselves in a better position to maintain and enhance their status in the field of corporate governance. Multiple board seats offer them a channel to interact with other board members who are well-connected and popular (Mcnulty, 1998; Brennan *et al.*, 2008; Engelberg, Gao and Parsons, 2012).

Second, the forms of capital are convertible such that educational credentials (cultural capital) might produce increased income (economic capital). In this sense, Bourdieu considered social capital to be a means of access to other types of capital. For example, board members who sit on multiple boards have the opportunity to develop a sense of practice that can equip them to act over time according to their interest and expected outcomes. Thus, being in a network is “the product of investment strategies” that the

directors are motivated to obtain, individually or collectively, to establish or reproduce social relationships "that are directly usable in the short or long term" (Bourdieu, 1986). Moreover, their cultural capital (for example, degrees from prestigious universities) and symbolic capital (such as chairman of another company) can strengthen directors investment strategies in different networks (Palmer, 1983; Mizruchi, 1996).

Bourdieu (1986) argued that social capital could be converted into other forms of capital and that this takes place in different social arenas or 'fields'. A 'field' (for example, an organization) is made up of a network, a structure and a set of relationships which, when combined, produce "rules, rituals, conventions, designations, appointments and titles" (Webb, Schirato and Danaher, 2002). Power differentials characterise the field as individuals struggle to accumulate different capitals to improve their power base and, subsequently, their influence (Tatli and Özbilgin, 2012). Dominant parties determine the rules of entry into the field and, although these may be challenged at different times, they are upheld (often unconsciously) by those who desire entry to it. Bourdieu, (1985, 1990) describes this tendency to uphold practice as 'habitus' - an accepted and internalized sense of what is and is not appropriate developed through shared histories and experiences and unconscious reproduction. To the extent that the concept of the 'field' represents institutional and cultural contexts, it addresses the concern that dominant presentations of social capital detach networks from broader political economies, class structures, and ideologies (Perreault, 2003). Bourdieu's theory of practice ties all three core concepts together such that actors' dispositions (habitus) reflect their lived experiences such as class and depend on changing capital endowments and the boundaries of fields, including overarching logic.

Several accounting researchers have used Bourdieu's theory, for example, Xu and Xu (2008) in the context of accounting classification and terminology in Chinese banks, Jacobs and Kemp (2002) who explore the use of accounting by small Bangladeshi traders, and Kurunmäki (1999) about professional and financial capital in Finnish hospitals. However, Bourdieu's concepts regarding social capital have not been extensively drawn upon in the management literature (Tatli and Özbilgin, 2012) and even less so in those studies focusing on the board of directors. Nevertheless, this study is informed by Bourdieu's notion of social capital while drawing on other literatures in the management discipline to study board social capital.

Coleman (1988) views social capital in terms of relations among actors and sees it as comprising trust, norms and sanctions. Coleman (1988) looked more closely at the ‘bonding’ form of social capital and argued that social capital is better developed in networks when the actors are connected and where the network is, effectively, closed. This aligns with Putnam’s (2000) concept of ‘bonding’ which emphasises strong ties within (homogeneous) groups of like-minded people. For Coleman (1988), social capital is a social structure mode that eases an individual's activity in a structured context. Thus, whether a particular kind of social structure represents social capital depends on whether its function serves the individual involved in a particular action. Coleman (1988)’s view is that the closure of the network creates shared values and norms and that when embedded into the group and lived daily, the levels of trust between the members grow and increase the levels of social capital. He theorised that norms would be violated in a more open structure, leading to less trust, which would weaken social capital. This provides an internal focus on networking and is more focused on the relational aspects of social capital. Bourdieu’s (1986) theory is therefore far more pessimistic than that of Coleman, where social factors significantly condition the power of the individual and his/her action, and social capital mainly serves in the transfer of cultural and economic capital from generation to generation, thus contributing to the reproduction of the existing social order.

Coleman's theory has been very important for understanding the social capital concept and its development in the research field. One of the most significant contributions was that it broadened the definition of social capital, expanding it from simply including networks and group memberships and associating it with the community and the public good. Coleman argued that social capital and its benefits are available to privileged groups and disadvantaged ones. Moreover, Coleman proposed that social capital is *context-specific* and not always the same for everyone. “A given form of social capital that is valuable in facilitating certain actions may be useless or even harmful to others” (Coleman, 1988, p. 98). Yet, despite acknowledging the importance of 'context', Coleman did not exemplify how this context could influence the generation of social capital and its influence.

Followers of Coleman's view operationalise social capital by highlighting the social capital available within a unit, for example, a board (which implies the quality of board relationships and the board structure), as well as the social capital of the community (the quality of relationships between members of the community; in some cases, authors also consider structure). Coleman's understanding of social capital (1988) surpasses individual social

capital boundaries and becomes a characteristic of the community (institution, organisation). In this way, social capital can be measured on the level of organisations (for example, banks). According to Coleman (1993), this form of social capital involves a network of all individuals who are members of a particular organisation. Schaefer-McDaniel (2004), for example, state that an analysis of the social capital of a school should encompass relationships between all subjects in the school context, making social capital a characteristic of the entire organisation, whereby the power of its actions is closely related to how closed the network is. Coleman (1990) uses the term network closure to describe an enclosed circle of acquaintances, a network consisting of people who know each other and interact. Obligations and expectations, exchange of information, norms and sanctions, and the relationship with authority, all of which Coleman considers aspects of the community's social capital, are more apparent if the network is closed. Individuals can use the social capital of the community in an attempt to achieve personal goals. However, organisational social capital does not only contribute to the achievement of personal goals but also to the achievement of the goals of the organisation itself (Fukuyama, 1995), as it influences the organisation's efficiency and provides future members of the organisation (for example, directors) with access to its social capital resources.

Coleman's work has been used by (Awio, Lawrence and Northcott, 2011) in the context of Ugandan Non-Government Organisations (NGOs). Other researchers such as Chenhall et al. (2010), who examine management control systems and Worrell et al. (2013), who advocate the use of social networking to explore accounting information systems, draw on the combined work of social capital theorists (for example, Bourdieu, 1986; Burt, 1992; Nahapiet and Ghoshal, 1998; Putnam, 2000; Adler and Kwon, 2002). Furthermore, research on board social capital mainly relies on Coleman's conceptual framework (Westphal, 1999; Adler and Kwon, 2000; Johnson, Schnatterly and Hill, 2013; Barroso-Castro Carmen, Casillas-Bueno José C and del Mar Villegas-Periñan Ma, 2016).

Coleman's concept of social capital became one of the most frequently used concepts in research, but it is also a target of fierce criticism. His arguments have been considered tautological and circular: it seemed that social capital existed solely if it positively affected outcomes on the community level. Consequences and causes are not adequately differentiated (Durlauf, 1999). The circularity also relates to Coleman's failure to offer any systematic explanation of the differences between the agent's desire for commitment (to enter into a relationship) and his/her ability to do so (Portes, 1998). Instead, inequalities in

achievements, which are present at every level of the social structure, are ascribed to structural dysfunctions such as the relative limitation of network (relationship) closure and its consequences: the lack of norms produced by social capital. Adler and Kwon (2002) state that network closure is not indispensable for social capital functioning, while Lin (2001) claims that network closure should be insisted on only when achieving an individual's specified aims. When individuals aspire to maintain/preserve specific social relationships, closing the network is relevant; however, when agents seek and aspire to obtain social capital resources, they require relationships with other agents, in which case closing the network is not relevant.

Unlike Coleman (1998), Granovetter (1973) focused on the strength of weak ties between individuals within a network. In his work, strong ties involved frequent and intensive interaction between relatively finite groups of actors - in this situation, social ties become less useful as a source of social capital, or even redundant, as individuals all know each other. Alternatively, Granovetter (1973) proposes that networks with weak social ties have a wider span of contact beyond the individual's group and involve creating bridges with individuals in other groups, therefore providing access to inimitable information and resources. Granovetter (1973) determined that weak ties were more useful to individuals, mainly in terms of finding access to information about jobs. This study suggests that for directors to utilise their social capital fully, they need strong ties that help create shared identities, group reciprocity, intra-group trust, provide emotional closeness and social support during crises, in addition to weak ties to enable directors to build networks that span different social groups.

Burt (1992) built on Granovetter's (1973) work by looking more closely at the patterns of social ties within a network, specifically, people who 'broker' connections between those who have loose ties spanning 'structural holes' within the network. Weak and loose ties are related to 'bridging' (Putnam, 2000), which emphasise open networks and infrequent links across diverse (heterogeneous) groups which may not be equal in terms of "emotional closeness and interest" (Lee, 2009, p. 250). Burt (1992) found a positive correlation between social capital and the number of structural holes in a network. He determined that 'brokers' are in a powerful position to build their social capital as they are better placed to acquire unique information, greater bargaining power and control over resources and greater visibility throughout the network system. Structural holes are often considered an 'external' view on networking and social capital. Burt's (1992) work on social capital, like much of

the predominant social capital literature, is based on network analysis that focuses on network structures connected to the position of the focal actor in the network structure. Bourdieu rejects network analysis because he claims it does not distinguish objective relations from social relationships and mistakes effects for causes, neglecting the underlying forces (objective relations) which generate empirical social relationships. The structure of a field, he maintains, 'is different from the lasting networks through which it manifests itself' (Bourdieu and Wacquant, 1992, p.113–14).

The work of (Coleman, 2000), (Granovetter, 1992) and (Burt, 2000) are in line with Putnam's (1993) conceptualisation of social capital. Putnam describes social capital as the networks, norms, and trust in a social organization that enable coordination and cooperation toward shared objectives (Putnam, 1995a). The results of social capital are mutually beneficial goods. If a community has a large stock of social capital, working together becomes easier for them. This is because one of the ways in which social capital enables better coordination is through the successful and effective use of both the physical and human capital that a community possesses (Putnam, 1995a). Because individuals in a social organization work together for the common good, an essential aspect of Putnam's theory of social capital is that of reciprocity. There is an expectation that anything done by a person will be repaid in the future by another individual or through group membership (1992, 1995). Putnam's dependence on Coleman (1988) on this point is apparent. Moreover, social capital is not the private property of any one individual, but rather is a collective, public good (Putnam, 1992).

In comparison to Bourdieu's concept of social capital, the work of Coleman (1998), Granovetter (1973), Burt (1992) and Putnam's (1992) view social capital as a primarily public good, rather than a 'class' good (Lin, 1999, 2000). Therefore, this research line does not explore the inability to distinguish and identify the resources or benefits obtained through social capital from the ability to obtain or enact them because of an actor's position in various social structures (Bourdieu, 1998; Portes, 1998; Woolcock, 1998). Because the focus is on the importance of shared norms, values, beliefs, and common language in developing and implementing group action, the elements of inequality, which are inherent in social capital and social interactions, have been ignored and overlooked (Daly and Silver, 2008). However, this distinction is explicit in Bourdieu's (1977; 1985) work. Social capital exists in the realm of social relationships and consists of the social obligations that come with those relationships. More specifically, social capital is the aggregate of the resources

that are tied to membership in a specific group. The group provides these resources, and they serve as credentials, sources of leverage, status, or worth (Bourdieu, 1986). These resources are exchanged, and as they are exchanged, they reinforce the relationships in the group. Therefore, the social interactions that occur maintain and reinforce social relationships and social standing through the exchange of social capital.

To sum up, the discussion above indicates that there is no single social capital theory. Most researchers seem to agree that there is, depending on its configuration, potential value in the content of social network ties. Yet, due to the complexity of the fabric of social relations and the varying motivations to access the resources in question, one finds multiple levels of analysis, content or structural approaches, and normative or instrumental takes on social capital. Thus, social capital is a rather multi-dimensional concept: definitions vary depending on whether the research focus is on the individual actor or a group (such as organization or in the case of this research boards of directors), or both; on the structure of social ties, its configuration and adaptability; on the content of these ties, that is the actual sources like norms of reciprocity, mutual recognition, or shared cognition about what is socially desirable; and on either the instrumental or normative motivation to use social capital: is it meant to benefit the individual or the group and community.

Bourdieu has contributed to the significant theoretical conceptualisations of social capital. Research within social sciences and management has expanded upon his early conceptualizations to understand better social capital and the forms in which it may exist. Generally, this literature draws heavily from James Coleman (1988) and Robert Putnam's (1992) work, but other influences exist (for example, Nahapiet and Ghoshal, 1998). Noticeably absent, however, is the use of Bourdieu's social capital theory, which is often cited in many of these studies but is infrequently applied explicitly. While many authors cite Putnam and Coleman's research, they often make the argument (to varying degrees of explication) that their work attempts to move beyond Putnam and Coleman's theory—to get to the heart of how social capital operates (Save et al., 2005).

Nevertheless, the forms of social capital that have been identified in the literature are not inconsistent with Bourdieu's ideas in that they are resource-focused. Social capital is "appropriable" (Coleman, 1988) and "convertible" (Bourdieu, 1985). Social capital is appropriable because an actor's friendship ties can be used for other purposes, such as information or advice. Moreover, the advantages conferred by one's position in a social

network can be converted to other capitals. The present study informed by Bourdieu's perspective on social capital and combines this with concepts adopted from management literature on social capital and board social capital.

The table below shows the most commonly used definitions of social capital in the literature.

Table 1: Definitions of social capital

Author(s)	**Definitions of Social Capital**
Bourdieu (1986)	"*...the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition"* (p 248)
Coleman (1990)	"*...a variety of entities with two elements in common: they all consist of some aspect of social structures and they facilitate certain action of actors .... within that structure... social capital is productive, making possible the achievement of certain ends that without it would not be possible"* (p301)
Putnam (1995)	*"...features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit*" (p. 67)
Burt (1998)	"*...social capital is a quality created between people whereas human capital is a quality of individuals ... social capital is the contextual complement to human capital"* (p 7).
Nahapiet and Ghoshal (1998)	*"...the sum of actual and potential resources embedded within, available through and derived from the network of relationships possessed by that individual. Social capital thus comprises both the network and the assets that may be mobilized through that network" (p 243).*
Portes (1998)	"*...the ability of actors to secure benefits by virtue of membership in social networks or other social structures"* (p 6)

Lin (1999)	"*...investment in social relations by individuals through which they gain access to embedded resources to enhance expected returns of instrumental or expressive actions"* (p 39).
Fukuyama (2001)	"*...social capital is an instantiated informal norm that promotes co-operation between two or more individuals*" (p 7).
Adler and Kwon (2002)	"*...social capital is the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from the information, influence and solidarity it makes available to the actor"* (p23).

In the next section, the researcher proposes that social capital is a multidimensional construct and propose that there are three separate but interdependent forms of social capital; Structural social capital, relational social capital and cognitive social capital (Nahapiet and Ghoshal, 1998).

2.1.3. The theoretical framework of the study: Dimensions of social capital

The preceding discussion showed that the first contemporary analysis of social capital was done by Pierre Bourdieu (1980) who defined it as ''the aggregate of actual or potential resources which are linked to possession of a durable network of institutionalized relationships of mutual acquaintance or recognition'' (cited in Portes, 1998). Bourdieu's analysis focuses on the benefits of sociability and argues that ''the profits which accrue from membership in a group are the basis of the solidarity which makes them possible'' (Bourdieu, 1985: 249). He is explicit that social networks are constructed through investment strategies in group relations of mutual advantage. However, alongside Bourdieu, several other authors have presented different definitions, dimensions, and social capital theories (for example, Bourdieu links social capital to field, habitus and their forms of capital).

The various definitions of social capital and lack of consensus in the wider literature have resulted in recognising different dimensions of social capital. Traditionally, social capital has been understood as a uni-dimensional concept, but recent researchers have adopted a multi-dimensional view of social capital (Nahapiet and Ghoshal, 1998). Nahapiet and Ghoshal (1998) have identified three dimensions of social capital: structural, relational and

cognitive. In this study, the framework of Nahapiet and Ghoshal (1998) is used to identify social capital dimensions. These dimensions of social capital appear more appropriate for this study since they encompass not only the network between the actors (structural) but also the deeds of the actors (relational) as well as the embedded nature of the networking in their thinking (cognitive). Thus, these three dimensions have been selected because of their comprehensiveness. The literature seems to suggest that these dimensions of Nahapiet and Ghoshal (1998) have been adopted by many researchers (Inkpen and Tsang, 2005). While the following sub-section focuses on each dimension separately, the difficulty in distinguishing the three dimensions of social capital as they overlap will also be highlighted(Nahapiet and Ghoshal, 1998; Inkpen and Tsang, 2005).

Focusing on the three dimensions of social capital for a more comprehensive study of the nature of social capital is contrary to the dominant view of social capital which focuses on the network structure of the actor (Burt, 1997, thus, addressing a criticism that is levelled at most network studies that they are methodology driven (Salancik, 1995). More importantly, such a conceptualization enables the researcher to go beyond purely network-related concepts, an approach that is necessary to develop a more complete model of social capital that includes both structure and non-structural components of social capital.

The three dimensions are discussed in more detail below:

2.1.3.1. *Structural social capital*

This dimension concerns the impersonal linkages between people and is related to social networks and the size, density, hierarchy and centrality of networks – that is, who you reach and how you reach them (Bourdieu, 1985; Burt, 1992). Likewise, Nahapiet and Ghoshal (1998) define the structural dimension as the network structure or connection between the actors. Bourdieu (1986) suggests that structural capital forms an institutionalised relationship, which can result in actors being able to mobilise social capital. This relationship is very crucial as it can enhance both firm and individual performance for example, by facilitating access to information and resources, and by enabling co-ordinated task interdependencies (Gargiulo and Benassi, 2000). Nevertheless, Floyd and Wooldridge (1999) contend that to materialise these benefits, this relationship must be similar because theoretically, two actors with similar social relationships should have access to the same information and therefore, similar values, attitudes, and opinions.

The relationship between these actors creates a social process known as network ties. These ties encourage the sharing of resources among businesses, organisational members (such as boards of directors) and teams. Krackhardt, D (1998) referred to the importance of the absence or presence of network ties between actors and the network configuration in terms of its ability to provide access to information, resources and support for the achievement of individual goals and objectives. For example, advice shared among directors through network ties (Westphal, 1999). Westphal (1999) suggests that through networking activity, directors become comfortable with one another and more willing to offer advice and counsel. However, this advice much like other network resources must be given meaning through active networking processes, the actors involved in the networks can engage in negotiation as well as sense-making (Weick, 1995) and be able to recognise whether to reciprocate or trust (Hinds and Pfeffer, 2003).

The development of effective network ties is dependent upon three factors, the first being network closure or strength of the relationship (Burt, 1992). The network ties depend on how close the relationship is between the actors. Network closure refers to the frequency, reciprocity, emotional intensity, and intimacy of that relationship (Burt, 1992; Granovetter, 1973), and can be a significant factor to determine the flow of resources. For instance, in a closed network, communication flows quickly and easily, so that every network actor knows the same things and because of this embeddedness, network members are assumed to trust each other. Bonding networks (based on a small closely-knit group of strong ties) enhance interaction efficiency (Krackhardt, D, 1998), build financial resources, reputations and legitimacy (Uzzi, 1999)and create psychological closeness and the flow of privileged information and resources (Walker, Kogut and Shan, 2000). Network closure is important for the mobilisation of social capital because it supports the creation of norms and reinforces obligations and expectations (Bourdieu, 1986; Nahapiet and Ghoshal, 1998). Therefore, network closure is a pertinent factor in ensuring that there is a willingness to share resources with fellow members, which is particularly important in functional groups such as boards of directors.

In contrast to the strong ties argument, it has also been suggested that weak ties can be sufficient in resource sharing because they provide access to resources by bridging disconnected actors. Bridging networks, developed through brokering structural holes, create wider access to knowledge and resources including an increase in career mobility and executive interaction (Gabbay and Zuckerman, 1998). Structural social capital should allow

directors to access parties in different networks for the exchange of resources crucial to their governance work. Cannella Jr. & Yangmin Kim, (2008)suggested that director candidates with more external social capital are more likely to be selected than comparable others with less external social capital. Improving the size of networks and the quality of the individuals within it improves access to other social capital resources (Forret and de Janasz, 2008).

Secondly, the effectiveness of network ties depends on the number of interactions. Koskine (2000) suggests that to benefit from networks, interaction is important as a reinforcing factor. Social relationships that are characterised by a substantial number of interactions, such as meetings, social gatherings foster collective investment strategies and maintenance of a dense network (Nahapiet and Ghoshal, 1998). For example, face-to-face meetings offer a better mechanism for expressing ideas and opinions. Not only does frequent interaction help in building consensus in decision-making, but it also allows actors to exchange a variety of verbal cues and non-verbal cues of information (Ruuska and Vartiainen, 2005).

Thirdly, issues of position or status are important in creating effective network ties. Position or status is integral to structural social capital in the sense that power is possessed by dominant groups and institutions and can be used to determine social order and the distribution of resources within networks. This theme is reflected in Bourdieu's (1974) conception of social capital retained by power elites (such as boards of directors) for the maintenance of status quo or to control the production and distribution of other forms of capital. Flap and Volker (2001) found that the position of someone has in the structure of a network might influence that person's relationships as well as his/her willingness and capabilities to provide help. For instance, an employee might share his/her knowledge with his/her manager not out of a genuine willingness to share but rather because of being in a subordinate position. Such action is not based on trust or reciprocity but fear of hierarchical power (Pretty and Ward, 2001). Furthermore, the structural function of social capital can be related to the signalling function, which arises from the 'symbolic capital'[4] of actors (directors). For example, in respect to boards of directors signalling means that a board member enhances their power and influence in the eyes of various stakeholders by his respective position in a network such as board position in a prestigious bank or membership in an exclusive club where he or she may have access to several powerful individuals in

[4] For example, Pierre Bourdieu, la noblesse d'etat: grandes tcoles et esprit De corps 110-111 (1989) (discussing the creation of symbolic capital through schooling). Bourdieu's notion of symbolic capital is that it can be amassed and exchanged in a way not unlike "hard" capital or assets. *See* pierre bourdieu, le sens pratique 202-04 (1980).

society such as current regulators, members of parliament and so on. A director who has several connections with members of parliament or regulators, for example, may raise a firm's reputation among current regulators, increase the possibilities of accessing resources such as privileged information. This supports Bourdieu's (1986) argument that individuals, who have certain positions or status, can mobilise their social capital to benefit themselves or their groups. Besides position there may be other factors that influence resources sharing. Specifically, in the African culture, the society being collective for example, a team member working co-operatively and harmoniously for the good of the team, can be one factor that encourages resources sharing.

While the concept of social capital turns on the recursive relationship between structure and action, most empirical studies have focused on network structure as a static attribute of social relations. The traditional approach is to identify network actors as senders and receivers of resources such as information. Consequently, very little research has focused on how the quality of social relations influences the mobility of social capital, which of those resources that are within reach will be accessed. This thesis aims to fill the gap by showing that while directors need to have contact with people, simply being connected to others is not enough to derive social capital. Meaningful relationships develop through the interactions associated with specific person-to-person relationships. Developing this relationship-based trust and friendship can take time and a concerted effort on the part of the directors.

2.1.3.2. *Relational social capital*

Relational social capital refers to the nature of the personal relationship that develops between specific actors (Nahapiet and Ghoshal, 1998), and in line with this definition Tsia and Ghoshal (1998) described it as assets that are rooted in this relationship. These embedded assets, which entail norms, values, trust and obligations, generate potential opportunities for the actors (Yli-Renko, Autio and Tontti, 2002). Hence, a dense relationship or network closure, which is a feature of social relationship is conducive to the development of relational social capital (Bourdieu, 1986; Coleman, 1990, 1988). This dissertation, therefore, views the relational dimension concept as the assets created and leveraged through distinct (specific person-to-person) relationships that have their unique relational history. Granovetter (1985, p. 504) had previously observed that "most behaviour is embedded in networks of interpersonal relations" and that personal relations within the social structures contributed to individual goal attainment. This is linked to the motivation needed to use social capital for others' benefit and is related to concepts such as reciprocal exchange, trust

that such exchanges will take place (Nahapiet and Ghoshal, 1998) and respect, trustfulness and friendliness (Liao and Welsch, 2003). This proposes that social actors may have similar connections within their networks but the quality of their relationships and emotional attachments may differ leading to different benefits and outcomes for everyone. As such, relational social capital refers to assets that are created and leveraged through relationships, and parallel to what Lindenberg (1996) described as behavioural, as opposed to structural embeddedness and what (Snehota and Hakansson, 1995)referred to as "actor bonds." Based on this argument, this study expects that relational social capital may impact directors' behaviour in several ways, for example, the development of trusting relationships that foster the exchange and sharing of knowledge that may be crucial to their governance work.

Nahapiet (2008) describes three key features in building effective social relationships: 1) genuine commitment to the relationship believing it to bring some on-going and future mutual benefit (that is, reciprocation, identification and obligation; 2) a high level of trust, which is often based on the competence of others as well as their commitment to shared objectives and 3) strong personal bonds, although these may be difficult to establish. The earlier discussion of social capital intimated that these features may be easier to build within established networks sharing strong bonds and this reflects Bourdieu's (1986) original designation of social capital which emphasizes that the use of social capital rises from 'lasting' and 'durable' social relations, which require the expenditure of significant 'time and energy' (Bourdieu, 1986, p.249–250), implying relations that have a considerable degree of familiarity and mutual regard. Furthermore, the notion that this may lead to power differentials that are created and recreated over time (Bourdieu, 1998).

The concept of trust has gained considerable attention in a variety of contexts but will not be covered in detail in this study. Nevertheless, trust is needed for effective interdependent relationships (Moran, 2005) and is predicated on norms of behaviour. Trust is generally defined as the belief that "the results of somebody's intended action will be appropriate from our point of view" (Misztal, 2001) and interpersonal trust is based on "reliability, predictability and fairness" (Claridge, 2018). Coleman (1990) argued that a norm exists when the socially defined right to control an action (behaviour) is held not by the actor but by others. Trust establishes some form of assurance that ego can rely on the intentions and behaviour of specific others—in the face of uncertainty and vulnerability—to make decisions and act (Simon, 1958). Implicit in the notion of social capital is that people often require resources that are controlled by others, and so some degree of uncertainty and

reliance upon others is natural. Indeed, Coleman's view of social capital is particularly sensitive to uncertainty and emphasizes the role of trust in facilitating exchange (Coleman, 1990: 306–308). Trust can be viewed as the basic active ingredient of social capital, the condition that allows an actor to reliably expect to obtain and use the resources made available through one's contacts (Gambetta, 1988; Nahapiet and Ghoshal, 2000b) Bonding (closed) networks are seen to be better for building trust as they rely on the co-operation and mutuality of actors (Tsai and Ghoshal, 1998) and reciprocity, solidarity and transparency (Lin, 2001). Bonding networks consisting of strong ties also facilitate a sense of belonging (identity) through emotional intimacy, self-esteem, reputation and status attainment (Oh, Labianca and Chung, 2006). Alternatively, actors involved in bridging networks are seen to be self-serving and need to develop more generalised or "swift trust" (Meyerson, Weick and Kramer, 1996) to enable the use of network resources such as knowledge and information (Levine, 2004). In many of these studies, the presence (or absence) of a closed network is viewed as a proxy for trust rather than seeing trust as a characteristic reflecting the quality of interpersonal relations (Moran, 2005).

2.1.3.3. *Cognitive social capital*

Cognitive social capital relates to resources within the network that are influenced by shared values, interpretations and systems of meaning between social actors that are developed over time (Nahapiet and Ghoshal, 1998). Tsai and Ghoshal (1998, p. 465) describe this dimension as "… attributes like a shared code or a shared paradigm that facilitates a common understanding of collective goals and proper ways of acting in a social system" and (Staber, 2006) sees cognitive social capital traits as "… created and sustained through relationships, which, themselves, evolve in a changing environment. Systems of meaning evolve as actors continually negotiate a shared understanding of what they are doing". (Stevenson and Radin, 2009) argued that there is assumed to be a negotiated social order on boards that enables board members to interact and reach agreements. This 'negotiated order' (Strauss *et al.*, 1963) makes the organization possible. These negotiations follow the structural arrangements of the organization and are conducted according to the cultural understandings of the organization that are continually evolving.

In the development of cognitive social capital, organisational culture is important (Lin, 2001; Inkpen and Tsang, 2005), since it helps to convey a sense of identity among organisational members and may create commitment toward the organisation and its goals . This shared culture which refers to the rules and norms that have evolved and are understood within the

network (Inkpen and Tsang, 2005), needs to be compatible to facilitate coordinated actions (Li, Pickles and Savage, 2005). (Liao and Welsch, 2003) found that actors who shared values around behavioural expectations and had similar attitudes created efficient verbal exchanges. Shared narratives and stories helped facilitate information exchange between actors, therefore, creating and sustaining the context in which the exchange takes place (Nahapiet and Ghoshal, 1998) and facilitated easily accessible recurrent conversations (Youndt, Subramaniam and Snell, 2004). It is these shared histories and meanings that help to guide an individual's behaviour and provide expectations for what is and is not acceptable in collective life (Walumbwa, Christensen and Muchiri, 2013). This relates to Bourdieu's (1989) idea of symbolic structures and creates a link between the cognitive structures of individuals and broader social structures which may eventually result in taken-for-granted assumptions. This study takes the view that cognitive social capital may affect director's behaviour in various ways that may, as a result, impact their governance work; for example, by providing a common language and vocabulary with which to exchange idea and develop knowledge in and outside the boardroom.

Given the same situational context, cognitive social capital develops when actors interact with each other over time, have the same background, share the same practices, learn the same skills and have the same norms (Wasko and Faraj, 2005). Therefore, in the context of boards of directors, since members may be spatially and culturally differentiated, it is crucial to develop a shared meaning of understanding. This is because the diverse background of individuals such as in education, culture, or politics can impair communication effectiveness between actors (Korun, 2004). If the team members have a common understanding of the situation (for example, they are clear about their roles as boards of directors and speak the same language), they can interact successfully and effectively. This will, in turn, help the team members to build a personal relationship.

Dyer & Nobeoka (2000) suggest that it is essential for organisational members to share the same codes and vision in sharing know-how or tacit knowledge. Accordingly, Dhir (2005) suggests that managing language is very important because of the workforce's increasing diversity. Kilduff & Tsai (2003) have argued that frequent social interaction is required to enrich actors' understanding of the language and functions as an essential conduit for effective resource sharing. Additionally, those who work in a team (such as board members) must interact with each other to enrich the use of language and symbols to incorporate deeper

understanding (Bourdieu, 1986). Moreover, misinterpretation is less likely to occur when there is frequent interaction because ambiguities can easily and quickly be clarified.

Another critical factor in the development of cognitive social capital is shared vision since if the actors concerned have this, resources (such as knowledge) and transfer between them is facilitated. Hence, there is a need for management to promote organisational vision. In their study "The role of communication in achieving a shared vision of an organisation undergoing leadership change", Farmer, Slater and Wright (1998) found a significant relationship between shared vision and communication from the leader to the public relations staff. Furthermore, Li (2005) shows that shared vision is a vital influencing factor for resource sharing, especially intra-organisation relationships. As a result, organisational members who have cognitive capital, such as shared vision and language, are more likely to become partners in sharing or exchanging resources such as knowledge (Tsai and Ghoshal, 1998). Interesting, Tsai and Ghoshal (1998) also suggested that common values and shared vision might encourage relational social capital development.

While considered a powerful component of social capital, this third dimension has not been discussed to a great extent in the social capital literature (Liao and Welsch, 2003). Also, Ibarra, Kilduff and Tsai (2005) called for the need to examine more closely the links between interactions within a network structure and an actor's perceptions and actions. In contrast, Kilduff and Tsai (2003) advocate the use of qualitative methodologies that enable researchers to get closer to understanding actors' perceptions, interpretations and meanings of relational and cognitive social capital and how these are played out through network activity.

2.1.4. Building social capital

The building of social capital has not been extensively explored in the literature (by Adler & Kwon 2002; Edelman et al. 2004; Ellinger et al. 2011). This is despite the earliest mentions of the term being specifically about its building (see Hanifan 1916). Consequently, scholars such as Nahapiet (2008:599) have argued that "we have much to learn about building social capital", while Dolfsma et al. (2009) spoke of the need to open the 'black box' of how social capital emerges.

The literature is very clear that social capital resides in social networks. It is relational and other actors within the network are providers of social capital (Sobel, 2002; Timberlake, 2005) nevertheless actors are required to act to mobilize the resources available to them

(Baker, 2000). However, **the literature is less clear about the steps an actor can take to develop and use social capital as an actual resource. Bourdieu (1986) believes that social capital can be built by purposeful actions, and that this can ultimately be translated into conventional economic gains, but that an individual's ability to do this is dependent on the nature of the social obligations, connections and networks that are available to him or her.** Burt (1998) suggests that those who are not, traditionally, in the most appropriate or powerful networks to develop social capital should borrow it from someone else, such as a referee who has greater levels of legitimacy within the social network. Westphal and Milton (2000), in their study, demonstrated that minority directors were able to create greater levels of influence (a social capital resource) if they could prove that they had network ties with directors on other boards. This suggests that it is possible to develop social capital by forming relationships with significant others both within and outside the organization.

De Janasz and Forret (2008) found that networking helps an individual build social capital in four ways: by increasing the size of their network, by strengthening their relationships with others in the network, by changing the pattern of the relationships within their network and by using the resources that are available in the network. In earlier work, Forret and Sullivan (2002) suggested taking a balanced scorecard approach to building social capital through activities within one's current organization, within one's profession and one's community.

Other ways of building social capital have been identified such as increasing one's visibility within the company, getting involved with high profile projects (Burt 1998, Singh and Vinnicombe 2001) and engaging with communities of support (Hersby, Ryan and Jetten, 2009). Building network relationships with specific others, such as regulators, Chief Executive Officers, politicians and mentors, is often cited as contributing to directors' influence (Johnson and Mitton, 2003; Faccio, 2006; Hermalin and Weisbach, 1998) and can be interpreted as developing social capital through a 'legitimate' other (Burt, 1998) or using "borrowed" social capital (Lin 1999b, p. 468).

The context of this study is to explore the role of social capital in the governance of Ugandan banks, it is suggested that it is useful to consider these facets in terms of three dimensions: the structural, the relational, and the cognitive dimensions of social capital. Although these are separated analytically, it should be recognized that many of the features described are,

in fact, highly interrelated. Building and using social capital specifically in the context of boards of directors will be discussed in more detail later in section 2.2.

2.1.5. A critique of social capital

Despite the popularity and seriousness of social capital within several different disciplines "the apparent versatility of the concept has led critics to suggest that it runs the risk of being all things to all people and thus not a practical concept" (Bezanson, 2006, p. 430) and some critics, such as Fine (2010), continue to be sceptical about its existence as a construct and, therefore, its use in research. Regardless of this, there has been a huge expansion of research in the past years (Nahapiet, 2011) and in much of the literature social capital is seen in a positive light. Adler and Kwon (2002) argue that the benefits of social capital reside in three main categories: access to more information that tends to be of higher quality, more relevant and more timely; greater access to power in terms of influence and control over others, particularly for those who play the role of 'broker' across structural holes (Burt, 1992) and solidarity which comes from being part of closed networks where norms and values are established and used by the members.

While generally seeing the positive effect of social capital, Adler and Kwon (2002) also identify several risks associated with its use – first, securing and maintaining social capital has to be worked at and individuals have to decide if they are going to get an adequate return on their investment; secondly, each individual may become dependent on the ties within their network and thirdly, solidarity may over embed an actor in a network preventing them from building social networks with other networks.

Putzel,(1997) wrote about the 'dark side' of social capital and the social networks in which it is embedded, which has been acknowledged by several authors in the field. Bourdieu (1986) argued that social capital can be used in ways which produce/reproduce inequality and that people who gain access to powerful positions do so through the direct and indirect use of social connections. He positions social capital in the context of the class structure where powerful elites use it to protect their position in the system and to perpetuate their power and privilege from one generation to the next. This inevitably leads to the exclusion of those who are not part of the elite.

Sobel (2002) related social capital to gift-giving as it creates an obligation to honour future requests for assistance - although this can also increase an individual's social capital. Portes (1998) identifies four negative consequences of social capital networks: the exclusion of

outsiders, excess claims being made on group members, restrictions on freedoms (such as the breaking of norms within the network) and the appearance of downward-levelling norms (such as maintaining the status quo to keep minority members of the network in their place).

Another problematic area with social capital is how it has been studied, focussing largely on quantitative research at the expense of qualitative research (Bezanson, 2006). Because social capital is seen to reside within the relationships between individuals, research into the concept has been more focused on its structural aspects (Nahapiet, 2011; Parzefall and Kuppelweiser, 2012). Much of the empirical work has focussed on the social network aspect of social capital taking a quantitative approach using network analysis tools to identify an actor's location in a network and how this impacts the benefits to which an actor has access (Lee, 2009). This approach enables 'what?' and 'where?' questions to be answered but neglects 'how?' and 'why?' questions which may give rise to a better understanding of how "Individuals play an active role in structuring their social networks to achieve their goals and maximise the benefits they seek" (Ibarra, 1993, p. 74). The strategies used to achieve goals and benefits may be shaped by the constraints of the context in which they are building these networks, yet organizational context and societal factors have not played a prominent part in shaping our understanding of social capital. Also, whilst network analysis has been a useful approach in helping us to understand the importance of an actor's position within a network, it has largely ignored the multi-dimensional nature of social capital and has provided little understanding of other dimensions and aspects of social capital, including how each of the dimensions are operationalized and interdependent (Lee, 2009).

Social capital as a concept is particularly relevant to business management studies. Organizations must rely on a variety of relationships (for example, donors, funders, staff, volunteers, board members, government officials, legislators) to achieve their missions. Proponents of the social capital theory argue that the characteristic elements of social capital (for example, trust, personal networks, shared understandings, collaborative enterprise) promote more efficient and productive action (Adler & Kwon, 2002; Fukuyama, 1995; King, 2004; Lin, 2001b; Putnam, 2000). As it relates to boards of directors specifically, the interest in social capital has been limited (King, 2004). The next review focuses on the aspects of the social capital theory that have the potential to improve the understanding of interpersonal relationships in organizations and, more specifically, the boards of directors' relationships

2.2. PART 2: Corporate governance

2.2.1. Defining corporate governance

There is no generally accepted definition of corporate governance; however, there is have been several attempts at defining the term. The OECD defines corporate governance as a set of relationships between a company's management, its board of directors, its shareholders and other stakeholders such as employees, customers, regulators and suppliers (OECD, 2004). This perspective is more inclusive and offers a broad way of defining corporate governance, which has gradually attracted greater attention in recent years. This research study adopts this broad definition because it focuses not only on the formal rules and institutions of corporate governance but also on the informal practices that evolve in the absence or weakness of formal rules.

The essence of corporate governance defers depending on the discipline, country and context. Several perspectives exist in the literature that explain corporate governance's essence, including; agency, stewardship, managerial hegemony, resource dependency, stakeholder and institutional theories. Agency theory recognises the imperfection of governance structures in protecting shareholders' interests and is concerned with the consequences of the conflict of interests between managers and shareholders (Jensen and Meckling, 1976). Agency theory supposes that managers' interests are not necessarily aligned with the interests of shareholders, and hence the board of directors is considered an efficient mechanism for monitoring a firm's managers on behalf of its investors. Accordingly, effective board governance should ensure maximisation of shareholders' wealth, reduce agency costs, select or dismiss the chief executive officer (CEO), evaluate the CEO and company performance, and also participate in the strategic decision process and control (Kamardin and Haron, 2011) – effectively ensuring control of the organisation. Nevertheless, agency-led studies privilege the result, not a process and hence effective board governance under this perspective is (uncritically) viewed a monitoring device.

Proponents of the competing stewardship theory argue that managers' interests can be similar to those of shareholders (Davis et al., 1997). The argument here is that managers need authority and desire recognition from peers and bosses. Thus, their motivation transcends mere monetary considerations. Stewardship theorists accordingly suggest a collaborative approach between directors and managers (Ong and Wan, 2008). Such an approach stresses service, calling for boards to advise the managers (Sundaramurthy and Lewis, 2003; Sundaramurthy, Pukthuanthong and Kor, 2014) and vice versa.

Resource dependence theory is premised on the cogent adaptation to exogenous changes in the environment (Zinn et al., 1998). Resource dependence theory views the board of directors as "boundary spanners" who extract resources from the environment (Pfeffer, 1973). According to this theory, the interaction of the board with the environment can be a source of strategic information, and this theory derives its insight from the fact that board members are also members of the boards of other firms, and this creates a web of linkages to competitors and other stakeholders. The Linkages created with the firm's external environment help access essential resources, and create buffers against adverse external changes (Riana, 2008). In this vein, effective board governance is about boundary-spanning as one of the board's activities. However, this is the view that is generally taken by studies looking at the board's human capital (Nicholson & Kiel, 2004; G. Nicholson & Newton, 2010).

Stakeholder theory is underpinned by the notion that stakeholders are essential to organisational performance and require explicit consideration in corporate strategy formulation (Cuganesan, 2006). Contemporary understandings of stakeholder theory derive from the definition of a stakeholder as "any group or individual who can affect or is affected by the achievement of the firm's objectives" (Freeman, 1984, p. 25). Therefore the achievement of a service company's objectives might be dependent on its board. Moreover, the firm might be considered a coalition in which the different stakeholders participate to gain their own benefit (Freeman, 1984), including managers and the company CEO.

Institutional theory is traced back to Olsen and Peters (1996) and sociologists like DiMaggio & Powell (1983), Scott (1995) and Zucker (1987). According to Mizruchi and Fein (1999), firms continuously aim to maintain and increase legitimacy by complying with pressures from their institutional environment. Three types of pressures exist mimetic, normative, and coercive pressure (DiMaggio and Powell, 1983). In the context of institutional theory, norms of society must be followed for companies to obtain legitimacy and resources (DiMaggio and Powell, 1983). Corporations comply with norms through the decision-making process and firm structure (Nwabueze and Mileski, 2008).

2.2.2. Corporate governance in the banking sector

As with any other organisation, banks are affected by governance problems, typically associated with the separation of ownership and control. However, banks have special

features that intensify governance problems and might reduce the effectiveness of standard governance mechanisms (Levine, 2004).

There is extensive literature that examines corporate governance in banks and how it differs from that in nonfinancial firms (Caprio and Levine, 2002; Macey and O'hara, 2003; Devriese *et al.*, 2004; Becht, Bolton and Röell, 2011; Mehran and Mollineaux, 2012; Laeven, 2013; Van der Elst, 2015). These studies examine banks' special attributes that have given rise to bank governance structures that differ from those of non-financial firms.

The first attribute is the high leverage of banks. It is not uncommon for leverage in banks to exceed 90 per cent (Berger and Bouwman, 2013; Macey and O'Hara, 2003). Unlike non-financial companies, the main providers of capital to banks are depositors and other debtholders. Gornall and Strebulaev (2014) note that, typically the average of the banks, measured as the ratio of debt ofassets, is between 87 and 95 per cent, whereas the average leverage of non-financial companies is in the range of 20-30 per cent. This high leverage increases the probability of bank failures.

The governance implications of high leverage are also of importance. The conflict of interest between shareholders and debtholders in the presence of high leverage interacts with the equity governance in banks. Macey and O'Hara (2003) argue that banks are susceptible to a higher degree of the moral hazard problem than are manufacturing firms. Laeven (2013) claims that the special attributes of banks imply that agency costs are likely to be more pronounced in such financial institutions than in other firms.

(Levine, 2004) in their discussion of bank governance from the point of view of society at large and the financial system in which banks are important players argue that agents in the economy, who might not hold equity or debt claims in the bank, might still derive benefits from a safe and sound financial system. Hence, a well governed bank might be important to the stability of the overall financial system (Adams, 2010). Corporate governance in banks is justified by the negative externalities that are associated with a bank failure. Particularly, bank failure not only affects shareholders but also possesses serious consequences to depositors and other participants in the financial system and in the global economy.

Studies that look at bank governance from the point of view of society at large and the financial system in which banks are important players, argue that agents in the economy who might not hold equity or debt claims in the bank, might still derive benefits from a safe and sound financial system. A well governed bank might be important to the stability of the

overall financial system (Adams, 2010). In this case, the banking sector might be regulated in two ways. On the one hand, the regulator might restrict the investment choices of banks and impose capital requirements. On the other hand, the regulator might mandate features of bank governance, which in turn affect managerial incentives and risk choices.

Another bank attribute that makes bank governance important is the opacity and complexity of bank assets. Scholars argue that in banking industry, information asymmetries are more important than in non-financial industries (Becht et al., 2012). Information asymmetry in banks has important governance implications. Some scholars argue that loan quality might not be readily observable and can be hidden for long periods because the complexity of many financial instruments makes it more difficult to measure and verify risks (Morgan, 2002; Laeven, 2013). Moreover, the risk composition of banks' assets can be altered more quickly than in manufacturing companies. This change in risk composition might not be immediately visible to directors or to outside investors. According to Levine (2004), the opacity of banks has important governance implications. First, the asymmetry of information in the context of banking makes it more difficult for diffuse equity holders to control managers and for debtholders to control banks from risk shifting from shareholders to debtholders. This difficulty of monitoring exacerbates agency costs. Second, opacity makes it more difficult to design effective incentive contracts. According to Levine (2004), "When outcomes are difficult to measure and easy to influence in the short run, managers will find it easier to manipulate pay-off from compensation packages." Managers of opaque banks can often design compensation packages that allow managers to benefit at the expense of the long-term success of the bank.

2.2.2.1. *Governance mechanisms – The board of directors*

As in any other company, the board of directors is a source of oversight and advice for managers (Adams and Ferreira, 2007; Adams, Hermalin and Weisbach, 2010) in banks. There are several perspectives on board function, summarized in review articles, such as (Daily, Dalton and Cannella Jr, 2003), Forbes and Milliken (1999), and Huse (2000). The monitoring function is more relevant in banks than in nonfinancial companies because of the complexity of the banking business which increases the asymmetry of information and diminishes stakeholders' capacity to monitor bank managers' decisions. Banks are a key element in the payment system and play a major role in the functioning of economic systems.

They are also highly leveraged firms, due mainly to the deposits taken from customers protected mainly by deposit insurance and do not have strong incentives to control banks' decisions.

From the monitoring perspective, the responsibility of directors is to monitor executives' actions on behalf of shareholders. This function originates from agency theory, which is concerned with the relationship between principals and agents and focuses on how to minimize the agency costs associated with this relationship (Jensen and Meckling, 1976), for a review see (Daily, Dalton and Cannella Jr, 2003; Dalton *et al.*, 2007). The board of directors ensure the alignment of management and shareholder interests (Johnson et al., 1996; Zahra and Pearce, 1989). In carrying out this monitoring function, directors may engage in a variety of activities, including selecting, evaluating, and replacing executive management; serving the interest of shareholders, and assessing and monitoring the firm's strategic direction and overall performance (Bacon and Brown, 1975; Monks and Minow, 2004).

Traditional perspectives on how board social ties affect board involvement in firm governance suggest that outside directors' formal independence is assumed to permit more objective evaluation (Pearce and Zahra, 1991). The presence of more outside directors might promote board involvement by raising the level of monitoring and control. However, researchers have also recognised a variation in the extent to which outside directors are genuinely independent, suggesting that although outside board members are formally independent of top management, powerful social factors are thought to compromise their willingness and ability to monitor managerial performance objectively. From this perspective, directors may favour the appointment of personal friends and other individuals with whom they share close social ties (Finkelstein and Hambrick, 1988; Johnson *et al.*, 2011). Researchers have also theorized that social ties are created through the appointment process itself. Board appointments confer prestige and status, as well as financial rewards and perquisites. Hence, given norms of reciprocity, outside directors should feel socially obligated to support CEOs who favoured their appointment (Johnson, Daily and Ellstrand, 1996). Therefore, there is a need to study board social relationships further and fully understand their effect on board behaviour and governance.

2.2.2.2. *The resource provision function of the board*

The role of boards as a mechanism for corporate governance of banks also takes on the role of the advisory body. The bank directors' specific knowledge of the complexity of the banking business enables them to advice managers efficiently (Macey and O'hara, 2003; Laeven, 2013; Houston, Lee and Suntheim, 2018).

The board of directors perform the resource provision function by providing a variety of resources to the firm. This function comes from resource dependence theory, which centres on the relationship between organizations and their environments (Pfeffer and Salancik, 1978, for a review, see Hillman, Withers and Collins, 2009). More specifically, this perspective posits that organizations depend on the external environment for scarce resources; however, these organizations attempt to acquire control over these resources or reduce other's power over the resources to minimize dependence on the external environment (Ulrich and Barney, 1984).

Organizations may use a variety of strategies to reduce this dependence (Pfeffer and Salancik, 1978). These include engaging in mergers and acquisitions, joining joint ventures and other interfirm relationships, utilizing political action, replacing current executives. The Board of directors may also be used as a dependence reducing mechanism through co-optation or providing several resources to the firm. From this perspective, boards of directors are another mechanism to minimize dependence or gain control over resources (Pfeffer, 1972). The board of directors provide several vital resources to the organization and top management team. More specifically, boards provide (1) advice and counsel, (2) legitimacy, (3) channels for communicating information between external organizations and the firm, and (4) preferential access to commitments or support from essential elements outside the firm (Hillman & Dalziel, 2003; Pfeffer and Salancik, 1978, p 145 and 161).

Substantial research studies the resource provision role of boards (Hillman et al., 2009; Johnson et al., 1996; Zahra and Pearce, 1989). Empirical research in this area, for the most part, supports the director's role in linking the focal firm to its environment and providing several vital resources to the firm (Provan, Beyer and Kruytbosch, 1980; Hinds and Pfeffer, 2003). Furthermore, research on board composition supports the notion that the board's composition is changed to adapt to environmental changes a focal firm may face (Salancik, 1995; Hinds and Pfeffer, 2003; Cannella and Yangmin Kim, 2008).

Overall, the research on board relationships is mixed. The dominant stream of research on board relationships suggests that directors' social ties and obligations critically impair a board's capacity to monitor and control management decision-making and performance. Thus, diminishing effective board involvement, whereas there is an increasing literature that suggests that perceived board friendship ties may increase advice-seeking behaviour by enhancing trust among directors, increase the ability of directors to obtain resources for the firm by deploying reciprocal behaviour and bring about several resources found in social networks.

How social ties may influence directors' behaviour, and governance are discussed in the section below.

2.2.3. Importance of social capital to boards of directors

Research on directors' networks is highly diverse in terms of its focus on the social processes underlying network dynamics. While most of this research has focused on the effects of the presence (for example, maintenance of existing relationships) on important board phenomena, there has been a little emphasis on outlining other network processes such as the socio-psychological mechanisms that create change in networks (Westphal & Zajac, 2013). Westphal and Zajac's literature review concentrated on the "social processes that commonly characterize the behaviour of corporate leaders as they relate to each other and to their constituents," which are identified as "social influence", "helping behaviour", "social learning", and "norms of reciprocity" (2013: 611). This study draws from this research to the extent that these processes relate to how boards of directors relate to one another as well others in their networks. Overall, this study considers social processes to entail four functions of social mechanisms: social similarity, social influence, social exchange, and social history. These mechanisms also reflect the three major dimensions of social capital outlined in the literature review: structural social capital, relational social capital and cognitive, social capital (Nahapiet and Ghoshal, 1998). For instance, social similarity is a well-known antecedent to tie formation (Bourdieu, 1986; McPherson et al., 2001). Interpersonal use of social influence helps corporate elite members forge new relationships (Bourdieu, 1988; Westphal & Zajac, 2013). Organizational research suggests that social exchange is a process that engenders relationships, which may "evolve into trusting, loyal, and mutual commitments" (Putnam, 1995b; Coleman, 2000; Cropanzano and Mitchell, 2005). Finally, in the words of Krackhardt (1992), common social history is an

antecedent to trust as it engenders behaviours of social actors, predictable (Bourdieu, 1998; Portes, 2000).

Social capital can be viewed as based on social similarity, social influence, social exchange, and social history – indicators of "how" one knows someone (Coleman, 1998; Granovetter, 1973; Burt, 1992 p.11; O'Reilly and Wade, 1996). social similarity perspective predicts that interpersonal ties form due to homophily effects; that is, people are attracted to, and form ties with similar others (for example, demographic similarity). The social influence perspective predicts that interpersonal ties form based on status differences between individuals—lower status individuals generally defer to judgments of higher status individuals, which may generate an interpersonal effect. The social exchange perspective suggests that individuals tend to form ties with those with whom they can reciprocally interchange resources that are embedded in social relationships. Finally, the social history perspective suggests that sharing common social space creates opportunities for individuals to frequently interact with one another and to form a sense of intimacy and affiliation with others, with whom they subsequently can forge strong ties.

2.2.3.1. Social similarity

McPherson et al., (2001: 419) define Social similarity as proximity of individuals in "sociodemographic dimensions that stratify society" or "internal states presumed to shape […their] orientation toward future behaviour". Prior research has shown that demographic similarity is an important predictor of the strength of social relationships in networks (Eisenhardt and Bourgeois III, 1988; Reagans, 2011) and tie formation among individuals (Vissa, 2011). A principle of social interactions is the tendency of people to bond with and form ties to similar others, known as homophily (McPherson et al., 2001). Existing research differentiates between two types of homophily—status and value homophily (Lazarsfeld and Merton, 1954). Status homophily is the increased likelihood of contact among people who share similar demographic characteristics (age, gender, ethnicity, education, etc.). Value homophily is the increased likelihood of contact among people who converge on similar cognitive, emotional, or behavioural categories such as attitudes, beliefs, and values (Kossinets and Watts, 2009). The greater the levels of similarity among actors, the more social capital, particularly relational and cognitive social capital will be developed (Bourdieu, 1986; Coleman, 1988a, 2000).

Social similarity aligns with Bourdieu's (1986) characteristic of social capital based on mutual cognition and recognition. According to Bourdieu (1986), if individuals occupy the same 'social space' it is because they share similar structural relations to economic and cultural resources. Thus, he associates indicators of taste and cultural and economic power to generate a 'theoretical space' in which both these indicators and his survey respondents have a 'position'. 'Relation' in this context does not refer to a tie or anything that passes between positions. It refers to similarities/ differences in position. One's 'objective relation' to another is one's proximity to them in social space, as Bourdieu defines that space. Economic and cultural capital have their modes of existence (money, habitus; values, beliefs, examinations and diplomas (see Bourdieu, 1977; Bourdieu et al., 1977). For instance, Bourdieu's perspective upon class and field-specific habitus thus presuppose a process of differential association in which actors are more likely to form and sustain social contacts with those socially like themselves (Bottero, 2009). Actors who are close in social space, as he defines it, have more similar habitus, he maintains, and their similarity in habitus draws them together to form concrete relations: 'the proximity of conditions, and therefore of dispositions, tends to be translated into durable linkages and groupings' (Bourdieu, 1985, p.730). Concrete relationships are, therefore, the function of habitus, on this account, with habitus a function of position within a field. This is how social capital acquires a 'symbolic character' and is transformed into symbolic capital. To become effective, social capital 'objective' differences between groups or classes must be transformed into symbolic differences and classifications that make possible symbolic recognition and distinction. In discussing the importance of social similarity in social capital, Bourdieu shares similar ideas to Coleman (1998) and Putnam (1993) who advocate that shared values, beliefs within communities achieve common goals. For the elite such as the board of directors, the common goal is to reinforce and maintain the status quo through recruiting their former colleagues in school to join boards, spreading their beliefs through social clubs and gatherings.

Governance research suggests that social similarity is an important condition in the formation of ties in the context of directors' networks, and it is regarded as an antecedent to co-optation among directors. For example, Powerful CEOs have been observed to select socially similar directors or otherwise influence the appointment of these directors, as the demographic similarity is associated with feelings of sympathy and interpersonal attraction, which pave the way for enhanced co-optation of directors (Westphal & Zajac, 1995). Based

on this literature and the ‘robust’ (McPherson et al., 2001: 418) research finding that similarity leads to the formation of ties, this study includes social similarity on boards of directors as an important mechanism of directors’ social relationships. Thus, it is very likely that interpersonal ties such as liking within directors’ networks are positively related to the degree of social similarity between them.

2.2.3.2. *Social influence*

From Bourdieu’s (1986) perspective and similarly to Coleman (1998) and Putnam (1993), the existence of shared habitus can be explained by reference to interacting agents who become alike through a process of mutual influence and therefore interaction. Through interaction, via processes of mutual adjustment and the sharing of information, networks of agents actively converge on lifestyles, transforming prior aspects of their lifestyles to unify practices (Bottero, 2010). The patterned and uneven nature of such interaction (that is, differential association) is a key mechanism by which field relations take their force. Actors in a similar position to one another are more likely to interact and therefore to influence one another, such that they develop similar habitus. If they do not interact and do not belong to a shared network then there is no good reason to suppose that they will share similar tastes, even if they do possess the same resources. This is the basis of some of the work on social capital and its influence on boards of directors that suggests that board social capital requires cooperation among directors to be valuable and is collectively owned by the social network participants (Adler & Kwon, 2002). Kogut (2000) suggests that public social capital provides self-organizing incentives to members to maintain the network structure. These incentives lead to the enforcement of normative pressures allowing directors to maintain access to their networks' social capital. Thus, directors will not risk disobeying fellow directors' normative pressures, which may result in the loss of social capital (Khanna and Westphal, 2003).

Another branch of corporate governance research investigates the social influence processes in the context of boards of directors from the perspective of impression management theory (For example, Westphal, 1998; Westphal & Stern, 2006, 2007). This literature suggests that directors in high-status positions may become social influence targets through ingratiation, opinion conformity, and flattery initiated by relatively lower status directors. One of the underlying motivations for the use of social influence tactics, enacted as conformity and compliance, is to develop and maintain social relationships (Cialdini and Trost, 1998). Lower status individuals may also defer to judgment of higher status individuals due to

hierarchical relationships established within an institutional context. Numerous studies in corporate governance research have observed that CEOs may engage in social influence tactics to extract favourable outcomes, such as increased compensation (Belliveau, O'Reilly III and Wade, 1996) and the adoption of golden parachutes (Wade, O'Reilly III and Chandratat, 1990). Correspondingly, directors with high prestige power may exert influence on other directors with relatively lower prestige power.

D'Aveni and Kesner show that "an individual manager has prestige if he/she has inter-organizational linkages and interpersonal affiliations that indicate high status. Status, in turn, refers to membership in (or social connections to) an elite circle" (1993, p.125). Therefore, social influence in the context of boards of directors may be a function of a director's status manifested in the number of external ties to other reputable organizations. In line with this logic, He and Huang (2011) operationalised board informal hierarchy by calculating a dispersion measure of the number of outside board memberships of directors. Alternatively, Johnson et al. (2011) conceptualized a director's status on board as playing important roles in social, political, academic, military, and/or business communities.

Generally, research suggests that boards of directors' network ties may form as a result of social influence processes on boards of directors. Positive interpersonal affect elicited through flattery and opinion conformity aside (Westphal and Stern, 2007), actors' engagement in social influence processes enhances frequency of contact, which is an essential prerequisite of positive tie formation (Granovetter, 1973; Krackhardt, 1992).

2.2.3.3. *Social exchange*

Social capital exists in the realm of social relationships and consists of the social obligations that come with those relationships. More specifically, social capital is the aggregate of the resources that are tied to membership in a specific group. The group provides these resources, and they serve as credentials, sources of leverage, status, or worth (Bourdieu, 1986). These resources are exchanged, and as they are exchanged, they reinforce the relationships that exist in the group. Therefore the social interactions that occur, maintain and reinforce social relationships and social standing through the exchange of social. The concept of social exchange originates from both micro- and macro-oriented research (Cremers and Nair, 2005; Cropanzano and Mitchell, 2005). From the social exchange theory perspective, individuals are expected to forge strong ties with those they believe are resourceful others (Liden, Wayne, Kraimer, & Sparrow, 2003). Resource-rich directors can

provide others, with a valuable domain, organization, or industry-specific knowledge and/or network connections to other organizations or institutions, among others. Previous research on social relationships within boards of directors shows that the norm of reciprocity, an important social exchange principle, is an underlying characteristic of relationships among board members (Westphal and Zajac, 2013), especially in the context of advice relationships. This is not surprising given that people seek advice from resourceful others. More importantly, Contractor and Monge state that "an individual will seek a knowledge network tie with another individual if the other can reciprocate and offer something in return" (2002, p. 251). From the boards of directors' perspective, instrumental relationships among board members can emerge in areas of business transactions, knowledge exchange, and advice-seeking/giving, among others.

As per research on board interlocks, an important motivation for directors to join new boards is to learn from the experiences of others (Mizruchi, 1996). Vissa's (2011) research on entrepreneurial networks has shown that task complementarity among individuals is an important driver of network tie formation. Additionally, it is arguable that directors will have enhanced motivation to approach resourceful others on the board, value their partnership, and interact with them on a more frequent basis. As such, tie formation could be driven by the complementarity between the individuals or organisations with which the board members are affiliated. In light of Westphal and Zajac's statement that "favours engender positive affect and instigate or perpetuate social exchange relationships that transcend mutual self-interest, and which gradually come to be perceived by parties to the relationship as a kind of friendship" (2013, pps. 621-622), it can be argued that social exchange constitutes an important underlying mechanism of strong tie formation in the context of boards of directors. Therefore, positive social relationships within the directors' network are likely to be positively linked to the degree of social exchange potential between individuals in the network. Several academics have used the social exchange to express directors' social capital. Social exchange is more likely to exist within relationships that have been grown over time and where there is a social history.

2.2.3.4. *Social history*

Bourdieu's original designation of social capital emphasizes that the use of social capital rises from 'lasting' and 'durable' social relations, which require the expenditure of significant 'time and energy' (Bourdieu, 1986, p.249–250), implying relations that have a considerable degree of familiarity and mutual regard. Relationships that last over a long

period and have a history such as those ties formed through educational institutes or those of individuals who have worked in the same organisation for a long time may have a greater degree of familiarity and mutual regard. Individuals are considered to have a social history when they have shared a social space that allows them to associate and interact with one another. Network theorists acknowledge prior social history, frequent interaction, and affect as fundamental dimensions of strong tie formation (Krackhardt, 1992). Social history among directors can emerge as a result of not only kinship and friendship relations, but also joint involvement in affiliation networks such as clubs (Galaskiewicz, 1985), artistic groups or business communities (Werbel and Carter, 2002), and non-profit boards or governmental advisory committees (Moore *et al.*, 2002).

Moreover, shared social history with a network member may lead them to become a part of another network (Hite, 2005). The underlying argument of affiliation networks leading to new tie formation is that individuals with a shared history or who have shared a social space become relationally embedded in their networks, sustaining these relationships over time. Proximate individuals who interact with one another often are also likely to develop similar attitudes (Beyer, Browning and Shetler, 1995; Mayo, Meindl and Pastor, 2002) and forge relationships over time (Rivera, Soderstrom and Uzzi, 2010).

Shared social history may bring about tie multiplexity (Beckman Christine M, Haunschild Pamela R and Phillips Damon J, 2004). That is, having more than one type of relationship (for example, advice, friendship, direct report, among others) which increases an individual's embeddedness in the network and his/her overall tendency to forge ties with the same actors in their network, a concept often associated with network inertia (Hongseok Oh, Swaminathan and Tai-Young Kim, 2006). Furthermore, previous research has shown that social similarity and physical proximity (that is, closeness) can influence the emergence of strong ties (Reagans, 2011; Dahlander and McFarland, 2013). In the context of boards of directors, Kim (2005) has demonstrated that family, university, and regional ties among CEOs are important predictors of organizational performance. Based on the arguments outlined above, social history in this study will be identified as an underlying mechanism of forming social relationships in the context of boards of directors. Therefore, directors are more likely to form relationships with others depending on the social history between them.

In summary, there has been a little emphasis on outlining other network processes such as the socio-psychological mechanisms that create change in networks (Westphal and Zajac,

2013). This study draws from prior research to examine how boards of directors relate to one another and other constituents in their networks. Overall, the study considers social processes to entail four functions of social mechanisms: social similarity, social influence, social exchange, and social history. The social similarity perspective predicts that interpersonal ties form due to homophily effects; that is, people are attracted to and forge ties with similar others. The social influence perspective indicates that interpersonal ties form based on status differences between individuals—lower status individuals generally defer to judgments of higher status individuals, which may generate an interpersonal effect. The social exchange perspective suggests that individuals tend to form ties with those with whom they can reciprocally interchange resources that are embedded in social relationships. Lastly, the social history perspective suggests that sharing common social space creates opportunities for individuals to interact with one another and form a sense of intimacy and affiliation with others, with whom they subsequently can forge strong ties.

Using objective formative indicators of the four mechanisms of social relationship that are outlined above, we can infer, albeit with measurement error, social relationships among boards of directors and other actors in their networks. One of the purposes of this research inquiry is to demonstrate that examining social ties at the social process level provides opportunities for more fine-grained analyses of boards of directors' social capital than simple aggregations of network nodes that most research has tended to offer. The rationale is that classic aggregation techniques may result in the loss of valuable information on directors' interactions. Nevertheless, key responsibilities that boards enact (monitoring, resource provision, advice and counsel — Johnson et al., 1996) and that are of interest to governance scholars, occur in a relational-interactive context, and thus, an examination of board networks provides a more comprehensive understanding of boards as a social and functional entity. In the words of Granovetter (1985), classic analytic approaches to governance represent an under-socialized view of corporate governance, which underlies the motivation behind recent work in the behavioural governance domain toward developing a more socially informed theory of corporate governance (Westphal & Zajac, 2013). This new direction helps explore new phenomena that may be of interest to governance researchers. In this respect, social relationship processes would be of interest in examining social dynamics in the context of directors.

2.3. Literature summary

Bringing together the main points from the literature indicates that:

Firstly, while research within social sciences and management has expanded upon Bourdieu's early conceptualizations in seeking to better understand social capital and the forms in which it may exist, there is still a need to better understand the resource that is key to and can be mobilized to facilitate social action (See Adler and Kwon, 2002, for some areas of concern). Research needs to be done to better understand the 'how' and 'why' of social capital generation. As Adler and Kwon (2002 p. 33) posit, "to foster social capital in organizations, our framework suggests that managers need to do more than merely encourage social interactions among employees."

Therefore, social capital theory (and social capital) is multi-faceted and multi-dimensional making it difficult to define and operationalize. This has led to a call for further research which moves away from network analysis research (for example, Burt, 1998; Siebert et al., 2001) based around network structure to qualitative work (Nahapiet and Ghoshal, 2000b; Lee, 2009) where the aim is to understand social capital from a more agentic perspective (Benschop, 2009; Ibarra, 1993). There is a need to better understand 'how' individuals form connections with another but also how these relationships are sustained over time. What is the nature of relationships that foster the exchange of social capital among groups: several theorists such as Coleman (1998), Putnam (1993) and Granovetter (1973) have explored the nature of relationships that foster the exchange of social capital among groups. These authors conceptualise social capital as a public good. They posit that social capital consists of the networks, norms, values, and trust in a social organization that enable coordination and cooperation toward shared objectives (Putnam et al., 2003). The results of social capital are mutually beneficial goods. If a community has a large stock of social capital, working together becomes easier for them. The concepts of common values, beliefs, shared objectives are in line with Bourdieu's concept of Habitus (Bourdieu, 1986). However, compared to Bourdieu's concept of social capital, the work of Coleman (1998), Granovetter (1973) and Putnam's (1993) view social capital as a primarily public good, rather than a 'class' good (Lin, 1999, 2000). Therefore, this line of research does not explore the inability to distinguish and identify the resources or benefits obtained through social capital from the ability to obtain or enact them because of an actor's position in various social structures (Bourdieu, 1998; Portes, 1998; Woolcock, 1998). Because the focus is on the importance of shared norms, values, beliefs, and common language in developing and implementing group action, the elements of inequality, which are inherent in social capital and social interactions,

have been ignored and overlooked (Daly and Ailver, 2008). However, this distinction is explicit in Bourdieu's (1977; 1985) work.

Second, the concept of social capital, has played an increasingly important role in the studies of boards of directors' networks. However, social interactions within networks of boards of directors have been difficult to observe and as a result, most studies have concentrated on external ties of directors (that is, interlocking directorates) while neglecting the intra-organisational ties of directors. This thesis aims to examine both internal and external ties of boards of directors, allowing for examining larger board-level social capital. Moreover, research on board social capital has relied mainly on quantitative research methods such as network analysis: both survey-based and archival measures of demographic indicators have been used to construct network ties. Internal social capital or interpersonal ties among board members have typically been captured by using organizational tenure such as average tenure on the board (Kor & Sundaramurthy, 2009), co-working experience (Tian et al., 2011), and overlap in tenure among directors on a focal board (Sauerwald, Zhiang, & Peng, 2016) (see Johnson, Schnatterly, & Hill (2013) for a comprehensive review of operationalisations of internal and external social capital). Beyond these methodological differences, however, exploring contingencies surrounding the relationship between intra-organizational ties of board members and behaviour remains a fruitful research area. For example, while the relationships that imply positive affect such as friendships have been studied to a certain degree, there is relatively little knowledge of the antecedents and consequences of negative interpersonal relationships among directors (Westphal & Zajac, 2013) and how these relationships co-exist in a network with positive relationships. The field's understanding of the role of power, dependency, and affect-based interpersonal relationships at the apex of organizations can be significantly enhanced by simultaneously focusing on the positive and negative relationships in directors' networks.

Finally, there has been little emphasis on outlining other network processes such as the socio-psychological mechanisms that create change in networks (Westphal & Zajac, 2013). This study draws from prior research to examine how boards of directors relate to one another and other constituents in their networks. Overall, the study considers social processes to entail four functions of social mechanisms: social similarity, social influence, social exchange, and social history. The social similarity perspective predicts that interpersonal ties form due to homophily effects; that is, people are attracted to and forge ties with similar others. The social influence perspective indicates that interpersonal ties

form based on status differences between individuals—lower status individuals generally defer to judgments of higher status individuals, which may generate an interpersonal effect. The social exchange perspective suggests that individuals tend to form ties with those with whom they can reciprocally interchange resources that are embedded in social relationships. Lastly, the social history perspective suggests that sharing common social space creates opportunities for individuals to frequently interact with one another and to form a sense of intimacy and affiliation with others, with whom they subsequently can forge strong ties.

Using Bourdieu's (1977) concepts of field, habitus and capital, this study seeks to explore the process of attaining social capital as one that is embedded within the field that has a unique habitus that drives the actor's operational principles. However, as the study focuses mainly on social capital the researcher uses Nahapiet and Ghoshal's (1998) three-dimension social capital framework in the context of boards of directors. This helps to set boundaries within which social capital can be studied. The study brings together three important aspects that have emerged from the literature: 1) a need to have a clearer understanding of how social capital is operationalized and how the social capital dimensions work together; 2) what role does social capital play in shaping directors' behaviour 3) whether this role is positive or negative. The research gap and the research questions will be discussed in more detail in the next section.

2.4. The research gap and development of research questions

All research questions should be context-specific enabling them to focus on "…a detailed understanding of how underlying generative mechanisms work their way through in … a limited number of cases" (Reed, 2009, p.439). This study of the literature in the three areas of social capital and corporate governance – in the context of boards of directors, will enable the researcher to reach this level of focus. The justification for the research questions is outlined in this section.

As previously discussed, much of the existing social capital research that has gained prominence is within the field of social network analysis and has neglected to gain a more detailed understanding of how the social capital resources within these networks are accessed and operationalised. Although considering the networks available to directors within this research context, the study takes a more agentic perspective to determine how individuals access networks and use the social capital resources embedded within them, rather than size, quality, and position within networks. This will enable a clearer

understanding of how social capital is operationalised in the context of boards of directors and how the social capital dimensions are interdependent. This leads to the primary research question:

- **How does social capital influence the behaviour of boards of directors in the governance of Ugandan banks?**

In terms of board social capital, while many studies in this area have focused of director interlocks (external social capital) as a measure of directors' social ties – using quantitative methods, a small amount of research has focused on the intra-board relationships among directors. Furthermore, there is relatively little knowledge of the antecedents and consequences of negative interpersonal relationships among directors (Westphal & Zajac, 2013) and how these relationships co-exist in a network with positive relationships. The field's understanding of the role of power, dependency and affect-based interpersonal relationships at the apex of organizations can be significantly enhanced by simultaneously focusing on the positive and negative relationships in directors' networks. This study seeks to qualitatively examine the role of both internal and external social relationships in shaping directors' behaviour and the governance of Ugandan banks. Therefore, three supplementary research questions:

- **SQ1: How is social capital manifested in the context of boards of directors who govern Ugandan banks?**

  By answering sub-question 1 the researcher seeks to examine how directors as social agents come to build social capital (structurally, relationally and cognitively) because for social capital to exist individuals must be connected to others and those relationships have to be nurtured and developed for them to be able to yield the exchange of the resources that lie therein.

- **SQ2: How does social capital affect directors' behaviour?**

  Bourdieu views the social agent (in this case directors) as a physical, embodied actor, subject to developmental, cognitive and emotive constraints and affected by the very real physical and institutional configurations of the field (habitus). From this perspective, the researcher believes that social groups to which directors belong define the 'self', based on the characteristics of the social group – focusing on the norms, values, stereotypes of social group membership as affecting directors' behaviour. Thus, each identity shapes

behaviour. When identifying with a social group, individuals undergo a process of self-categorisation that steers them to act in a manner appropriate for that group. It is therefore important for the researcher in this study to examine how social capital affects directors' behaviour.

If directors' social capital affects their behaviour, directors' behaviour likely affects board functions. This then leads the research to ask the fowling question:

- **SQ3: How does board social capital affect the governance of Ugandan banks?**

By considering both directors' role and social capital, the researcher is better able to understand the holistic effects of social capital on directors' behaviour in the governance of Ugandan banks. However, rather than examining either role or social capital in isolation from the other, sub-sub question 2 and 3 will be examined in parallel by identifying which aspects of directors' social capital (for example group memberships of directors) affect the monitoring and resources provision functions. As the social agent's identity and hence their behaviour is shaped by the social group they belong to, this process may predict prototypical behaviours whereby individuals attempt to align their actions (such monitoring and resource provision) with the normative behaviours of their social identity. Research on social identification has shown that identification is said to occur when a social group's member comes to define himself or herself in terms of the perceived social group (Foreman and Whetten 2002). For example, the more directors identify with their social fields (such as workgroups and informal social clubs) the more likely that their attitudes and behaviours toward those groups are affected – particularly cooperation, commitment and satisfaction. Thus, the more strongly directors identify with their fellow board members (workgroup) for instance, the more he or she will work to benefit it because he or she sees themselves as partly defined by that social groups.

The first two chapters of this thesis introduced the research issue and located it within the extant literature, thus enabling the specific research question to be identified. The next chapter outlines the approach that is taken, and the methods used to address the research question (s).

CHAPTER 3: METHODOLOGY

2.5. Chapter Overview

The first two chapters of this thesis introduced the research issue and located it within the extant literature, therefore enabling the specific research question to be identified. This chapter outlines the approach that is taken, and methods used, to address the research question, providing the rationale for those choices as well as explaining their limitations. As such, it first reiterates the research aims; second, it addresses the philosophical approach adopted in this study and argues the case for a social constructionist perspective; third, it describes the research design and proposes a qualitative methodology; fourth it describes the process of data collection, and the final section provides a detailed account of the data analysis process.

2.6. Research aims

The central purpose of this study is to understand the role of social capital in the governance of Ugandan banks. In addressing this, the research aims to demonstrate how social capital is operationalized by identifying how individuals build, develop and use social capital in the context of the board of directors thereby adding to the literature that examines the social influences faced by boards embedded in different social networks (Stevenson & Radin, 2009). The research will, therefore:

- Develop our understanding of Bourdieu's concept of social capital in the context of boards of directors by incorporating Nahapiet and Ghoshal's (1998) theory of social capital and extending its use in the context of governance. This assists in demonstrating how each social capital dimension is operationalized and interdependent.
- Develop our understanding of board social capital by demonstrating the crucial role social capital plays at the director-level of governance, thereby adding to the literature that examines the social influences faced by boards embedded in different social networks (Stevenson & Radin, 2009).
- The research makes a small methodological contribution by applying qualitative methods - namely semi-structured interviews and document analysis - to examine the role of social capital in the governance of Ugandan banks in the context of boards of directors. As highlighted in the literature review, most of the literature on board social capital that has gained prominence utilises social network analysis to study

directors' social relationships. In this respect, Johnson et al.'s (2013) recommends that it would be fruitful for researchers to find other ways for modelling social relationships among directors. It responds to calls for greater use of qualitative methodologies which will add to our understanding of how relational and cognitive social capital are played out through network activity (Kilduff and Tsai, 2003) and examine, more closely, the links between interactions within a network structure and actors' perceptions and actions (Ibarra, Kilduff and Tsai, 2005).

2.7. Philosophical stance

The philosophical stance is important to understanding where the researcher comes from and what assumptions and beliefs they have. (Collis and Hussey, 2013) make the basic, but crucial point the paradigm adopted for a piece of research is critical for all aspects of its conduct. Similarly, (Fletcher, 2006) highlights that issues of epistemology[5] and ontology[6] should be in line with the research investigation and (Guba and Lincoln, 1994) argue that *"inquiry* paradigms define for *inquirers* what it is they are about, and what falls within and outside the limits of legitimate inquiry". As the authors propose, a research paradigm can be generated by the responses to three fundamental interconnected questions which are the ontological, the epistemological and the methodological question. Whereas the first is about the assumptions the researcher makes about the nature of reality and what is there that can be known about it, the second relates to the assumptions he/she makes about that how that reality can be studied (Hatch and Cunliffe, 2006; Easterby-Smith, Golden-Biddle and Locke, 2008). As Guba & Lincoln (1994) emphasize, the response to the latter is, to some extent, already pre-determined by the answer to the ontological question posed at the beginning. The third question refers to the methodology that would be appropriate in line with the ontological and epistemological choices of the researcher. This would cover the basic, but crucial question of *how* the researcher can find out about what they believe can be known. Methods will then be fitted to the methodology chosen.

Despite the argument that assumptions are often left hidden by researchers in management and organizational studies while they focus on issues of methodology and analysis

[5] Epistemology is the study of the nature of knowledge, that is, "How is it possible, if it is, for us to gain knowledge of the world?" (Hughes and Sharrock 1997: 5; Guba and Lincoln' 1994). It is concerned with "the nature, validity, and limits of inquiry" (Rosenau 1992: 109).

[6] Ontology relates to the nature of reality, that is, what things, if any, have existence or whether reality is "the product of one's mind" (Burrell and Morgan 1979: 1; Guba and Lincoln' 1994).

technique. (Özbilgin *et al.*, 2005) p. 858) believe that it is the “ontological, epistemological and methodological assumptions, whether stated explicitly or implicitly that shape the actual process of research and analysis”. Our ontology is, therefore, the basis from which we begin our research and our research design is formed from our epistemology.

The social phenomenon explored in this research is directors’ social relationships, particularly, the effect of social capital on directors’ ability to govern Ugandan banks. As discussed in Chapter Two, the researcher draws on Bourdieu (1985), Coleman (1990) and Putnam (1993)’s definitions of social capital to guide this research, which reinforces the view that social capital is an aspect of networks, relationships, norms, and values; it inheres in the structure of relations between people and among people. Moreover, social capital examines patterns of embedded relations, built over time in repeated interaction. Social capital is also concerned with examining the advantages and disadvantages of these embedded patterns of relations and this research adopts Bourdieu’s perspective on social capital concerning class inequalities. These relationships do, however, not exist within a vacuum but may be part of wider societal structures. This emphasis on relationships and wider societal influences led the researcher to inquire further into ‘Constructionism’ as a possible philosophical grounding for this study.

From a Constructionist perspective meaning (or truth), (Thomas, 1998) argues, it cannot be simply called ‘objective’, or 'subjective', there is no 'either-or' situation. In Constructionism humans do *not* create meaning but *construct* such meaning in conjunction with the world and the objects in the world which may be in themselves meaningless but partners in constructing meaning (Ahmed, 2008; Lee, 2012). It is "the view that all knowledge, and therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of the interaction between human beings and their world and developed and transmitted within an essentially social context. Knowledge is contingent upon human practice, knowledge gets constructed, out of the interaction, and the latter is happening in a social context”. As such, the focus of this study in on social capital; how directors build, develop and use social capital and turn how social capital affects their behaviour in the governance of Ugandan banks. The researcher believes that as directors participate in everyday interactions with each other and others in their networks they are constantly defining, redefining and shaping each other’s behaviour in the governance of Ugandan banks – the focus is not on the structure of directors’ networks but rather on the processes.

Consequently, the philosophical perspective of this study concentrates on the ways, directors make sense of the world and the emphasis is on sharing experiences with others through language (Easterby Smith et al. 2008). This is like (Weick, 1995) for whom the social construction of reality follows a process of sense-making. As (Chell, 2000) further expands, it is "about how people interpret what they perceive. To engage in sense-making is to construct, filter, frame, and create "facticity" and to render the subjective into something more tangible (p. 67).

This research is conducted within the socio-economic, political and legal context of the Ugandan banking system (discussed later in the design section) and it is argued that directors' attitudes, but also the way directors' friendship ties are, to a certain extent, influenced by these contextual factors. (Houston, 2001) underlines, that one of the key characteristics of Social Constructionism is that it emphasises that our understanding of the social world as historically and culturally specific, which suggests that it is, to a certain extent, dependent on the context in which we are based. This is also in line with Reed (2005) who underlines that the discursive practices and formations that are part of the Social Constructionist worldview will depend on historical and structural differences in the varying temporal and spatial contexts in which they are embedded.

The study is in the tradition of collecting and interpreting natural language data. The research will, as far as possible, not simply espouse theory as reported by respondents (through semi-structured interviews) but will also, as far as possible, attempt to understand theories in use through such methods as document analysis and thematic analysis. (Falkheimer and Heide, 2006) argue that the language in Social Constructionism is not supposed to work as a picture or map of what has happened, but researchers should make language the focus of their interest and understand language as "a carrier of power" (Falkheimer & Heide 2006, p. 187). As the latter further suggests, language is "both a vehicle to produce and reproduce the social reality, and a vehicle to understand the world around us" (p. 187). As a result, the language "is *productive* rather than (merely) reflective" (Edley, 2001). Reality becomes constituted by both talk and texts (Edley 2001), which is in line with Chell (2000a) who argued that language is at the heart of this shared and understood reality.

The prominent theme of this research is to explore the connection between interpersonal relationships and the work of boards of directors within the Ugandan banks. The research study proposes that the social ties perspective offers governance theorists and academics

considerable leverage in understanding how boards of directors comprehend, construct, and act concerning the challenges and opportunities of their governance work. A key attribute of the infusion of a relational perspective in corporate governance has been the increased use of narratives, stories, and conversation as representations of current discourses and a means of understanding boards of directors' work (Pettigrew and McNulty, 1995; Pye, 2002; Westphal and Stern, 2007). As scholars and practitioners reflect on the content of these narratives, a consistent relational theme has emerged that runs through the diverse ways in which directors understand their governance work (for example, Pettigrew and McNulty, 1995; Pye, 2002). Another important implication of the focus on relationships in the study of boards of directors is the awareness that multiple truths exist in the way in which people construct their perceptions and narratives about their working experiences (Pettigrew and McNulty, 1995). The increasing appreciation of the multiplicity of psychological experience has been explored with great promise within the social constructionist perspective, which has raised fundamental questions about many existing assumptions in the social sciences (Gergen, 2004).

In sum, social constructionist thought generates a critical view of a variety of traditions, questions taken-for-granted knowledge, and shakes the ground under long-accepted assumptions of Western culture in general, and particularly corporate governance.

In this contribution, social constructionism provides a powerful means of locating scholarship close to those the research seeks to understand hence, boards of directors. As the study will examine the social relationships and governance work of boards of directors across time frames and cultures (specifically in Uganda), the researcher, therefore, aims to interview and give voice to the experiences of directors who are engaged in the diverse activities, plans, and interactions that comprise their working life. From this view, moving closer to the experiences of directors as they reflect on their social relationships and work will yield new insights about the intersection of social relationships and corporate governance. Before outlining the important advances that social constructionist thinking offers to the relational approach to directors' governance work, the researcher seeks first to trace the ontological and epistemological positions.

How ontological and epistemological positions are described, and the labels attached to them, vary between different authors. Broadly speaking all descriptions give rise to a range of philosophical approaches in management research from positivism, based on the

scientific and objectivist position of the natural scientist, through to the more subjective approaches of interpretivism based on the view that social reality is constructed and reproduced by social actors. Accepting that the researcher needs to make explicit their ontological and epistemological assumptions, the next section offers an overview of the approaches to the philosophy of science.

2.7.1. Ontology and epistemology

The search for the truth about human nature and society is a focus of traditional social science. Social constructionism, however, represents a radical movement, rejecting the goals and fundamental tenets of the scientific approach and methods such as those that take a positivist stance. Positivism views the world to be a series of discrete events or occurrences (Reed, 2009) and has its origin in natural sciences where the aim is to seek "causal relationships and to explain and predict events [with an emphasis on] empiricism, quantifiable observations and statistical analyses" (Baker, 2011). Positivist researchers seek to produce 'objective' knowledge believing that they can remain independent of the phenomena being researched. They create research designs based on hypotheses and deduction using large random samples which produce results that can be generalised to a wider population – there is no room for subjective interpretation. Positivism is often criticised for its 'naïve realist' claim to produce knowledge that captures reality with accuracy, in a generalizable and context-free form (Guba and Lincoln, 1994). It neglects the impact of the researcher – the 'subjective other' with their own values, interests, goals etc. In the social sciences taking a positivist approach to research tends to reproduce rather than test knowledge systems on which the research is based (Webb, Schirato and Danaher, 2002) and is associated with the maintenance of social and cultural power relations. Social constructionism, however, represents a radical movement, rejecting the goals and fundamental principles of the scientific approach and methods. It can be defined as a theoretical orientation that underpins several social research approaches, which draws on various disciplines, including philosophy, sociology, linguistics, and psychology (Burr, 2015). Given its multidisciplinary nature and range of application, studies underpinned by this approach lack a single defining feature but rather have something of a family resemblance (Webb, Schirato and Danaher, 2002).

Although social constructionism comprises a range of positions on the realist– relativist continuum, its proponents are predominantly suspicious of the suggestion that there is a reality independent of the human mind. The world does not simply yield its nature to us as

we observe it (Burr, 2015). Even those willing to embrace the possibility of a 'real world', known as 'critical realists' - would concede that we may never be able to understand that reality. It is not denied that people may experience the effects of socially constructed concepts, such as social class as if they were real (Berger and Luckman, 1966), but if a 'real' reality is assumed, the position of the researcher must be objective to know how things 'really' work (Guba and Lincoln, 1994). The proposition that the researcher can and ought to be objective is largely rejected in favour of transparency and honesty regarding the researcher's stance and influence. Furthermore, conventional notions of reality, objectivity and 'truth' are also rejected. In this study, the researcher does not claim to be objective; instead, it is suggested that the participants and the researcher are partners in constructing new knowledge.

Social constructionism is on the spectrum of interpretivism, which focuses on ways in which people make sense of the world (usually through language) through their experiences, their interpretations of those experiences and the meanings they give to them. In this case, social reality becomes the creation of social actors as they engage in social situations and the meanings that they construct from these situations (Reed, 2009). Social reality cannot be observed; rather it is based on an interpretation of it therefore, for the interpretivist, the social world is perceived and experienced by its actors from within. Thus, "task of the social scientist is to discover and describe the 'insider' view, not to impose an outsider view on it" (Balike, 1993, p.176).

As meaning is negotiated between social actors, multiple constructions of the world are possible; therefore, social constructionism speaks of knowledge, plurality and perspectives. The way things are is the way we make sense of them. Therefore, all claims to knowledge must be tentative (Crotty, 1998). Perspectives are always dependent on time, place and culture; in other words, knowledge is socially and historically situated (Burr, 2015). Furthermore, knowledge is always in the service of some interests rather than others. This is stressed by critical approaches, which have also influenced the present study. Influenced by Bourdieu (1986), who tends to see power located in the wider social structures, which serve to distort the truth to maintain the economic and political status quo. From this perspective, the dominant discourses constrain the individual, who may be unaware of their influence or whose interests they serve. For example, Bourdieu speaks of how social actors use social fields and habitus to produce and reproduce power to serve the interest of one

group or another and maintain their positions. From this perspective, power is in everyday social interaction and individuals have the agency to resist and create new understandings.

As such, the researcher is viewed as part of the research process, as being involved with what is observed, as an interpreter of the data and someone who gives meaning to it. Research designs usually involve small, purposive samples. The researcher then utilises an inductive process in data analysis allowing them to shift from observation to theory. As a result, conclusions drawn from the research are usually only relevant to the context of the research rather than being generalizable to a wider population (Saunders, Lewis and Thornhill, 2009).

2.7.2. Problems with Social Constructionism

Thus far the researcher has identified social constructionism as the paradigmatic framework driving this research study. The roots of social constructionism have been considered, along with the grounding assumptions of the constructionist orientation guiding this research. It remains now to touch upon the shortcoming of social constructionism. This section is aimed at elucidating on some of these shortcomings.

The Social Constructionist perspective has not been readily embraced by every researcher as its ideas are feared to have the potential to contribute to a collapse of the individualistic paradigm as advocated by Constructivism (Rudes and Guterman, 2007). The latter critically remarks that the paradigm shift to Social Constructionism may be difficult to assume, as, Western cultural value aspects such as autonomy, independence and other conceptions of self that may be very opposed to the relational processes informing this perspective. However, the researcher believes that a social constructionist perspective might be important in understating the corporate governance practices in African countries better because; first, African countries cannot be assumed to have the same cultural values as western countries and therefore western corporate governance practices may not be the best fit. For example, most African countries particularly Uganda are collectivist-oriented countries and therefore models that were constructed within individualistic oriented cultures like the UK may not work effectively. Second, this better understanding may open doors for further research in African corporate governance practices using alternative theories like social capital. Most of the corporate governance policies now are influenced by those in the UK and US which were formulated based on the agency theory model.

Furthermore, Social Constructionist studies have been particularly criticised for being time-consuming and resource-intensive, with data analysis and interpretation not necessarily being straightforward and potentially contingent on the intimate tacit knowledge of the researcher himself (Easterby-Smith et al. 2008). According to (Reed, 2005), one of the problems of Social Constructionism is that the perspective has denied a separation between a discursively constituted social reality and a social reality that exists and changes independently from any discourse or mediation. This has left the social scientist with the challenge of how to reconcile both discursive and non-discursive spheres.

(Ray and Sayer, 1999) have also criticised Social Constructionism for neglecting crucial differences between culture and economy as the former has treated language, discursive practices and textual forms as separate from any links with social structure. Despite this criticism, the researcher in this study believes that Social Constructionism is an appropriate philosophical stance for this study in line with the research questions outlined at the beginning of chapter two.

In sum, the researcher has adopted a social constructionist perspective for this Thesis as it is consistent with the research question, the proposed methodology and the researcher's beliefs about the world. Subjective experiences will be explored, and emerging patterns of directors' actions will be related to what is known about social capital. Moving away from the quantitative studies of network analysis which have dominated social capital research, and tapping into the ontological depth of social constructionism, the researcher expects that the results produced from the study will go beyond surface explanations to reveal underlying and unseen processes and mechanisms which produce the phenomena that form the basis of this study.

Social constructionism seeks to explain rather than predict – This research is looking to 'understand' the intervening mechanisms which may indicate, but not prove a causal relationship between social capital and governance. Moreover, the methodology used must view social systems as multiple systems that are open for the researcher to capture subjective meaning and context. Remembering that social constructionists view knowledge as situated and imperfect there are no claims of objective truth in this research but rather the researcher aims to be robust, transparent, trustworthy and value-aware (Patton, 2002).

The next section explains how the research project was designed.

2.8. Research methodology and design

The researcher's ontology determines his or her epistemology and, subsequently, their research design. Because the researcher's ontology and epistemology lead them to assume that the world cannot be measured in any concrete way, the researcher has rejected a positivist approach to data collection. Instead, a qualitative research design was developed for this study based on semi-structured interviews to produce what (Miles and Huberman, 1994) argue are data that enable discovery and understanding of the actions people take in their particular social context, together with the respective intentions, meanings and consequences, thus providing "*thick descriptions that are vivid and nested in a real context*" - along with document analysis.

2.8.1. The rationale for qualitative research

The literature review in Chapter two identified that much of the earlier work linking social capital and boards of directors was based on quantitative studies, particularly in terms of network analysis. Furthermore, much of the research has followed the positivist tradition. This study represents a departure from the dominance of these methods and rejects the notion underpinning positivism that relationships between variables can be systematically measured and that these measures are reliable, valid and generalizable, thereby predicting cause and effect (Cassell and Symon, 1994).

Qualitative methods allow the researcher to observe everyday life "through interpretative frameworks, to get close to the context of the study and to reveal unfolding social processes" (Van Mannen, 1979 quoted in Pettigrew, 2012, p 2). Qualitative researchers are interested in the meaning and understanding how people make sense of the world, particularly, the meanings they attribute to situations and events they experience within it; they are not concerned with predicting outcomes (Willig, 2001). Also, they are less concerned with the production of hypotheses and categorical frameworks and more interested in emergent themes and idiographic description (Cassell and Symon, 1994).

In this study, the researcher is involved with researching people within their territory (all interviews were conducted on-site where directors were using their own office or a pre-arranged space); using semi-structured interviews which allowed directors to describe in their own words the phenomenon being researched. These narratives will provide the researcher, as a qualitative researcher, with an opportunity for description, interpretation and

explanation (Willig, 2001) which is context-specific and will enable the interpretation of the reported experiences of a group of individuals.

Qualitative studies need to be contextually grounded as they seek to reveal and understand not just the outcomes of what is being researched but also the process of getting to these outcomes. By understanding the impact of context, the researcher will also become more aware of how situations influence an individual's behaviour and how individual behaviour influences situations (Cassell and Symon, 1994). In this study, the research question and the location of the research are context-specific – the concern is with how individuals build and use social capital for the governance of Ugandan banks and how the context within which this is taking place (Uganda banking industry), and their position within it, impacts their ability to do this - the context of this study will be provided in chapter four. The next section describes the qualitative case study approach of this study which enabled the researcher to explore the research phenomenon within its context using a variety of data sources.

2.8.2. The research case study Approach – commercial banks

A case study approach was used as a way of investigating the part social capital plays in the governance process as this approach is suited to an in-depth study within a specific context (Yin, 2014) and can be used by researchers with either a constructionist ontology (Easterby-Smith et al, 2002). According to (Yin, 2014) a case study design should be considered when: (a) the focus of the study is to answer "how" and "why" questions; (b) the behaviour of those involved in the study cannot be manipulated; (c) the researcher wants to cover contextual conditions because they believe they are relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context. This study seeks to explore how directors build, develop and use social capital and how this process affects their behaviour and the governance of Ugandan banks. Thus, a case study was chosen because the case is the interpersonal dynamics of directors' relationships (patterns and processes present), but the case could not be considered without the context, Uganda, and more specifically the Uganda commercial banks setting. It is in these settings that social capital is built and utilised. It would have been difficult for the researcher to have a true picture of directors' social capital processes without considering the context within which they occur.

This research is based on data that was collected from six commercial banks in Uganda whose directors participated in the interview process. Each bank will form a different case study due to the uniqueness of its board's cultural practices (for example composition,

number of meetings) and the ownership (whether foreign or domestic). The researcher interviewed directors from six commercial banks including three foreign banks (Barclays Bank, Standard Chartered Bank and DFCU Bank) and three local banks (Equity bank, Bank of Uganda and Centenary bank). The reasoning behind this choice is the need for comparison of directors' social capital in both cases of foreign-owned banks and domestic owned banks. The researcher believes that the ownership structure may have an impact on the board cultural practices, for example, foreign-owned banks may have adopted practices based on their country of origin practices and likewise for domestic owned commercial banks, therefore domestic owned commercial banks may differ from foreign-owned commercial banks in terms of board cultural practices.

Foreign banks are defined as those banks that have their parent company headquartered in another country whereas local banks are those that are owned by the local people of Uganda and are headquartered in Uganda. The foreign banks selected in this study have group board of directors at their headquarters and their subsidiary in Uganda is also represented by a board of directors (which has a majority of Ugandan people who reside in Uganda).

The table below shows the banks whose directors participated in the study:

Table 2: Commercial banks used in the study

Bank name	Profile	Group
Barclays Bank	Barclays Bank of Uganda Limited provides a range of banking products and services such as loans, savings, checking, investments, and debit cards to individuals, SMEs and large corporations. It started its operations in 1927. It acquired the Ugandan business of the Commercial Bank of Africa in 1969. The commercial bank further strengthened its presence in the country by acquiring Nile Bank Uganda Limited in 2007. It is based in Kampala. It has recently become part of the ABSA group based in South Africa.	Foreign bank
DFCU Bank	Development Finance Company of Uganda Bank Limited, or DFCU Bank, is the second largest of the commercial banks in Uganda. DFCU offers several banking products and services,	Foreign bank

	including loans, savings, checking, debit and credit cards, investments, and mortgages, through its network of 68 branches and 100 ATMs throughout the country. Established in 1964, DFCU Bank is based in Kampala.	
Standard Charted bank	Standard Charted Bank Uganda Limited was established in 1912, making it the oldest of the banks in Uganda. It is the first Ugandan bank to introduce the VISA Electron debit card and toll-free phone banking. It is also the first bank to be licensed to trade government securities as the main dealer in Africa, and the first to offer derivative products. It provides various banking products and services, including debit cards, investments, loans, savings, and checking, through its network of 11 branches and 29 ATMs in main areas of Uganda. Standard Chartered Bank is based in Kampala.	Foreign bank
Equity bank	One of the fastest-growing banks in Uganda is Equity Bank Uganda Limited. Founded in 2008, it operates through a network of 33 branches and 35 ATMs throughout the country. It provides a range of banking products and services such as loans, savings, checking, and investments. In 2010, Equity Bank was given the Employer of the Year Award by the Uganda Investment Authority. In 2015, it was considered one of the Top Ten Banks in Uganda in terms of income and deposits. Equity Bank is based in Kampala.	Local bank
Finance Trust Bank	Finance Trust Bank commonly known as Finance Trust, was founded in 1984 as Uganda Women's Finance Trust Limited. The objective was to provide financial services to low-income people in Uganda, especially women. Sixty per cent of the bank's customers are women. Subsequently, the institution rebranded to Uganda Finance Trust Limited, a Tier III financial institution, recognized as a microfinance deposit-taking institution under the supervision of the Bank of Uganda. On 11 November 2013, the	Local bank

	Bank of Uganda granted the bank a full commercial banking license. The institution then rebranded to its current name.	
Centenary bank	Centenary Banks was founded in 1983 and was registered as a full-service commercial bank in 1993. Its headquarters are in Kampala. Centenary Rural Development Bank Ltd is a financial services provider in Uganda that is engaged in commercial banking. The bank offers loans, savings, investments, checking and debit cards to more than 1.4 million customers through a network of 69 branches and 172 ATMs. It also provides microfinance services, helping rural farmers, small traders, importers, exporters, and manufacturers.	Local bank

In selecting the number of cases, first, the researcher had to choose between single and multiple case design. The single-case design approach is appropriate when the case represents the critical case in testing a well-formulated theory or when it represents an extreme or unique case or when it is a revelatory case (Yin, 2014). Although an impressive amount of academic research has been conducted on social capital theory (for example see, (Borgatti and Foster, 2003), the specific impacts on social capital on boards of directors' behaviour and governance in general (Pye, 2002) and specifically Ugandan banks remains understudied, particularly, the idea that boards of directors are social groups and therefore operate as such remains unexplored in governance research. In this study, a multiple-case study design is chosen. This design makes it possible for the researcher to generate multiple data resources and compare different results to validate the concept under study.

Whereas a single case has limits in terms of generalisability and potential biases (Leonard-Barton 1995), multiple cases help to increase external validity. (Yin, 2014) compares the logic underlying multiple cases to that of multiple experiments. The author suggests that each case should be selected so that it "either a) predicts similar results (a literal replication) or b) produces contrary results but for predictable reasons (a theoretical replication)" (pp. 48-49). As the objective of this study is to build on social capital theory in the context of boards of directors within the Ugandan banks, the researcher chose a multiple case method, which will offer the advantage of comparing (replicating) the phenomenon, that is, boards of directors' social capital from different banks.

Secondly, the researcher must decide upon the number of cases that are necessary or sufficient (Yin, 2014). Since the research aims at developing a theoretical framework that provides insight into the aspects of social capital that influence directors' behaviour and governance in Ugandan banks, it is relevant to study different bank settings. This provides the case study research with a robust foundation that offers suggestions for further research based on this research. Six commercial banks including foreign and domestic banks have been selected for this study. These banks represent some of the biggest banks in Uganda by assets and have a big influence on the practice and the economy of Uganda in general.

2.8.3. Access and ethical considerations

All research must consider ethical issues from the outset of each project as these may impact what is being studied and the methods used for the study. In the type of study conducted here the following areas were considered:

2.8.3.1. *Researcher/participant relationship*

The social constructionist approach to places ethical decision in the interaction between individuals. Consequently, the researcher in this study views themselves as participant-observer who influences and is influenced by research participants, and dominant social realities that inform the research area. This may present several problems, for example, the researcher may fail to fully disclose all relevant information about the research to the participants. In this study, the researcher will overcome this problem by providing a participant information sheet stating very clearly and simply the contact details of the researcher, research aims and objectives, the role of the participant, use of the data collected from the interview, confidentiality, data generation and analysis and finally reporting of outcomes. Additionally, during the interview process, the personal interaction between the researcher and participants involved keeping in mind the research focus and being clear about the role of the researcher.

2.8.3.2. *Access*

For this study the researcher relied heavily on collecting data through interviews and documents. This presented two main issues; first was access to the participants (boards of directors) as these are normally busy and hard to get a hold of, the researcher had a contact within the Uganda banking industry who made an initial introduction with the first participant. The researcher asked each participant if they would be able to recommend other directors that may be willing and interested in participating in the research. This method is

referred to as the snowballing method in qualitative research. Second, the access to relevant documents; in this study, the researcher used documents such as banks' annual reports from 2008 – 2016, newspaper articles and documents on the Uganda corporate governance regulations. These documents are in the public domain and can be accessed via respective websites and so no prior consent will be needed to access these documents.

2.8.3.3. *Autonomy*

The protection of human rights in Uganda requires respect for participants. Capron (1989) stated that any kind of research should be guided by the principles of respect for people, beneficence, and justice. The author considered that respect for people is the recognition of participants' rights, including the right to be informed about the study, the right to freely decide whether to participate in a study and the right to withdraw at any time without penalty. In this study, this principle is honoured by informed consent that was provided to the participants beforehand, which meant that participants could exercise their rights as autonomous persons to voluntarily accept or refuse to participate in the study. Consent has been referred to as a negotiation of trust, and it requires continuous renegotiation (Mauthner, 2002). This is in line with social constructionism in that trust is a continuous construction between the researcher and participant in social interaction.

One other factor helped to assuage ethical concerns. Firstly, approval for the research was given by the University of Greenwich Ethics Committee which meant that the researcher was bound by their guidelines for practice, including ethical considerations such as respect, competence, responsibility and integrity.

This section has identified the ethical concerns that the researcher anticipates for this research and has highlighted the solutions that address these concerns. This discussion has been aligned with the research paradigm (social constructionism), the research theory (social capital) and the guidelines for research involving human rights in Uganda. Qualitative researchers should address the ethical issues encountered in their studies to ensure discussion, analysis, and prevention of future mistakes. Researchers must always respect the obligation of maintaining ethical principles as an issue of protection of human rights, important for both researcher and participant.

2.9. Data Collection

This next section will outline the research methods used for data collection and the rationale for these together with a description of how the research was conducted. For this study, two

sets of data were collected: secondary data using document analysis and primary data using semi-structured interviews. The latter forms the main set of data used in this research and will be discussed firstly below. Subsequently, the document analysis process will be discussed briefly.

2.9.1. Semi-structured interviews

Previous research in the area of social capital and board of directors has commonly taken a quantitative approach focusing on network analysis. Whereas this has demonstrated a positive correlation between network activity and governance outcomes and has highlighted the importance of structural social capital it has provided much less information on how these network connections are made, the barriers to them and how the resources that are embedded in the networks (the relational and cognitive social capital) are utilised. Semi-structured interviews were selected as the data collection method because they provide an open and flexible way to understand individual experiences together with a deeper exploration of what meaning those experiences hold for the participants (Easterby-Smith et al, 2002).

Alternatives to this research method were considered but later dismissed. The researcher very briefly considered using action research as a method of research but the intention was never to become so closely involved with the organizations that provided the context for this study; rather the interest was more involved with an understanding of the role of social capital in governance rather than being actively involved with changing the systems post research (Eden and Huxham, 2002).

Semi-structured interviews, using a pre-prepared interview guide, provide a degree of consistency across interviews ensuring that the most relevant information is gathered to address the research question. At the same time, they provide a degree of flexibility to allow the interviewer to probe areas of specific interest to them or allow the interviewee to expand their discussion in appropriate areas. However, they are time-consuming to arrange and conduct and produce a large quantity of data. If interviews are then transcribed context-rich information can be lost, although the impact of this can be reduced by taking notes during and immediately after each interview.

2.9.2. Interview guide

The decision to focus on directors' social experiences of the governance process stemmed from the literature which revealed that social capital is an important aspect of boards of

directors as social groups but very little was known about how this affected the governance processes. It was from this that the main research question was constructed: **How does social capital influence the behaviour of boards of directors in the governance of Ugandan banks?** An interview guide (see appendix 1) was developed to address this question as well as the sub-research question of; **How is social capital manifested in the context of boards of directors who govern Ugandan banks? How does social capital affect directors' behaviour? How does social capital affect the governance of Ugandan banks?**

The questions were grouped into three main themes. First questions in the guide were designed to elicit the directors' understanding of how the governance process worked (in theory) and then what their (actual) experiences of going through it were. This is consistent with a constructionist focus on specific generative mechanisms. Although the directors interviewed had a good understanding of the concept of 'social capital' despite it being scarcely known or used outside of academia the questions interchanged the phrase with 'social relationships' or 'social interactions' or 'social networks'. The later questions were designed to get a better understanding of what directors did to succeed at performing their governance duties including who they spoke to and why, what actions they took and why, what help they were given, by whom and how they believed that had been useful to them and as a group a collective. Furthermore, questions about the directors' social life outside of work were asked; did they belong to any social clubs, who else belonged to these clubs that was also a board of directors or otherwise, how did these social clubs influence their behaviour outside of work and at work, how often did meet up with other directors for social activity, how do they get access to these groups? These questions were key in gathering data about their interactions with others which could provide evidence of both the seen and unseen role of social capital at work and outside of work.

The researcher strived to explore each of the main questions in every interview. Still, they were able to use the interview guide flexibly to probe and explore areas that seemed to need greater levels of clarification or aspects that appeared more relevant to the certain directors and used the laddering technique as suggested by (Baker, 2011).

2.9.3. Sample selection

A snowball sampling approach was taken in selecting participants for this study. 'Snowball sampling' is generally regarded as a highly effective sampling technique that enables the study of populations who are difficult to reach or 'hidden' (Atkinson and Flint, 2001). It is

also considered an appropriate methodological tool when focusing on sensitive or private matters (Biernacki and Waldorf, 1981, p. 141). As Griffiths et al. (1993, p. 1618) note, ‘research into hidden populations is not new. Researchers have employed a wide range of techniques to collect data on populations for which no easily accessible sampling frame exists’. In the case of this study, it was felt that snowball sampling would be the most appropriate method to obtain a sample of directors who would have otherwise been difficult to reach.

Snowball sampling can be used as the ‘main vehicle through which informants are accessed’ (Noy, 2008, p. 330), and alongside complementary techniques of accessing hard to reach populations. Indeed, Noy suggests that snowball sampling is often employed as an ‘auxiliary means’, which allows researchers to access new participants when other sources have dried up. As such, snowball sampling is quite often considered to be a relatively informal method (Noy, 2008).

For this research, ‘snowball sampling’ was intended in the sense of Goodman’s ‘hard to reach snowball sampling’. A non-probability, convenience sample of a hard to reach population was sought from which to snowball. There was no desire to estimate total population size or eliminate bias resulting from the nature of the initial sample (Goodman, 2011). An initial contact point in the Ugandan banking industry was contacted to locate potential participants to start the sampling process. Also, information about the research was sent out to the contact to advertise the research and its need for potential participants. Two to ten initial participants from which to snowball were sought, on the assumption that this would provide a strong base to work from. Once participants had been located and interviewed, the researcher asked these participants if they knew of any more potential participants; the researcher then chased up these leads. Furthermore, due to the nature of the research topic, it was felt that it was more appropriate for the researcher to be the one in control of the evolving sampling chains, so that discretion could be assured.

Phone calls were made, and an email sent out to the potentials participants – a copy of the anonymised email is provided in the (appendix). If the researcher had not received a response within two days, they re-contacted the individuals. However, most of the participants once recommended were quick to respond and we set the date and time of the interview subsequently. Once I got an interview from one member of the board, they happily

recommended other members on the board to interview with me or sometimes recommended a member of the different board from a different bank.

The sample was made up of non-executive and executive directors currently employed in the foreign and local banks. Additionally, the sample included both male and female directors although the majority were male with only three females. They all turned out to be useful to the study as they had a good understanding of the topic and were not afraid to talk about their experiences.

2.9.4. Conducting the interviews

The interviews were conducted during late May and early June 2018. The researcher arranged interviews with each director who agreed to take part in the research project; most arrangements were made using business email addresses and phone calls after a referral was made by a prior participant. All 30 directors were interviewed in quiet spaces such as their offices at the respective banks or a restaurant. For directors not based in Uganda, skype interviews were scheduled and, from what I could discern, calls were taken in a private office or meeting room – only one director was interviewed via skype call because they were in Kenya at the time. One director took the interview in her own home as she was at home on that day. From the first interview, the researcher was very aware that, although directors had volunteered to be interviewed for this study, the participant and researcher were strangers and that the researcher had only a relatively short time in which to gather data. Moreover, the researcher was mindful about the sensitivities of talking to others about their work and social life. Therefore, building rapport from the beginning was critical to creating an environment in which the candidates felt comfortable in providing the information needed.

At the start of each interview, the researcher reiterated the aims of the research study and reassured the participants of confidentiality/anonymity. Other 'ice-breaking' comments included the format of the interview and how long it would take (typically one hour), permission to ask for the interviews to be recorded and what would happen with the transcripts and the researcher's commitment to feeding back the outcomes of the research at a later stage (for those who were interested in the results). Directors were also asked if they had any questions or concerns before the interview began. Once the director was ready to begin, the first few questions were biographical, which were easy for all candidates to answer and enabled them to relax. From then on, the main research questions were asked using the interview guide as previously described. Using a digital recorder meant that the

researcher was better positioned to listen carefully to their replies and observe reactions to questions, which supported or contradicted what they were saying. Brief notes were taken; often these were memory prompts for the researcher to probe further later in the interview rather than interrupt the flow of conversation.

Specifically, during the first few interviews, the researcher had a curiosity about the balance of roles and how the participants would view the researcher – as a PhD student and they were boards of directors of their banks. The researcher wondered whether this would affect the depth of discussion with the directors. However, the quality and quantity of information the directors presented was very good: in many cases very personal, directors were critical of their social relationships and their role within the banks. Possibly the researcher's ability to create a safe environment in which to speak allowed the directors to be open with their responses, possibly free from organisational constraints (Bourdieu, 1999).

2.9.5. Document analysis

According to Yin (2014), a case needs to be studied holistically using a wide range of data sources. The facts should be gathered from multiple sources to ensure that others' views offset misstatements. In this research project, the researcher draws upon different data sources; semi-structured interviews for primary data as discussed in the previous section and secondly on document analysisfor secondary data, as discussed in this section. This approach enabled the researcher to make comparisons within the data to contrast similar or different data (Rapley, 2018) and understand the background of the directors' context.

The document review process allowed the researcher to develop a deeper and fuller understanding of social capital's role on the governance of Ugandan banks context. It is believed that words and language express ideas that mirror ones' way of life within a given context. They are inextricably linked with the way one interacts with and develops an understanding of the world. Further, that interaction is based on the understanding that is structured by language and other forms of experiences. Thus, the directors' context and their social experiences on which they draw to understand the meanings they create through language, are the basis of the linguistic discourses they use and in which they are immersed. Therefore, for the researcher to fully understand the role of social capital as embedded in the Ugandan banks' context, they had to understand the discourse within that context. Documents contain text (words) and images that have been recorded without a researcher's

intervention. Atkinson and Coffey (1997) refer to documents as 'social facts', which are produced, shared, and used in socially organised ways (p. 47).

Document analysis used in this research as a complementary data collection procedure in support of triangulation and theory building. (Rapley, 2018)called attention to the usefulness of documents for theory building—a process that "begs for comparative analysis with the library offering a fantastic range of comparison groups, if only the researcher has the ingenuity to discover them' (p. 179).

The researcher conducted a methodical search for relevant documents over a period. These documents were reviewed, placed in context, and coded for analysis (Bowen, 2009). These include banks' annual reports from 2008-2019, newspaper articles and legislation Acts. Most of the banks have their annual reports uploaded on their websites: the most prestigious newspapers in Uganda also have a web presence. Additionally, the researcher can access legislative articles from the Bank of Uganda website. The researcher obtained copies of the following documents: annual reports of with data on the frequency of board meetings, names of the board members, matters usually discussed in meetings, attendance records; legislative documents on corporate governance (the Financial Institutions Act), and information on all the current international and local banks - including information on their addresses and contact details. These documents were rich sources of data.

2.9.5.1. Document Analysis and Triangulation

The term triangulation originates from the sciences of land surveying and navigation and refers to a simple method for determining the position of a point using observations from two additional points (Bonanno, 1958).

Four types of triangulation techniques have been identified in Denzin's (1978) seminal work. Methodological triangulation involves the use of more than one research method or data collection technique. This might involve employing several types of qualitative approaches (for example, interviews and document analysis). Data triangulation involves using multiple data sources (for example, two types of reports) or respondent groups. Theoretical triangulation involves using alternative disciplinary or substantive theoretical lenses to view research findings. Finally, investigator triangulation entails the involvement of two or more researchers in the analysis. The type of triangulation chosen and the decision to employ single or multiple triangulation techniques depend on the research question's nature and should complement the methodological paradigm (Dootson, 1995).

This thesis employs methodological triangulation. The researcher used the triangulation method to collect contextual data on directors' roles, networks and the banks used in this research. In addition to 30 interviews, the researcher selected documents to reflect content related to corporate governance (For example, Board structure, roles and compliance), Documents that reflected the structure of the Uganda banking structure (For example, corporate governance regulations, the performance of the sector, the composition of the sector). These documents included Bank annual reports from 2015 – 2020, regulatory documents such as; financial stability reports, Companies Act 2012, Financial Institutions Act 2004.

The researcher analysed the interview transcripts, annual reports, regulation documents thematically to identify core consistencies and meanings using a coding scheme to search, summarise, and analyse the data (Patton, 2002). The coding schemes emerged through reading of the interviews and documents. The analysis included text searches both within and across cases based on thematic frequency, theme examples, and patterns of similarities and differences. The sources of data such as bank annual reports and regulatory documents were published on the webpage of the banks and on the Bank of Uganda website. The table below provides the themes that emerged and a sample of text extracted from the interview scripts and analysed documents.

Table 3 Contextual Factors: Theme Frequency and Quotes

Themes	Interviews scripts	No. of Documents	Sample Quotes
Board structure	30	8	The Board shall be a unitary Board with executive and non-executive directors (Companies Act, 2012). The bank has a unitary board structure (Bank 2, Annual report, 2020). The Board delegates specified matters to the Board Committees and remains accountable for all decisions taken by its Committees (Bank 6, Annual report, 2019).

			The bank takes cognisance of the increasing importance and value of the role of non-executive directors. They bring about independent thinking, outsider perspective, expertise and diversification of views by generating a broader spectrum of options to those proposed by Management (Bank 4, Annual report, 2016). "Unless I expand my network beyond the people I already know […] I bring back the knowledge and information I learn from my wider network to the board" (Paul, Non-executive director, local bank).
Board roles	30	8	The Board is designed to ensure that it focuses on strategy, evaluating the company's performance and monitoring governance, risk and control issues (Bank1, Annual report, 2020). We go beyond the bank's statutory obligations to positively impact the communities (Bank 4, Annual report 2019). The Board delegates specified matters to the Board Committees and remains accountable for all decisions taken by its Committees (Bank 3, Annual report, 2019). Directors are responsible for: the preparation of the financial statements

			including being satisfi ed that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable (Bank 2, Annual report, 2019).
Customers	30	10	*We invite our customers…we get to know each other very well. Also, whenever a new executive is joining the bank, the governance holds a party to welcome and also say farewell to the one who is leaving" (Carolyn, Executive director, local bank).* Our focus around our interactions with customers has been creating end-to-end customer journeys, from the first interaction to long-term loyalty (Bank 1, Annual report). We continue to drive deeper engagement with customers, government and industry groups (Bank 3, Annual report, 2019). A rewarding customer journey also requires understanding – analysing the information people share with us to appreciate their goals and challenges better (Bank 6, Annual report, 2010). In 2017, the bank organised three customer workshops within the central region to

			gather customer feedback (Bank 6y, Annual report 2010).
Community	30	10	Since 2000, we've donated thousands of dollars and volunteer hours to area school foundations, offered hundreds of financial seminars, supported many health and human service institutions including Henry Ford Hospital, Beaumont Hospital, Mott and DeVos Children's Hospitals and Susan G. Komen Race for the Cure, and partnered with countless other community organizations (Bank 2) We continue to demonstrate a firm commitment towards the communities in which we operate by identifying and supporting causes that will facilitate the upliftment and betterment of the society (Bank 1, Annual report. 2019). We engage with external rating agencies to assist them in forming an opinion on our general creditworthiness, with mechanisms to adjust business settings as appropriate (Bank 5, Annual report). In partnership with "Water.org" a charity organisation that increases access to safe water and sanitation to communities, Finance Trust Bank developed a Water and

sanitation loan (Bank 4, Annual report, 2019).

We would like to be known as the bank that is with you from childhood. It is the reason we support initiatives that target children at a tender age to groom them into financially and socially sound youth who can later afford to access our range of products and services (Bank 5, Annual report, 2019).

We promote financial education for women by organising workshops across the country. The workshops brought together over 3000 women across the different regions (Bank 6, Annual report 2019).

Provision of women and youth entrepreneurship programs through Financial Literacy trainings (Bank 2, Annual report, 2018).

We engage with our different communities to better understand the role we can play to address the needs of the societies we operate in (Bank 3, Annual report 2018).

Through our 'Rising Woman' partnership with Daily Monitor and Uganda Investment Authority close to 1,500 women received business training in 2018, bringing to over 52,000 the total number of women that have benefited from the Women in Business

			programs since its inception (Bank 6, Annual report 2020).
Regulators	30	10	"For financial institutions, we rely a lot on our relationships with regulators. It is mostly the regulator because nothing is going to threaten you so much. Inevitably when the regulator is unhappy, the Board is the one that takes the stick and they must go to the regulator and say look we have made a mistake, but we have corrected it and it will not happen again" (Abel, Chairman, local bank). We actively engage with regulators to ensure that there is appropriate governance in place and that evolution in regulation appropriately balances the value of giving customers control of their data, with our duty to protect customers' privacy and security (Bank 2, Annual report, 2018).

			Collaboration with regulators to deepen financial inclusion (Bank 3, Annual report 2017). We maintain constructive and proactive relationships with key regulators (Bank 5, Annual report, 2017).
Compliance	30	8	*"...you have to be aware of what it means to govern an institution, you also have to be aware of the framework within which to govern the institution [...]" (Rodney, Chairman, Foreign bank).* The directors are responsible for the preparation of the summary financial statements in accordance with International Financial Reporting Standards, the Companies Act of Uganda and the Financial Institutions (External Auditors) Regulations 2010 (Bank 1, Annual report 2019). It is the responsibility of the Board to comply with laws and regulations (Companies Act, 2012). The Board remains committed to high standards of corporate governance designed to protect stakeholders' interests and ensure the bank's effective functioning while promoting the highest standards of

	integrity, transparency, and accountability (Bank 6, Annual report, 2019).

Furthermore, the researcher used document analysis and triangulation to collect additional information on directors' profiles. The annual bank reports provided information on the board members, classified as executives and non-executive directors. Some annual reports also include biographical information on board members. As not all annual reports provided biographical information on the board members, the researcher used LinkedIn as another source to find the directors' biographical information. Still, for some, this information was not available either because they do not provide it on their profiles or do not have LinkedIn.

Examples of data collected included; information about their passed work experience, education, current roles outside of their primary board role (such as board memberships in other companies) and any social clubs they might be involved with. Table 4 below shows represents this information.

In Table 4, the researcher demonstrates the directors' connectedness via their board memberships and affiliations with other banks and non-bank organisations. This table has also included information on education background and informal clubs that directors may be associated with. This information may reveal little in isolation; nevertheless, it suggests that directors belong to social networks via their linkages and provides information about directors' potential symbolic and material capital. This is an essential characteristic because these links represent connections between directors, companies, and face-to-face interaction opportunities. The links may have a potential impact on their corporate governance work as the primary decision-making body.

It is essential to understand these directors' linkages in the context of underdeveloped capital markets and weak regulatory institutions in emerging markets. Often, directors occupy multiple directorships and enjoy the material and symbolic benefits that come with them. This undoubtedly has consequences for the monitoring and resource provision roles of the directors. It further has consequences for the maintenance of independence, transparency and accountability of corporate governance affairs. It is possible to address the impact directors' networks have on their corporate governance work if seen from the perspective of social capital, which is further discussed in chapters 5, 6 and 7.

Table 4 Directors' Affiliations

Directors' Affiliations with other organisation (Banks and non-bank)		
Past Affiliations	Current role and affiliation (Director and bank code)	Additional current external affiliations
Work background Head Of Human Resources in Barclays bank Uganda. Head of Financial Institutions, Public sector and Government at United Bank of Africa PLC. Head of Sales and products Stanbic Bank Uganda. **Education background** Master of Arts in Economic Policy and Planning, Makerere University O' and A' Level King's College Budo.	Uriel (Bank 1) Chief Operating Officer	Professional bodies Member of the Carfang Group. Informal Social clubs Unknown.
Work background Head of Global Market Sales at Stanbic Bank, Uganda. Head Corporate Sales and Derivatives Marketing at Citibank. Credit Risk Analyst at Bank of Uganda. **Education background** Bachelor of Commerce from the University of Leeds. A'Level from King's College Budo.	Dylan (Bank 1) Executive director	Professional bodies Member of the Association of Chartered Certified Accountants (ACCA UK). Informal Social clubs Member of the Rotary Club Uganda. Member of the Uganda Gold Club

Work background Regional Risk Project Director - ACCION international. Head of Risk Management; Corporate Banking; Strategy and Innovation – DFCU Bank. Executive Manager - Risk Management; Credit and Relationship Manager – Stanbic Bank Uganda. **Education background** MBA degree - Edinburgh Business School BSc degree in Mathematics, Economics and Statistics - Makerere University	Editta (Bank 1) Chief Risk Officer	Professional bodies Board member and trustee of Uganda Technology and Management University (UTAMU). Executive Director and co-founder of Novefund Limited. Informal Social clubs Unknown.
Work background Manager, Treasury at Uganda Development Bank Limited. Manager, Treasury Sales at DFCU Bank Uganda Limited. Systems Administrator at Standard Chartered Bank, Uganda. **Education background** Unknown	Jacob (Bank 1) Executive director	Professional bodies Member of the Africa Banking Network. The Carfang Group. Member of the Uganda Banking Network. Informal Social clubs Member of the Rotary club

Work background Branch Manager Barclays Bank Uganda. Sales Manager Barclays Bank Uganda. Previously worked at the Mistry of Agriculture, Uganda. **Education background** Bachelor Degree in Agriculture from Makerere University. A'Level at Namagunga Secondary School.	Imogen (Bank 1) Executive director	Professional bodies Unknown. Informal Social clubs Unknown.
Work background Chief Accountant at Uganda Post and Telecommunications. Chief Accountant and Director of Finance at East African Development Bank. Education background	Mathew (Bank 1) Non-executive director	Professional bodies Unknown. Informal Social clubs Member of the Rotary Club Uganda.
Work background Worked with Save the Children International. Member of the Audit and Risk Committee of the Radiation Protection Agency and Institute of Directors. CEO of United Bank of Africa. I also worked at Barclays and DFCU bank.	Willis (Bank 2) Executive director	Professional bodies Chairman of the deposit protection fund. Member of the ACCA Global Accounting for Business Forum. Fellow of the Association of Chartered Certified Accountants, UK.

Education background MBA Finance from Manchester Business School. CPA Uganda and a holder of bachelor's degree in Accountancy, Copperbelt University.		Board member of African Queen. Board member of the Private sector initiative. Informal Social clubs Rotary Club, Uganda.
Work background **Unknown** **Education background** Bachelor of Science in Engineering (Electrical) from Makerere University.	Mary (Bank 2) Executive director	Professional bodies Visiting Lecturer at Makerere University. Board member of Innovation at Resilient Africa Network, Makerere University. Informal Social clubs Unknown.
Work background Unknown **Education background** Unknown	Job (Bank 2) Non-Executive director	Professional bodies An advocate of the High Court and all Courts of Judicature in Uganda. Founding Partner and Managing Partner of M/s Lex Uganda Advocates and Solicitors. Member of the Board of Governors of Namilyango College.

		Member of the Board of Directors of Radio Sapientia Limited. Informal Social clubs Member of the Executive Committee of Kampala Club Ltd.
Work background **Unknown** **Education background** Bachelor of Commerce and Economics from Makerere University.	Willard (Bank 2) Executive director	Professional bodies Member of the Board of Trustees of the Standard Chartered Bank Uganda Pension Fund. Member of the Association of Chartered Certified Accountants (ACCA), UK. Informal Social clubs Member of Uganda Gold Club.
Work background Lecturer at Makerere University. Manager Stanbic Bank, Uganda. Head of Markets Barclays Bank. Served on the Board of DFCU Bank **Education background** PhD at Oxford University.	Mark (Bank 2) Chief Executive Officer	Professional bodies Financial and management consultant at Big Drum Advisory Services, a consultancy he formed to promote Investment in Africa. Member of the Institutes of Certified Public Accountants of Uganda (CPAU), Kenya (CPAK) and Rwanda (CPAR).

		Informal Social clubs Member of the Rotary Club, Uganda.
Work background International Monetary Fund. Lecturer at Harvard University. Lecturer at Makerere University. Research Assistant at Yale University. **Education background** PhD from Yale University Bachelors from Makerere University	Rodney (Bank 2) Chairman	Professional bodies Board member of the Strathmore University Board, Kenya. Chairman of Namulondon Investments, Uganda. And two other board seats. Informal Social clubs Member of the Rotary Club, Muyenga, Uganda.
Work background Managing Director of Housing Finance Bank for five years. Chief Executive Officer at Finance Trust, now Finance Trust Bank, for five years. **Education background** Masters of Science in Financial Management from the University of East London, UK.	Mataba (Bank 3) Chief Executive Officer	Professional bodies Chairman of the Uganda Institute of Banking and Financial Services. Director at UAP Old Mutual General Insurance Uganda Limited. Director at Private Sector Foundation Uganda (PSFU).

Bachelor of Arts in Economics from the University of Greenwich. Postgraduate Diploma in Public Relations from the Chartered Institute of Public Relations.		Director at Central Broadcasting Services (CBS FM). Informal Social clubs Member of the Rotary Club, Muyenga, Uganda.
Work background Head of Development and Institutional Banking. Head of products (Stanbic Bank Uganda). Head of Distribution (Barclays Bank Uganda). **Education background** **Unknown**	Malcolm (Bank 3) Executive director	Professional bodies Unknown. Informal Social clubs Unknown.
Work background Standard Chartered Bank. Stanbic Bank. Executive Director and CEO level in several banks in several African and Asian countries **Education background** **Unknown**	Mali (Bank 3) Non-executive director	Professional bodies An official of the Institute of Bankers and the Bankers Association in Uganda, Kenya, and Rwanda. Sits on three other boards as mentioned in the interview but I could not find information on these anwhere else. Informal Social clubs Unknown
Work background Managing Director at FINCA Uganda Limited (MDI).	Arthur (Bank 3) Non-executive director	Professional bodies

Chief Financial Officer at Banque commerciale du Rwanda. **Education background** Bachelors in Commerce, Accounting at Makerere University		Director Of Finance And Administration at Finca Uganda Education. Informal Social clubs Unknown.
Work background Director of dfcu Limited (the parent company of dfcu Bank). Assistant Governor (2013/2014) in the Rotary District 9211, Uganda and Tanzania **Education background** Makerere University	Mekos (Bank 4) Non- Executive	Professional bodies Team Leader at the CEO Summit Uganda Secretariat Board member and advisor at Baylor College of Medicine, Uganda. Board member of the Kampala Archdiocese Investment Authority. Team leader of the CEO Apprenticeship Program jointly conducted with Strathmore Business School. Board member of the Financial Sector Deepening Initiative of the Executive Coaching Association for Africa. Informal Social clubs

		Member of the Rotary Club. Uganda. Member of the Association of African Business Schools.
Work background **Unknown** **Education background** Master of Laws in Corporate Law, Law at Yale Law School. Bachelor of Law in Corporate Law, Banking, Law at Makerere University.	Paul (Bank 4) Non - Executive	Professional bodies Director of Tax and Legal Services at PriceWaterhouseCoopers, Uganda. Commissioner of the Value Added Tax and Income Tax at Uganda Revenue Authority, Uganda. Informal Social clubs Unknown.
Work background Chairman of the Uganda Bankers Association. Board Chairman of the Association of Microfinance Institutions of Uganda. Board member, FINCA Uganda and Kampala Club. **Education background**	Bob (Bank 4) Executive director	Professional bodies A member of the Board of Uganda Institute of Bankers. A member of the Board of British American Tobacco (U). A member of the Board of PAX Insurance. Chairman of the Advisory Board of Microfinance Department of Nkozi University.

Masters in Business Administration, Management, Business Administration and Management, Finance at Uganda Martyrs University Nkozi. Bachelors in Commerce at Makerere University.		Fellow of the Association of Chartered Certified Accounts (FCCA), UK. Fellow of the Institute of Banking & Financial Services of Uganda. Informal Social clubs Kampala Club.
Work background Operational Risk Manager; SME Banking Division and Credit Risk Management Division at Standard Chartered Bank-Uganda. Manager Credit and Service Delivery at Standard Chartered Bank. Senior Portfolio Manager Assets-SME Banking at Standard Chartered Bank-Uganda. **Education background** Masters of Business Administration (MBA) at Heriot-Watt University. Degree in Bachelor of Commerce (Accounting) at Makerere University.	Carolyn (Bank 4) Executive director	Professional bodies Unknown. Informal Social clubs Unknown.
Work background Principal, College of Business and Management Sciences.	Abel (Bank 4) Chairman	Professional bodies Chairman University of Kisubi.

Chairman of Microfinance African Institutions Network Of Uganda. Chairman of the Academic Board, African Economic Research Consortium (AERC), Nairobi, Kenya. Vice Chancellor, Makerere University Uganda. A member of the Finance Committee of CARITAS, International, Vatican. **Education background** PhD in Economics		Chairman of the Mutesa 1 Royal University. Honorary fellowship of the Uganda Institute of Banking and Financial Services. Informal Social clubs Unknown.
Work background Worked as a legal advisor at a private bank (Not mentioned). Assistant head of financial sector adjustment credit division of the Bank of Uganda. **Education background** Graduate at Cambridge. Bachelors from Makerere.	Gail (Bank 5) Chairman	Professional bodies A senior partner at MMAKS Advocates and works with the Corporate Advisory Team. Member of the board on an insurance company (name not mentioned). Deputy prime minister of the kingdom of Buganda. Informal Social clubs Member of the Rotary Club, Uganda.

Work background Secretary-General of Uganda National Chamber of commerce and Industry; the ministry of local government, Uganda. Chief auditor at UCA auditing services. **Education background** Bachelor of commerce from Makerere University.	Harriet (Bank 5) Non-executive director	Professional bodies Chair of MTN Rwanda. Informal Social clubs Unknown
Work background **Unknown** **Education background** Bachelor of Business Admin from Makerere University.	Simon (Bank 5) Non-executive director	Professional bodies Affiliate Member of the Institute of Risk management. Informal Social clubs Unknown
Work background Chief Operations Officer in Equity Bank, South Sudan. Managing Director, Equity Bank Rwanda. Legal Vice presidency, World Bank Group Washington, D.C (Intern). **Education background** Bachelor of Law from Makere University, Uganda.	Tim (Bank 5) Executive director	Professional bodies Founding partner at Kirunda and Wasike Advocates. Lecturer at Makerere University Kampala. Informal Social clubs Unknown.

<table>
<tr><td>Masters in Law (LL.M) in international Trade and Investment Law from University of the Western Cape, South Africa.</td><td></td><td></td></tr>
<tr><td>Work background
Kenya commercial bank.
Barclays Bank, Uganda.
Education background
MBA in oil and gas at Essex university.
Bachelor degree in statics and applied economics from Makerere university.</td><td>Tony (Bank 5)
Chief Executive Officer</td><td>Professional bodies
Fellow of Association of Chartered accountants, Uganda.
Informal Social clubs
Member of the Rotary Club, Uganda.</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Work background
Head of Global Corporates at Kenya Commercial Bank.
Head of Business Banking at Barclays Bank Uganda Limited.
Head of Products - Personal and Business Banking - Assets and Liabilities
Stanbic Bank, Uganda.
Education background
MBA at Middlesex University.</td><td>Ottis (Bank 6)
Executive director</td><td>Professional bodies
Member of the Africa Banking Network.
Member of the Uganda Banking network.
Informal Social clubs
Unknown</td></tr>
</table>

Bachelor of Statistics and Applied Economics at Makerere University. A' Level King's College Budo.		
Work background JN Kirkland and Associates (Law firm). Worked at Musoke & Co. Advocates. **Education background** **Unknown**	Marcus (Bank 6) Chief Executive director	Professional bodies Lecturer at Makerere University Kampala. Member of the Uganda Law Society. Member of the East African Law Society. Informal Social clubs Member of the Uganda Christian Lawyers Fraternity.
Work background Directorate for ICT Support, Makerere University. President of the Pan African Federation of Otorhinolaryngological Societies (PAFOS). **Education background** **Unknown.**	Johnny (Bank 6) Chairman	Professional bodies Member of The Starkey Hearing Foundation Global Initiative Advisory Board. Chairman of Savannah Informatics and Jadala Investments. Co-founder and Chairman, Otolaryngology Associates and Nairobi ENT Clinic. Informal Social clubs Unknown.

Work background Senior Manager at KPMG. Deputy Head of Finance at Stanbic Bank Uganda. Head of Internal Audit at Stanbic Bank Uganda. **Education background** PhD in Business Administration with the University Institute of International and European Studies (UNIES, Netherlands). Bachelor degree at Makerere University.	Samuel (Bank 6) Executive director	Professional bodies Chief Executive Officer of J.SR Consulting Limited, East Africa. Unknown. Member of the Institute of Internal Auditors. Member of the Technical Committee of the Institute of Certified Public Accountants of Uganda. Member of one of the Public Sector Audit Committees of the Ministry of Finance, Planning and Economic Development of Uganda. Informal Social clubs Unknown.

Source: Bank annual reports; LinkedIn profiles.

Table 4 shows several directors who sit on multiple boards. For example, it shows that the director who sits on the highest number of boards is Mataba, a Chief executive officer from Bank 3 who sits on four boards. He has Masters in Financial Management from the University of East London, UK, has previously sat on the board of Finance Trust Bank and Housing Finance Bank. He currently sits on four other boards, including; Chairman of the Uganda Institute of Banking and Financial Services, Director at UAP Old Mutual General Insurance Uganda Limited, Director at Private Sector Foundation Uganda (PSFU) and Director at Central Broadcasting Services (CBS FM). He is a member of the Rotary club Muyenga, Uganda. Mekos is another director with a high number of directorships. He is a non-executive director from Bank 4, studied at Makerere University, has previously sat on Dfcu Limited's board (the Parent company of Dfcu bank). He currently sits on three other board, including board member and advisor at Baylor College of Medicine, Uganda, board member of the Kampala Archdiocese Investment Authority, board member of the Financial Sector Deepening Initiative of the Executive Coaching Association for Africa and is also a member of the Rotary club, Uganda. Willis and executive director from Bank 2, has an MBA in Finance from Manchester Business School; he has previously worked as a CEO of United Bank of Africa and has worked at Barclays and DFCU Bank. He currently sits on three other boards, including chairman of the deposit protection fund, board members of African Queen and the Private Sector Initiative. Willis is also a member of the Rotary club, Uganda.

Table 5 below ranks the board members by how many board seats they have.

Table 5 Rank by number of board seats

Directors code name	Bank code	role	Current Board seats
Mataba	Bank 3	Chief Executive Officer	5
Bob	Bank 4	Executive director	5
Rodney	Bank 2	Chairman	5
Willis	Bank 2	Executive director	4
Mekos	Bank 4	Non-executive director	4
Editta	Bank 1	Chief Risk officer	3
Job	Bank 2	Non-executive director	3
Abel	Bank 4	Chairman	3
Johnny	Bank 6	Chairman	3

Willard	Bank 2	Executive director	2
Mary	Bank 2	Executive director	2
Arthur	Bank 3	Non-executive director	2
Paul	Bank 4	Non-executive director	2
Gail	Bank 5	Chairman	2
Harriet	Bank 5	Non-executive director	2
Samuel	Bank 6	Executive director	2
Uriel	Bank 1	Chief Operating Officer	1
Dylan	Bank 1	Executive director	1
Jacob	Bank 1	Executive director	1
Imogen	Bank 1	Executive director	1
Mathew	Bank 1	Non-executive director	1
Mark	Bank 2	Chairman	1
Malcolm	Bank 3	Executive director	1
Mali	Bank 3	Non-executive director	1
Carolyn	Bank 4	Executive director	1
Simon	Bank 5	Non-Executive director	1
Tim	Bank 5	Executive director	1
Tony	Bank 5	Chief Executive officer	1
Ottis	Bank 6	Executive director	1
Marcus	Bank 6	Chief Executive Officer	1

Data collected through document analysis and triangulation enabled the researcher to identify some of the network connections of the directors who participated in this research. This can tell us about the connections that directors can mobilise. Table 5 shows each board member's name and the number of board seats, revealing that the directors with the highest-ranking sit on five boards. Board members are arranged from high to low levels of board seats in Table 5. Based on the interviews, some directors such as Ottis and Simon mentioned that other than their current role in the bank, they had external board seats. However, the researcher could not find any data to verify these board seats, so these have been left out, and only the known current board seat is considered.

2.10. Data Analysis

This section will firstly provide a descriptive-analytical account of the directors who took part in this study. This will then be followed by a detailed explanation of the process used to move from data description/coding through to data analysis, demonstrating how themes emerged.

2.10.1. The directors/participants

Demographic details for each director are provided in Table 6. Pseudonyms are given to protect the identity of each candidate.

Table 6 Directors' demographic details

Bank code name	Type of Bank	Participant code name	Gender	Age range	Role	Years with bank
Bank 1	Foreign bank	Uriel	Male	35-40	Chief Operating Officer	3
Bank 1	Foreign bank	Dylan	Male	35-40	Executive director	2
Bank 1	Foreign bank	Editta	Female	45-60	Chief Risk Officer	2
Bank 1	Foreign bank	Jacob	Male	45-60	Executive director	9
Bank 1	Foreign bank	Imogen	Female	45-60	Executive director	1
Bank 1	Foreign bank	Matthew	Male	45-60	Non-executive director	4
Bank 2	Foreign bank	Willis	Male	45-60	Executive director	7
Bank 2	Foreign bank	Mary	Female	45-57	Executive director	7
Bank 2	Foreign bank	Job	Male	45-57	chairman	4

Bank 2	Foreign bank	Willard	Male	45-57	Executive director	2
Bank 2	Foreign bank	Mark	Male	35-47	Chief Executive Officer	0
Bank 2	Foreign bank	Rodney	Male	45-60	Chairman	6
Bank 3	Foreign bank	Mataba	Male	45-57	Chief Executive Officer	4
Bank 3	Foreign bank	Malcom	Male	35-47	Executive director	2
Bank 3	Foreign bank	Mali	Male	45-60	Non-executive director	1
Bank 3	Foreign bank	Arthur	Male	35-47	Non-executive director	2
Bank 4	Local bank	Mekos	Male	45-60	Non- Executive	3
Bank 4	Local bank	Paul	Male	45-60	Non - Executive	5
Bank 4	Local bank	Bob	Male	45-60	Executive director	4
Bank 4	Local bank	Carolyn	Female	35-40	Executive director	1
Bank 4	Local bank	Abel	Male	45-60	Chairman	4
Bank 5	Local bank	Gail	Male	40-56	Chairman	10
Bank 5	Local bank	Harriet	Female	45-60	Non-executive director	1
Bank 5	Local bank	Simon	Male	45-60	Non-executive director	1
Bank 5	Local bank	Tim	Male	40-56	Executive director	5
Bank 5	Local bank	Tony	Male	35-47	Chief Executive Officer	4
Bank 6	Local bank	Ottis	Male	45-60	Executive director	6

Bank 6	Local bank	Marcus	Male	40-56	Chief Executive director	4
Bank 6	Local bank	Johnny	Male	45-60	Chairman	4
Bank 6	Local bank	Samuel	Male	40-56	Executive director	5

The sample consisted of a total of 30 directors (Executives and Non-executives) who belonged to either a local bank or foreign bank.

2.10.2. Thematic analysis – data coding and emerging themes

An important stage in analysing interview scripts is coding which requires qualitative data to be organized into conceptual categories (Miles and Huberman, 1994). Coding means that each piece of data (a word, phrase or section) is given a short name or label which, in summary, form, describes what that data refers to (Lofland and Lofland, 1995). Coding, therefore, provides a link between data collection and the creation of theory which emerges from the analysis.

Thematic analysis is a method for identifying, analysing, and reporting patterns that is, themes, within the data. It organises and describes the data and then goes on to interpret the various aspects of the research topic (Boyatzis, 1998). However, thematic analysis can go beyond this and interpret more specific aspects of the research topic (Boyatzis, 1998, p. 4). These aspects of thematic analysis mean that it has the potential to uncover and provide a: “rich and detailed yet complex account of data” (Braun & Clarke, 2006, p.78). Furthermore, Braun and Clarke (2006, p. 81) state that thematic analysis is flexible, and can be used across a range of philosophical paradigms.

In this study, the same approach to data analysis was used. The researcher transcribed all the recorded interviews manually. All transcripts were read and re-read whilst listening to the tapes and corrected where necessary. The researcher then re-read each transcript again whilst listening to the recordings to mark up the scripts with any comments about how the questions were answered (for example with laughter, sighs, evidence of other emotions, long pauses). At this stage, the researcher began to recognise areas of interest and marked these lightly in the margins.

Initial coding: the researcher read through and coded 20 transcripts – 10 directors from Group A and 10 from Group B - using the interview questions as an initial template (for example questions around: understanding how the governance process worked, experiences

of being on the board, working as a team, what they did). In terms of *a priori* codes, the researcher kept in mind the three dimensions of social capital and their definitions – structural social capital that is, connected with networks, relational social capital to do with the quality of the relationships within the networks and cognitive social capital related to shared understanding. However, it was important to remain as open-minded as possible in the early stages of coding to see what other themes might emerge to avoid forcing data into existing categories. Several themes began to emerge, and the researcher recorded new codes as they emerged.

Identification of themes: at this point, the researcher had a long list of codes and recognised the need to stand back from them before beginning to organize them in a meaningful way rather than a logical way. This enabled the researcher to take a more interpretative approach to the data and to identify "repeatable regularities" (Miles and Huberman, 1994, p. 69). For example, there were codes describing contact with people within the directors' respective banks, outside of banks, with clients, with other directors, with people in senior positions in society and recognised that these were all to do with contact connected with current job role; other codes described how the directors worked with others and the researcher grouped these around the theme of building quality relationships.

In some instances, data was allocated to more than one code because they had multiple interpretations. This is acceptable in qualitative research where data is "textured, nuanced and elicit three-dimensional images" (Bansal, 2013, p. 127). For example, the below extract was allocated several codes: self-Initiative, facilitate access to information, relationship with clients:

> *"It is important to get to know our clients to be able to understand what it is they want us to provide for them. If we can provide something beneficial to them, and saves them time, and they feel like they can rely on us, they will remain loyal to us, they will recommend other customers [...] you get an opportunity to ask questions, get feedback, rather than sitting in the board meeting and say these are our clients. If you do not know who they are, you are wasting your time. You need to go see them and interact with them and that's how you understand your business."*

Producing an initial template of themes: due to the relatively long list of themes the researcher decided to input the information into NVivo[7]. This enabled the researcher to organize and categorise the data. While the use of NVivo supports the analysis of data it does not actually conduct the analysis and it plays no part in its interpretation (Bazeley and Jackson, 2013). For the initial template, however, the researcher drew upon the categories suggested by Bazeley and Jackson such as people, issues, actions, impact and emotions to help organize the emerging themes. This enabled the development of a hierarchical structure made up of tree nodes (first order themes) and sub-nodes (second order themes). See figue 1.

As the researcher created the initial template it became apparent that some themes were mentioned more frequently by only one or two directors, suggesting this theme was more salient to them and their situation. Other themes were mentioned by almost all the directors and therefore appeared more representative of the sample, while others were mentioned by only a few directors. However, (Bazeley and Jackson, 2013)warn against assuming that frequency indicates salience arguing that "in the qualitative analysis [frequency] must never be taken as any kind of "evidence" in and of itself. The process of listing themes is about raising questions, not answering them". When reporting findings, the researcher will demonstrate salience using indicators such as 'few', several', 'all', 'some', or 'most'.

Defining and naming the themes: During this stage, the thematic map of the data helps in the further defining and refining of each theme. Braun and Clarke, (2006), p.22, referred to this stage as the identifying of the 'essence' of each theme. In so doing, there is not just an overall picture of the data, but also there is an identification of what each theme is about, and what aspect of the data each of the themes captures. By looking at the initial template the researcher needed to move away from simply organizing the data to an interpretation of it (Ritchie and Lewis, 2003). In order to do this the researcher referred to the social capital framework. It was clear that themes such as actions (containing sub-themes such as networking) were connected to the structural social capital dimension; themes such as people and issues (containing sub-themes such as doing the job well) were related to relational social capital and themes such as impact and issues (containing sub-themes such as enablers, barriers and characteristics of directors) were related to cognitive social capital. This enabled

[7] NVivo is a computer-based qualitative research package. The researcher used NVivo 12.

the researcher to aggregate the data into theoretical dimensions, reorganizing the initial hierarchical structure to reflect this.

Quality checks: the whole data analysis process has been what Fletcher (1999, p.23) describes as a process of narrative deconstruction which involves "taking apart the text and analysing it to challenge implicit dichotomies, reveal suppressed contradictions and call attention to what has been obscured or made invisible. It is a powerful tool for challenging the assumptions that lie beneath the text." Fletcher makes it clear that this is not designed to create another 'truth' but to "expand the dialogue to allow previously uncontested ideas, assumptions and perspectives to be challenged." Conducting qualitative research is not about finding 'truths'. Arguably, not having 'truths' as a research outcome may make it difficult for the quality of qualitative research to be assessed. The significance of this will be discussed in the next section.

2.10.3. Developed themes for this research

Social Capital is a multi-dimensional concept and that seems to be one of the main reasons that generate a plethora of debates in relation to the way it should be defined and operationalised for the purposes of research. Despite the numerous debates, there appears to be no consensus in relation to the definition and the operationalisation of social capital. Instead, different researchers/authors perceived and operationalised social capital in different ways. Chapter two illustrated the way social capital was understood and used by some of its main theorists and demonstrated the way social capital is employed here. This part exemplifies the way social capital is operationalised in this study in relation to the data analysis.

The researcher looked at the findings using social capital theory and its three dimensions: structural (for example networks and network connections), relational (for example quality of relationships) and cognitive (for example shared norms and values) and dealt with each of these in turn in relation to the research questions (Nahapiet and Ghoshal 1998) While separated analytically, the three dimensions of social capital are known to be interdependent (each dimension is mutually dependent upon the others) and difficult to catalogue neatly in practice (Nahapiet and Ghoshal 1998). It is, therefore, important to clarify how the researcher made the conceptual transition from description to analysis and then to the interpretation of the data.

To use typical and uncommon extracts throughout the findings' chapters from each of the two bank categories (Local banks and Foreign banks directors), the research drew on the work of (Clair Greenberg and Ladge (2012) and Creed et al., (2010) to;

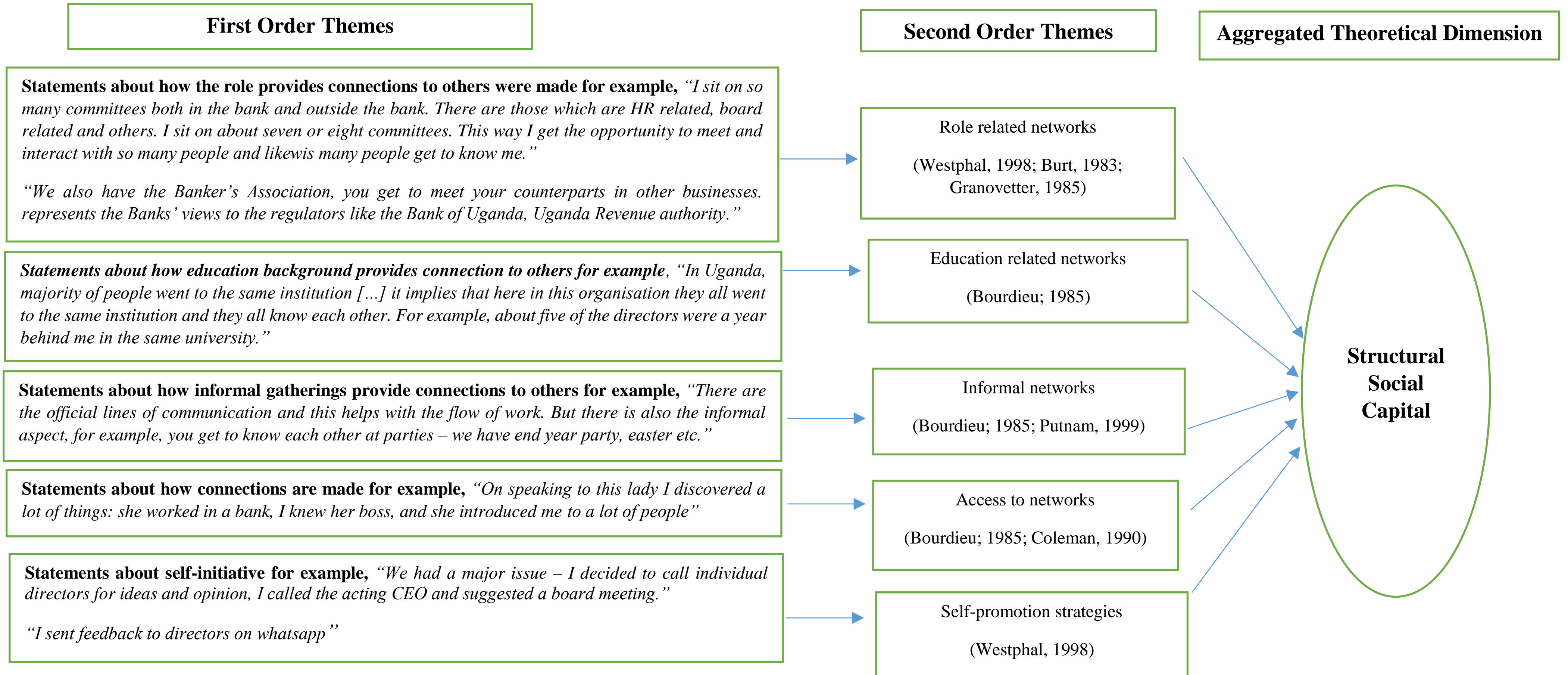
Identify the first-order themes which emerged from the raw data and represent directors' descriptive accounts of their experiences and their perceptions of social relationships.

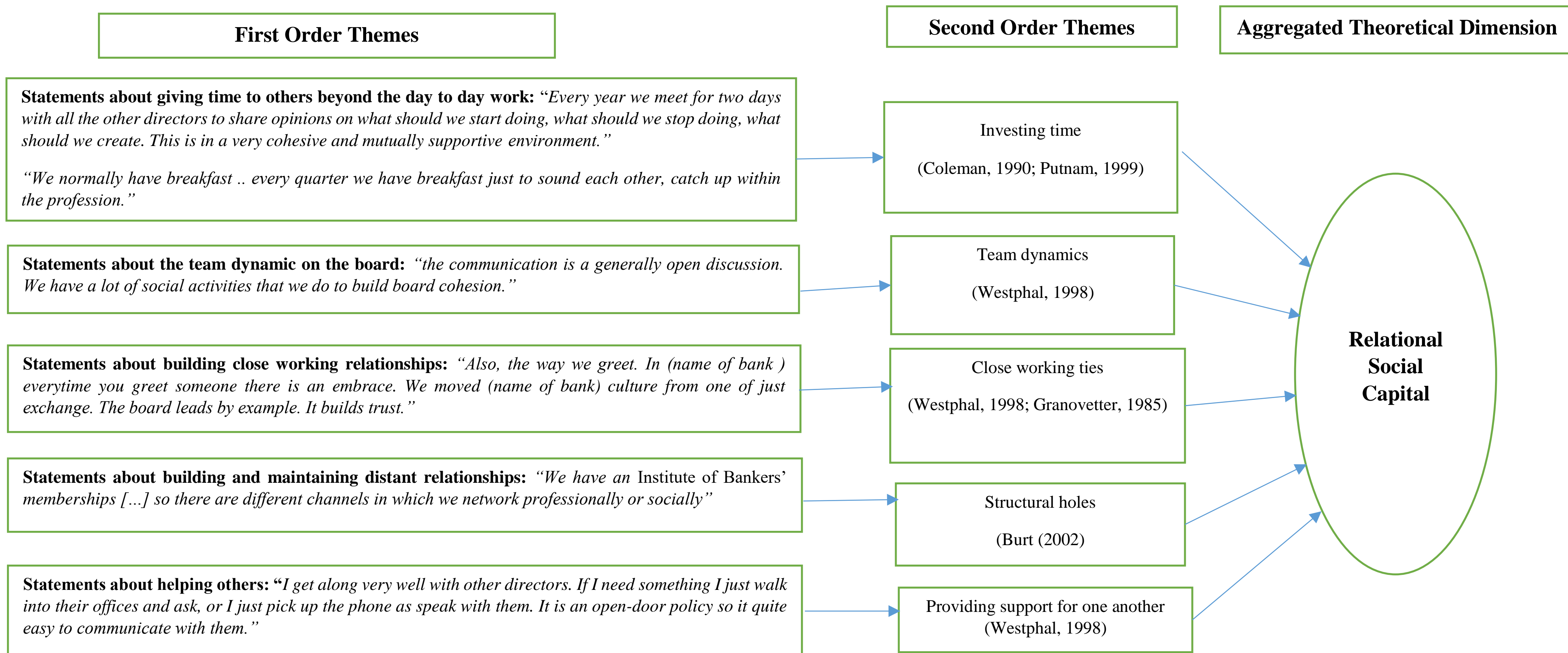
Identify theoretical categories that are second-order themes which emerged through clustering the first-order themes and represent the conceptual dimensions of the key constructs discussed.

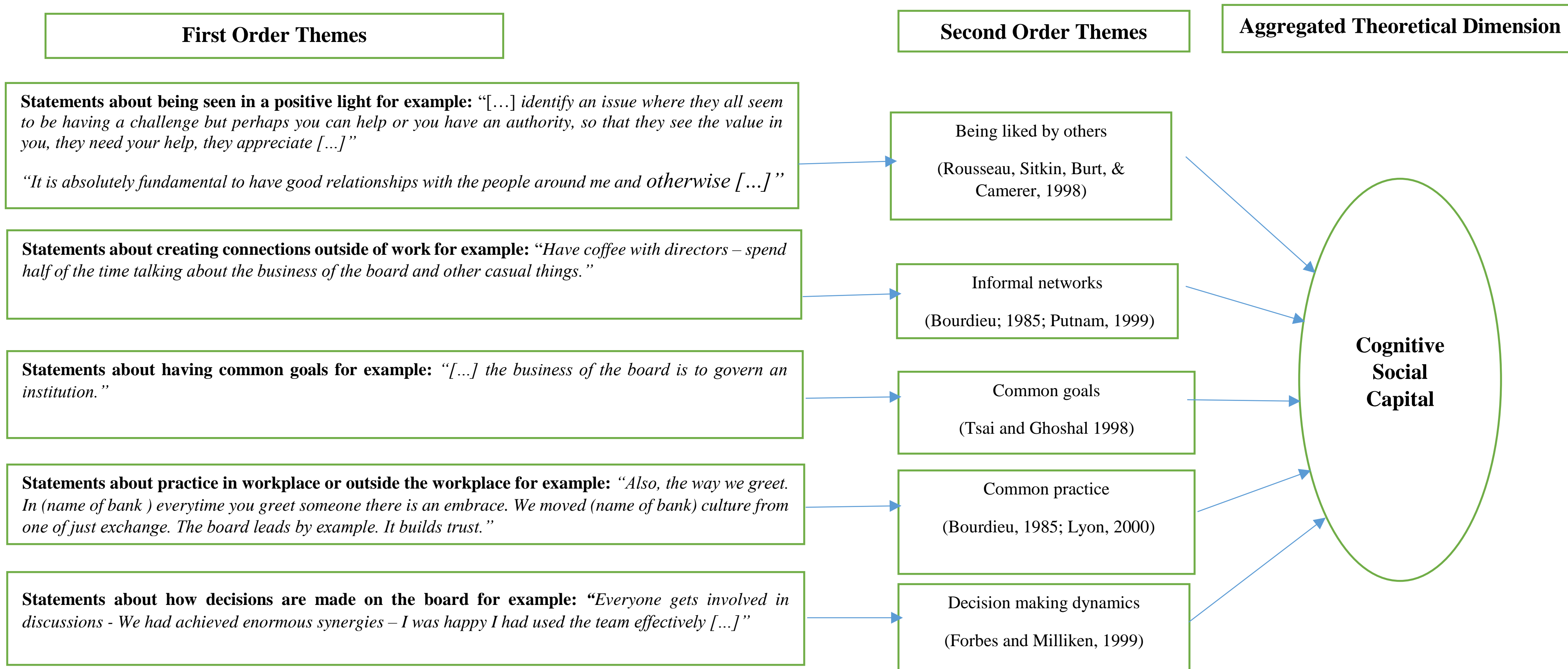
Finally, aggregating the second-order themes into the constructs which reflect the theoretical dimensions of social capital – structural social capital, relational social capital and cognitive social capital. This step involved an increased level of synthesis and abstraction in the data analysis process.

The figure below illustrates the three main steps taken during the analysis as discussed above:

Figure 1: Data analysis steps




First Order Themes
Second Order Themes
Aggregated Theoretical Dimension
Statements about giving time to others beyond the day to day work: "Every year we meet for two days with all the other directors to share opinions on what should we start doing, what should we stop doing, what should we create. This is in a very cohesive and mutually supportive environment."
"We normally have breakfast .. every quarter we have breakfast just to sound each other, catch up within the profession."
Statements about the team dynamic on the board: "the communication is a generally open discussion. We have a lot of social activities that we do to build board cohesion."
Statements about building close working relationships: "Also, the way we greet. In (name of bank) everytime you greet someone there is an embrace. We moved (name of bank) culture from one of just exchange. The board leads by example. It builds trust."
Statements about building and maintaining distant relationships: "We have an Institute of Bankers' memberships [...] so there are different channels in which we network professionally or socially"
Statements about helping others: "I get along very well with other directors. If I need something I just walk into their offices and ask, or I just pick up the phone as speak with them. It is an open-door policy so it quite easy to communicate with them."
Investing time
(Coleman, 1990; Putnam, 1999)
Team dynamics
(Westphal, 1998)
Close working ties
(Westphal, 1998; Granovetter, 1985)
Structural holes
(Burt (2002)
Providing support for one another
(Westphal, 1998)
Relational Social Capital


First Order Themes
Second Order Themes
Aggregated Theoretical Dimension
Statements about being seen in a positive light for example: "[…] identify an issue where they all seem to be having a challenge but perhaps you can help or you have an authority, so that they see the value in you, they need your help, they appreciate […]"
"It is absolutely fundamental to have good relationships with the people around me and otherwise […]"
Being liked by others
(Rousseau, Sitkin, Burt, & Camerer, 1998)
Statements about creating connections outside of work for example: "Have coffee with directors – spend half of the time talking about the business of the board and other casual things."
Informal networks
(Bourdieu; 1985; Putnam, 1999)
Statements about having common goals for example: "[…] the business of the board is to govern an institution."
Common goals
(Tsai and Ghoshal 1998)
Statements about practice in workplace or outside the workplace for example: "Also, the way we greet. In (name of bank) everytime you greet someone there is an embrace. We moved (name of bank) culture from one of just exchange. The board leads by example. It builds trust."
Common practice
(Bourdieu, 1985; Lyon, 2000)
Statements about how decisions are made on the board for example: "Everyone gets involved in discussions - We had achieved enormous synergies – I was happy I had used the team effectively […]"
Decision making dynamics
(Forbes and Milliken, 1999)
Cognitive
Social
Capital

2.11. Validity and reliability in qualitative research

A crucial indicator of qualitative research quality is its credibility and the researcher's ability to create something that produces defensible findings (Easterby-Smith et al., 2008). This means dealing with the issues of reliability and validity and demonstrating rigour in methodology and data interpretation.

In quantitative research, validity usually refers to whether a measurement instrument measures what it intends to measure and is concerned with the plausibility and credibility of claims and the weight of evidence to support those claims (Johnson and Long, 2000; Darawsheh, 2014). In qualitative research and social sciences generally, validity concerns the concepts of credibility and authenticity (Guba and Lincoln, 2000), the plausibility of individual accounts (Miles and Huberman, 1994) and confidence that the study accurately represents the social phenomena under investigation (Hammersley, 1990 cited in Silverman, 2000).

To some extent, this chapter serves as an audit trail to support this study's validity and reliability in terms of providing methodological transparency. Furthermore, the researcher kept a log of research developments from the outset, changes and progress. Where appropriate the researcher went back to the literature and sought advice and alternative points of view from supervisors and peers to ensure enough rigour and consideration of alternative options where necessary – this included regular discussions with supervisors, consulting with peers who use are familiar with qualitative methods, presenting at meetings such as research seminars, poster conferences. In attending to the need for plausible director accounts, during interviews, individuals were encouraged to remain authentic by ensuring confidentiality, taking a non-judgemental approach to the discussion, and being vigilant to what was being said, particularly in terms of contradictory statements.

Reliability is often seen as replicating the results of a study (Sandberg, 2005). More specifically, reliability is often related to a coder reliability check or inter-judge reliability check such that different observers will assign the same meaning to instances at different times (Hammersley, 1990 cited in Silverman, 2000), however, as King (2007) posits: "Sometimes statistical calculation of inter-rater agreement is used in relation to independent coding in thematic analysis… I would not recommend this approach now. It is based on at least an implicit assumption that one can objectively judge one way of defining themes as

“correct", which flies in the face of the notion that texts are always open to a variety of readings”.

The inter-rate agreement approach that King talks against fits more with a positivist approach to research focusing on the researcher being able to produce results that are stable and accurately reflect the reality being studied (Sandberg, 2005). As the philosophical stance for this research is social constructionism, the aim is not to ‘prove’ that the interpretation of the data is correct but to be transparent in how the researcher conducted the method and process of interpretation. As a researcher with pre-existing knowledge of some of the issues connected with the subject being studied, there is a danger of ‘lone researcher’ bias (Lofland et al, 2006) both in the data collection, its analysis and interpretation. Therefore, to help facilitate independent scrutiny of the template and coding the researcher discussed them in detail at supervisory meetings and at research seminars. The researcher further discussed their research analysis with other PhD peers. Moreover, the researcher presented the findings from the study in a research seminar with academics and one external whose critical feedback helped the researcher to revise the themes per the literature and theory. The researcher, however, kept in mind King’s (2007) comments on the subject of reliability and validity that “It is important to recognise that none of the above approaches is about asking someone else to ‘confirm’ that your analytical decisions are ‘correct’. Rather they are all ways to help you to reflect on the process, by forcing you to think about alternatives that you might have overlooked or dismissed without proper consideration”.

Another issue to consider regarding reliability and validity is that of researcher bias, specifically concerning the position they hold on the research subject matter and how this affects their questions, assumptions, concepts and methods (Everett, 2002). As such, through the research, the researcher practised reflexivity to remain cognizant of their own bias. To achieve this the researcher kept in mind Haynes (2012a. p.78) suggested questions: what is the motivation for doing the research; what underlying assumptions is the researcher bringing to it; how is the researcher connected to the research, theoretically, experientially, emotionally and what effect will this have on the researcher’s approach?

The practice of reflexivity enables the researcher to be aware of their impact on the research process and how they may add to the director’s construction of meaning, it is line with the argument that the researcher cannot stand apart from the researched (Willig, 2001).

2.12. Generalisability

This research was not conducted to generalise to other populations but to reach a deep understanding of social capital and its role in the governance of Ugandan banks. However, commercial banks tend to share similar cultures so it could be argued that if they have a similar approach to governance then similar results would be found in other banks. This will be discussed in more detail later in the thesis.

2.13. Reflections of the research Design

Retrospective consideration of the research design adopted here suggests that this was overall an appropriate design to employ for this study.

2.13.1. Participants' voice

The information and evidence used here concerning directors derived from directors themselves and not from other people. This enabled the directors in this research to voice their opinions, experiences and concerns and allowed the formation of this thesis around the first-hand experiences of directors.

Besides, the combination of primary data from the interviews and secondary data from the document analysis enabled the examination of the topic from various angles and made possible the collection of data from a comparatively big sample of data. Considering the insights gained by the information directors provided in their interviews, the researcher retrospectively believes that a sequential approach (Creswell *et al.*, 2007) could have been preferable to the approach adopted here. In particular, rather than collecting all the interview data at the same time the researcher could have first collected and analysed and a small sample of data and then based on the results of this analysis proceeded to construct more questions that would have enabled even more in-depth examinations of the topic. Nonetheless, the sequential mixed-method research design assumes a somewhat ideal research world in that it requires time flexibility and resources both of which are relatively restricted in the course of a PhD study. This thesis' research design included the decision to collect data over a specific period of the academic year to capture directors' experiences, beliefs and attitudes at a single time-period. As a result, the pragmatics of the design dictated a rather quick action plan that would have been difficult to implement with the adoption of a sequential approach.

2.13.2. Social constructionism

The adoption of a social constructionist paradigm offered useful insights into the process of making sense of the data and placing it in relative to the main research question. The social constructionist framework allowed issues of social capital and directors' behaviour in the governance of Ugandan banks to be understood regarding the subjectivities of directors and their individual experiences (empirical Level). This Level was particularly relevant to this study's focus as it drew mostly on directors' narratives, as highlighted above.

Yet, the social constructionist approach does not limit reality to the way people subjectively understand it (empirical Level) but takes this to represent merely one part of the whole reality. I, as the researcher of this study, had privileged access to the understandings of many subjectivities that then comprised the focus of my sociological analysis (in the form of data) and enabled me to deduce from them. As a result, I was able to gain some knowledge not only about the way directors understand and experience social capital and its effects individually (empirical) but also about a more generalised deployment of social capital concerning directors' behaviour in their governance work (Actual Level) and some of the mechanisms/structures that drive this relationship (Real Level). However, social constructionism adheres to a relativist epistemology according to which the researcher, as yet another subjectivity, could never capture the ultimate reality but only a part of it. Therefore, I do not argue that with the analysis offered in this thesis I have captured the whole of the relationship between social capital and directors' behaviour in governance or that I have fully answered to the research questions posed in this thesis. Conversely, I understand my positionality, even though it could give me some insights, could not give me the whole reality.

Another important aspect of the research design was the acknowledgement the way the position of the researcher influenced this thesis and the collection and analysis of data. I, as the researcher believe that my positionality — understood here as my identity and life experiences - influenced the way directors viewed me, particularly during the interview sessions which allowed more personal contact, and perhaps even the kind of information they provided me with. Even though it would be difficult to establish the latter empirically, it is my suggestion that directors could have responded differently to a Ugandan, 50-year-old, middle class, male academic than to me as a Ugandan, young but not quite their age, a female research student. However, it is worth mentioning that being Ugandan made it a lot easier for the directors to express themselves without language barriers.

Still, my positionality was not only significant to the way directors viewed me and responded to me. It worked the other way around as well, namely my positionality was significant to the way I viewed directors. In particular, the conclusions I formed, the questions I asked and the interpretation I then made were all informed by my background and experience which sometimes rendered me an insider, sometimes an outsider and sometimes both in relation to the director-participants. The way positionality played out in the course of this study and I suspect of any other studies was extremely complicated and it was not easy to spell out the exact way it influences the result. One of the most complicated ways positionality came into play was concerning my social class background. Having a middle-class background with my mother educated to university level and having middle-class jobs (specifically in the commercial banks) would make me an insider with regard to middle-class directors and outsider in the sense that I have no experience at all in the banking sector. Nevertheless, my bond with my mother and the exposure I had to both her lifestyle and her life stories gave me some insights into the experiences of middle-class bankers/people in general. Even though these insights were from being similar to the ones I would acquire if I had a banking background myself, they did indeed render me aware of certain issues related to middle-class directors and informed my responses to them.

Overall, it could be argued that my identity and background resulted in a crossing of positionality borders when carrying out this research which cannot be easily seen regarding either the positionality of an outsider or insider. Conversely, the complexities of my identity and experiences that often rendered me not an insider and outsider at the same time make it difficult to argue here that I collected better or worse quality data or that my thesis has been either benefited or disadvantaged as a result of my positionality. Yet, I would still like to acknowledge that my position shaped to a certain extent both the collected data and its analysis. If this can be considered a disadvantage, I can only say to my defence that throughout this thesis I was actively engaged in a reflexivity process, considering how my position inevitably informed the research and potentially shaped the power relations between me and the participants. I would conclude that I consider it preferable to acknowledge the role of positionality and discuss its implications through the lens of reflexivity rather than ignore its existence for the sake of being impartial.

2.14. Chapter Summary

In this chapter, the researcher set out the basis on which the study moved from theory to practice. In doing so the research methodology was outlined including how and why

decisions were made at each stage - from the choice of a context for the study, how the sample was selected and research design through to the experiences of conducting the data collection and subsequent data analysis. Lastly, the researcher considered the relevance and importance of reliability, validity and generalizability as they apply to qualitative research.

The main research question of this thesis is **how does social capital influence the behaviour of board of directors in the governance of Ugandan banks?** To answer this question the researcher will firstly need to explore how directors build, develop and use social capital. The researcher will then explore how this process impacts the directors' behaviour and how it ultimately affects the governance of Ugandan banks. To this end, three sub-questions were developed and addressed. The findings from the sub-questions are covered in chapters 5 and 6. Chapter 5 address the first sub-question of *"how is social capital manifested in the context of board of directors who govern Ugandan banks?"* The findings in Chapter 5 seek to understand how directors go through the process of creating, developing and maintaining social capital across the three dimensions – structural, relational and cognitive. It, therefore, considers how social capital is manifested in the context of board of directors who govern Ugandan banks. Moreover, it evaluates the interdependent nature of the three dimensions.

The findings in chapter 6 address sub-research question 2&3 that is *"how does social capital affect directors' behaviour?"* and *"how does board social capital affect the governance of Ugandan banks?"* The development of social capital represents a significant investment and may be the result of a conscious or unconscious decision. Like all such investments, one must understand the relative costs and benefits likely to be derived from such investment (McDermott, Snyder and Wenger; Boland Jr. and Tenkasi, 1995; Collins and Smith, 2006). As such, sub-question two aims to evaluate the possible effect of this investment on directors' behaviour. Moreover, social capital enables access to resources both, internal and external to the organization, which allow one to facilitate responsible action and which are inherent to institutionalized relationships of mutual recognition. Key to successful governance is thus the ability to enable and broker sustainable, mutually beneficial relationships with stakeholders, to obtain resources (Burt, 1997). Consequently, the researcher aims to identify the resources inherent in directors' networks that can be useful in their governance work. Hence addressing sub-question three. Chapter seven is the discussion chapter. The researcher summarizes all findings from the previous sub-questions to show how they address the over-riding research question of ***"How does social capital***

influence the behaviour of board of directors in the governance of Ugandan banks?" It will then differentiate this study from that which already exists by way of its contribution to the theory and practice. The limitations of the study together with suggestions for future research are also discussed. The researcher concludes the thesis with a short section on their learning from this PhD, both intellectually and personally.

Before presenting the findings of this study, the researcher finds it important to discuss the wider social and institutional structure of the Uganda banking industry as a 'field' or social arena. Consequently, the next chapter presents the contextual background of the study.

3. CHAPTER 4: CONTEXT OF THE STUDY – UGANDA BANKING INDUSTRY

3.1. Introduction

This chapter provides a background to Uganda's banking sector in order to put the study into perspective. Section 4.2 discusses the effects of pre-financial liberalisation policies on Uganda's financial sector. The current structure of Uganda's banking sector is discussed in section 4.3, and a brief summary and conclusions to the chapter are highlighted in section 4.5

3.2. Pre-financial reform policies

Uganda's commercial banking sector dates back to 1906, when the first commercial bank—the foreign-owned National Bank of India, later renamed Grindlays Bank—was established. The bank established its first branch in Entebbe, Uganda's administrative capital by then, and the second branch four years later in Kampala. Other banks that were established before independence in 1962, included Standard Bank in 1912; Barclays Bank in 1927; Bank of Baroda; Bank of India in 1953; and the Bank of the Netherlands, which later merged with Grindlays Bank, in 1954. Like Grindlays Bank, all these banks were foreign-owned (Beck and Hesse, 2009; Mugume, Apaa and Ojwiya, 2009; Bategeka and Okumu, 2010).

As was the case in other newly independent African countries, foreign-owned banks in Uganda were widely criticised for only lending to foreign-owned companies and those owned by non-African resident communities. The widespread criticism of these foreign banks' lending policies strengthened the belief, by then, that government intervention was necessary if the banking sector was to be instrumental in the development of local enterprises and the economy (Brownbridge, 1996; Mugume, Apaa and Ojwiya, 2009). After independence, pursued interventionist financial policies were intended to control the banking sector, supposedly for promotion of lending to local enterprises and other non-commercial objectives. The policies included regulation of interest rates, establishing state-owned banks, government purchase of shares in the foreign banks, and establishing various administered lending programmes (Brownbridge, 1996; Beck and Hesse, 2009; Mugume, Apaa and Ojwiya, 2009).

The dominance of the foreign banks was sharply reduced in the 1970s through the compulsory government acquisition of 49 per cent stake in the banks and takeover of most

of their branches. Foreign banks' operations were mainly confined to Kampala and their share of commercial bank deposits fell to 30 per cent (Brownbridge, 1998; Mugume, 2010). Contrary to state-owned banks, though, foreign banks' asset management remained conservative: their liquidity ratios remained high, and their lending was generally concentrated on larger companies, on trade finance, and syndicated loans to the crop marketing boards, such as Coffee Marketing Board, to finance crop purchasing (Brownbridge, 1998).

In addition to state-owned and foreign banks, local private sector investors—mainly business people with interests in trading, manufacturing, agriculture, and real estate—established local commercial banks during the second half of the 1980s and the early 1990s. Some of the locally owned private sector banks started as credit institutions before converting to banks. Their lending was mainly short term and focused on traders and manufacturers. Moreover, unlike foreign banks, the banks extended credit services to small scale businesses and offered longer opening hours (Brownbridge, 1998).

However, local banks faced several difficulties in establishing their presence in the banking sector. Lending was constrained by a shortage of suitable collateral other than real estate in Kampala. Besides, loan recovery was problematic, given the weaknesses and delays in the court system. There was also a severe scarcity of qualified and experienced staff in the 1980s and early 1990s (Brownbridge, 1998). The banks also faced liquidity problems, partly because of the shallow depth of the financial system and the less developed interbank market. Most local private banks were insolvent and required large overdrafts from the Bank of Uganda to remain liquid in the 1990s (Beck & Hesse, 2009; Nampewo, 2013). Due to financial distress, the Bank of Uganda, using its powers under the 1993 Financial Institutions Statute, closed the Teeffe Bank in 1994, and in April 1995, took over the Nile and Sembule Banks. Other local private banks, including Greenland Bank, Gold Trust Bank, and Trust Bank, were also closed from 1998 to 2000.

The local banks' financial fragility was mostly due to bad debts arising from imprudent credit practices such as insider lending, lending without proper security, and very weak internal controls. The lack of sufficient banking experience intensified imprudent management in the distressed banks by managers and boards of directors, and little separation of roles of managers and shareholders, hence the pressure to extend loans to the latter's businesses. The banks were also severely undercapitalised, in part, because of the acute shortages of capital

and the absence of capital markets in Uganda at that time (Brownbridge, 1998; Mugume, 2010).

3.2.1. Banking sector regulation and supervision

The government and Bank of Uganda did not accord prudential regulation and supervision much emphasis during the pre-reform period. Regulatory and supervisory capacities in the Bank of Uganda were too weak to discharge many of the functions the 1969 Banking Act assigned it. Returns provided by banks to the Bank of Uganda were inadequate for offsite inspection, while onsite inspections were not conducted regularly. In addition, bank supervision was complicated by differences in accounting and auditing practices among the banks (Brownbridge, 1998; Mugume, 2010). Furthermore, UCB consistently ignored regulations, such as the Bank of Uganda's watch liquidity ratios. UCB defiance could, in part, be attributed to the government financial policy direction at the time. It could have been difficult for the central bank to overrule state-owned banks' activities through regulation and supervision when the latter were claiming to be acting in the interest of government development policies.

Moreover, government banks' supervision to prevent their failure could have been unnecessary, given that the government was expected to bail them in case of financial distress. Relatedly, prudential regulation and supervision were also neglected by foreign banks, in part because they were subsidies of well-established and reputable foreign banks that had their own prudential management rules (Mugume, 2010). Consequently, inefficient regulation and supervision encouraged the imprudent management of banks, especially among local banks, which led to the fragility of the banking sector.

3.2.2. Summary

To sum up this section, the government's policies were intended to have a directed rather than regulated financial system. These policies had disastrous effects on the financial sector during the pre-reform period. Financial assets were disregarded by the public in preference for material assets, leading to shallowing of the financial sector. The balance sheets of the financial institutions deteriorated as their capital bases eroded in large loan losses. The scope of financial services remained severely restricted, which led to the concentration of financial services in the hands of a few commercial banks, the largest being the UCB. Moreover, the inefficient regulation and supervision did not save banks from imprudent management and the subsequent fragility of the financial sector.

3.3. Structure of Uganda's banking sector

The financial structure is defined in terms of the financial sector's aggregate size, its sectoral composition, and a range of attributes of individual sectors that determine their effectiveness in meeting users' requirements. Indicators of financial structure include system-wide indicators of size, breadth, and composition of the financial system; indicators of critical attributes such as competition, concentration, efficiency, and access; and measures of the scope, coverage, and outreach of financial services (World Bank and International Monetary Fund, 2005). This section discusses the structure of Uganda's banking sector concerning these indicators. Also, sub-section 4.3.2 discusses the performance of Uganda's banking sector.

Compared to the financial pre-reform period, Uganda's financial sector has substantially developed, especially in terms of the number of financial institutions. Currently, the formal banking system comprises 24 (was 25 by 2018) commercial banks (Tier 1), which forms a dominant part of the financial system in terms of intermediated funds; four credit institutions (Tier 2); and five MDIs (Tier 3). In addition to the banking sector, the formal financial system also consists of a pension fund—National Social Security Fund, 29 insurance companies, three development banks, 246 forex bureaus, a stock exchange, and four mobile money platforms (Bank of Uganda, 2019). On the other hand, the informal financial sector constitutes a wide range of institutions such as moneylenders, savings and credit cooperative associations, rotating savings and credit associations, accumulating savings and credit associations, and microfinance institutions which the Bank of Uganda does not regulate.

In terms of outreach, the commercial banking sector, with the takeover of Crane Bank by DFCU Bank in 2017, registered a decline in branch network and the number of automated teller machines (ATMs). Moreover, other banks have been rationalising their branch and ATM operations, thus shifting to more efficient alternative channels such as mobile banking to minimise operational costs. Consequently, the total number of bank branches stood at 546 as of June 2019 compared to 566 branches at the end of June 2016. Likewise, the number of ATMs decreased from 862 to 818 in the same period.

There have also been other promising developments in Uganda's banking sector of recent. These include the introduction of agency banking, Islamic banking, and bancassurance, which resulted from the 2016 amendments to the Financial Institutions Act, 2004. Agency banking enables financial institutions to sell their products through agents, which in turn

narrows the gap in access to financial services. Bancassurance enables insurance companies to sell their insurance products through banks, consequently increasing the diversification of banking activities. Additionally, Islamic banking allows the provision of banking services basing on Islamic doctrines such as no interest charges on loans. So far, one commercial bank— the Libyan Tropical Bank-Uganda—has taken up the initiative to implement Islamic banking. These innovations will go a long way in enhancing financial sector development in the country.

3.3.1. Competition and concentration

Uganda's banking sector is still dominated by foreign banks, which control over 85 per cent of the banking sector assets (Financial stability review, 2020). In addition, three banks (Stanbic Bank, Standard Chartered Bank, and DFCU Bank), identified by Bank of Uganda as domestic systemically important banks, account for 42.8 per cent, 41.6 per cent, and 75.8 per cent of total bank assets, loans, and net profit after tax respectively as of the end of June 2019 (Bank of Uganda, 2019). This level of concentration shows limited competition in Uganda's banking sector.

Increased concentration and segmentation of the banking sector remains a concern, with potential implications for the sector's competitiveness and efficiency going forward. At the end of September 2020, the five largest banks accounted for 62.1 per cent of total industry assets and earned 75.2 per cent of the industry profits for the year (Financial stability review, 2020).

3.3.2. Financial soundness indicators

The trend of critical financial soundness indicators on asset quality, earnings and profitability, capital adequacy, and liquidity indicate that the sector is sound and stable, especially after implementing financial reforms. On an annual basis, aggregate banking sector profitability increased for the 12 months ended September 2020. The net-after-tax profit for commercial banks rose by 6.9 per cent to USh.874.3 billion.

Table 7 Performance of commercial banks in Uganda

Financial soundness indicators for commercial banks						
	Sep-15	**Sep-16**	**Sep-17**	**Sep-18**	**Sep-19**	**Sep-20**
Capital Adequacy (%)						

Total capital/RWA (percent)	20.1	22.5	23.81	21.62	21.36	22.51
Core capital/ RWA (percent)	17.6	17.3	21.54	19.76	19.62	20.89
NPLs less specific provisions–to–capital	N/A	N/A	12.59	7.67	7.2	8.86
Leverage ratio	10.6	9.6	11.3	11.43	11.02	11.28
Asset quality (%)						
NPLs to total gross loans	3.8	7.7	7.24	4.71	4.35	5.15
NPLs to total deposits	2.8	5.4	4.63	3.14	2.79	3.11
Specific provisions to NPLs	N/A	N/A	45.03	50.11	48.26	43.46
Earning assets to total assets	N/A	N/A	70.93	69.04	72.54	69.83
Earnings & profitability (%) (YoY)						
Return on assets	2.6	2.4	1.49	2.84	2.81	2.58
Return on equity	16	14.9	8.66	16.3	16.09	15.12
Net interest margin	11.3	12.3	11.79	11.34	11.24	10.45
Yield on advances	N/A	N/A	16.27	15.58	15.8	15.24
Cost of deposits	3.3	3.4	3	2.36	2.47	2.47
Cost–to–income	69.2	78.4	82.85	72.62	72.23	74.26
Liquidity (%)						
Liquid assets–to–total deposits	46.4	45.4	48.32	43.92	50.29	48.77
Liquid assets–to–total assets	73.1	70.1	33.14	30.58	34.99	34.34
Interbank borrowings to total deposits	N/A	N/A	2.11	1.92	1.45	2.46

Source: Bank of Uganda Financial stability reports (various), Bank of Uganda Supervision reports (Various).

In terms of liquidity, banks in Uganda maintain adequate liquidity buffers well above the minimum regulatory requirements, thus keeping liquidity risk low. For instance, the liquid assets-to-total deposits ratio rose averaged 46.2 per cent in 2017-2020, more than double the

minimum regulatory requirement of 20.0 per cent. The build-up of excess liquidity in the banking industry partly reflects the low lending level by commercial banks.

Regarding capital adequacy, the banking sector has been well capitalised since the implementation of financial reforms. All commercial banks meet the minimum core and total capital adequacy ratios of 6. The industry's aggregate tier one capital adequacy ratio and the total regulatory capital adequacy ratio averaged at 23.81 per cent and 22.51 per cent, respectively, between 2017 and 2020. The leverage ratio (ratio of regulatory tier 1 capital to total assets plus off-balance sheet items) is another indicator of banks' capital adequacy, averaged at 11.25 per cent between 2017 and 2020. Overall, the capital adequacy ratios show a well-capitalised and stable banking sector.

3.4. Features of board governance in Uganda

There are three significant sources of board governance features in Uganda: The Companies Act Cap.110, the Institute of Corporate Governance of Uganda (ICGU, 2001) manual on corporate governance and the Financial Institutions Act (2004) (FIA).

3.4.1. Company Law and Corporate Governance

In Uganda, companies are incorporated under the Companies Act, Chapter 110 of the Laws of Uganda, a re-enactment of the English 1948 Companies act. The Act creates a distinction between private limited liability companies and public limited liability companies.

Companies incorporated in Uganda are governed by the Memorandum of Association[8] and Articles of Association[9]. The former provides that for the manner in which a company is established, including its objectives, capital structure, and physical location, while the latter governs relations between the members of a corporation and provides for matters such conduct of meetings, quorum, notices for meetings and payment of dividends. When incorporated, companies become legal entities, separate from their members. The authority to conduct the day-to-day business of a company is vested in the board of directors.[10] Shareholders appoint the directors at an annual general meeting. They are responsible for giving the company strategic direction, hiring senior management, monitoring the

[8] S. 4, Compnies Act provides that the memorandum of every company should state the name of the company, its registered office and objects of the company.

[9] S. 8, Compnaies Act provides that every company limited by shares in required to have Articles of Association, which contain regulations of the company.

[10] S.176-204 Compnaies Acty provide for appointment, duties and obligations of directors.

company's activities, ensuring compliance with laws and regulations, and overall management through board decisions and meetings.

According to the Uganda Country Assessment Report and Programme of Action (Uganda APRM National Commission, 2007), unitary boards are the dominant structure for public corporations, public and private limited liability companies in Uganda. For both public and private companies to be registered, the Act stipulates a minimum of two directors. The board should have both executive and non-executive directors. Ideally, the primary purpose of the non-executive directors is to monitor full-time executives and ensure the objectivity and independence of the board.[11] However, it should be noted that although the Companies Act makes it a requirement for every company to have directors,[12] it does not prescribe for a particular number of directors to be either executive or non-executive. The Act does not provide term limits for directors but prescribes the director's age limit at 70 years, only applicable to public companies. If they wish, other companies may provide upper age limits in their memorandum and Articles of Association. The Corporate Governance Guidelines recommend non-executive directors' appointment as a matter of good practice, but such a practice is not binding on the companies. Therefore, although other jurisdictions require at least one-third of the board to be composed of non-executive directors, Uganda does not have a legal or regulatory requirement for non-executive board members.

The current Companies Act that governs, among other things, the governance of companies is weak and offers little protection to all participants. Besides, the penalties for non-compliance are too minimal to have any deterrent effect. Most companies do not comply with the company law requirements, such as filing periodic returns or holding mandatory annual general meetings. For example, the penalty for failure to file an annual return is a default daily fine for 100 Uganda Shillings, failure to hold an annual general meeting as required by section 131 of the Companies Act attracts a default fine of 2,000 Uganda Shillings. Failure to keep proper books of accounts and audits required by section 147-163 attracts a penalty of 12 months imprisonment for the directors or a fine. Enforcement is also

[11] Note that in some circumstances, non-executive directors o fthe board may fail to be objective or to act independently, especially if they act on an uninformed basis or are compromised through transactions with the company or by other means like social networks.
[12] S.176 of the companies Act requires public companies to have atleast two directors and private companies to have at aleast one director.

inadequate partially due to the law's weaknesses and lack of resources to monitor companies and ensure compliance with legal requirements.

Poor governance of corporations extends to all sectors, including those that are regulated, such as banks. A report on the sale of Uganda Commercial Bank, which was previously state-owned, revealed that the bank was severely mismanaged under the purchasers' control – Westmont Ltd (51%).[13] The report indicted evidence of substantial related party transaction. For example, almost 35 billion Uganda Shillings was lent to Greenland Bank, a smaller Ugandan Bank and other companies within the Greenland group. The loans were made without proper security and at levels substantially in excess UCBL's permitted maximum prudential limits. The report further stated that during 1998-99, three other banks. Each bank's failures involved insider lending, inadequate credit policies and procedures and weaknesses in corporate governance.

More recently, in 2017, Crane Bank Uganda was acquired by DFCU Bank in January on the grounds that it was undercapitalised and declared by the Bank of Uganda. The "Report on the preliminary forensic review at Crane Bank" (December 2016), which was authored by PricewaterhouseCoopers (PWC) and commissioned by the Bank of Uganda, recommended the prosecution of Crane Bank's board of directors, investors, and senior management for allegedly flaunting Uganda's banking laws and allegedly committing various financial crimes.[14] Some of the finding from the PWC report included; the Board's failure to uphold the statutory responsibilities required of financial institutions. The Bank's directors failed in their primary responsibility and fiduciary duty to ensure that the Bank was correctly run, which resulted in the systematic plunder of the Bank. The Board oversaw the preparation and presentation of false and misleading financial statements, which misrepresented the bank's performance.

3.4.2. Statutory Corporate governance

Some statutes have incorporated mandatory corporate governance standards for specific sectors, such as banks. The standards are more onerous than the provisions in the Companies Act, and non-compliance attracts regulatory sanctions. The Financial

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[13] Denton Wilde Sapte, Report on Evaluation of the Resolution of UCB, Ltd (2002).

[14] It was reported that, hhe Board failed to uphold the statutory responsibilities required of financial institutions; Mr Ruparelia, concealed his true shareholding in the bank (Eriasa Mukiibi Sserunjogi (31 July 2017). "12 more face charges over Crane Bank mess". Daily Monitor. Kampala. https://www.monitor.co.ug/News/National/12-more-face-charges-Crane-Bank-mess/688334-4039854-8srh1uz/index.html. Accessed 30th August 2020).

Institutions Act, for example, has more rigorous standards and procedures for the appointment and disqualification of directors, duties and responsibilities of the board, addressing conflicts of interest, the conduct of board meetings, and content of audit reports and control over management.[15]

The Act has several provisions intended to foster good corporate governance, such as; the requirement that board members meet the fitness and properness standards set out in Schedule 3, half of the board of directors must be composed of non-executive directors, a prohibition of cross directorships, fiduciary duties of directors, approval of external auditors and four mandatory rotation for external auditors. The Act prohibits a single owner from holding more than 49% stake in a financial institution and[16] prohibits transactions with insiders, among other provisions.

The guidelines set out in this Act are mainly adopted from the Cadbury report of (1992). The Financial Institutions Act was set up to revise and consolidate the law relating to financial institutions; to provide for the regulation, control and discipline of the Central Bank's financial institutions (BoU).

According to this Act, a commercial bank is defined as a "company licensed to carry on financial institution business in Uganda, whose principal business consists mainly; the acceptance of the call, demand, savings and time deposits withdrawable by cheque or otherwise in the capacity of a bank. A commercial bank also provides overdrafts and short to medium-term loans, foreign exchange, participation in inter-bank clearing systems and the provision and assumption of guarantees, bonds and other warranties on behalf of others" (Financial Institutions Act 2004, p10).

A "director" is defined as a natural person occupying the position of a director, by whatever name called, of a body corporate, and "board of directors" or "directors" refers to the directors of a body corporate as a body (Financial Institutions Act 2004, p10).

"Corporate governance" is defined as the process and structure used to direct and manage the business and affairs of a financial institution to ensure its safety and soundness and enhance shareholder value. It shall cover the overall environment in which the financial

[15] Financial Instituions Act No.2, 2004, Part VII.
[16] S.18, Financial Institutions Act No. 2, 2004.

institution operates, comprising checks and balances, promoting a healthy balancing of risk and return.

Within these regulations;

- A "director" is defined as a director of a financial institution.
- An "independent director" means someone who has no relationship and interest in the financial institution or any of its subsidiaries, affiliates or the institution's related interests.
- An "inside director" means a director who is an officer or employee of the financial institution or any of its subsidiaries or affiliates or a someone who has a relationship or interest in the financial institution or any of its subsidiaries, affiliates or their related interests.

The FIA (2004) further sets out several regulatory requirements for the BoDs as follows;

1. The Board of Directors shall establish and communicate strategic objectives and a set of corporate values throughout the financial institution's organisation.
2. The strategies established under sub-regulation (1) shall direct the institution's ongoing activities and lead in setting the tone at the top and approving corporate values for itself, senior management, and other employees.
3. The Board of Directors' values shall recognise the critical importance of having a timely and frank discussion of problems and prohibit corruption and bribery in corporate activities, both in internal dealings and external transactions.
4. The Board of Directors shall ensure that the financial institution's senior management implements policies that prohibit or strictly limit activities and relationships that diminish corporate governance quality. Such as conflicts of interest and other forms of self-dealing with substantial shareholders, directors, officers, employees, and related parties.
5. The Board of Directors shall set and enforce clear lines of responsibility and accountability throughout the organisation.

6. The Board of Directors shall ensure that directors are qualified for their positions and have a clear understanding of their corporate governance role and are not subject to undue influence from management or outside concerns.

However, the FIA is of limited application. Section 2(1) provides that the Act applies to financial institutions as defined in Section 3. Section 3 defines a financial institution to mean a company licensed to carry on financial institutions business in Uganda and includes a commercial bank, merchant bank, mortgage bank, post office savings banks, credit institution, building society, acceptance house, discount house and finance house. Thus, companies not included in this category are not required to comply with the Act.

3.4.3. Corporate Governance Code

The Institute of Corporate Governance (ICGU) has separately developed corporate governance guidelines that guide companies (including banks) on best practices relating to the conduct of board meetings, accounting and audit, risk management, board composition and treatment of shareholders. The IGCU guidelines have a much broader application.

The introduction to the manual points out that corporate governance is needed in Uganda because it is bridled with an inefficient board of directors. However, this manual reflects a "copy-cat" syndrome because it includes three sets of principles accepted elsewhere in the world and upholds international best practices in corporate governance as its mission. Hence the ICGU might be faulted for lack of originality and might indeed be faulted for lack of innovativeness. Critics might, therefore, question the relevance of this manual for effective board governance in Uganda. Nevertheless, the ICGU manual contains guidelines for internal systems and controls, the boards' roles and responsibilities, and the board's committee system. For example, the manual indicates that the board should meet regularly and frequently as is necessary for the directors to execute their duties and responsibilities. Recommending that: first, there must be adequate notice to all directors of the dates and time of the meetings and issues to be discussed at the meeting; and second, directors (or alternates where permissible) should be physically present at meetings and should effectively participate through preparation before the meeting and in the proceedings of the meeting.

Although the manual recommends that candidates for election to the board should have the background, experience or specialised knowledge that corresponds closely with the company's business, it is not binding. The Companies Act, which is a binding document, seems to be silent on the matter. Persons below the age of 21 years, declared bankrupt by a

court of law, disqualified by the Act or Articles of Association of the company are barred from being a directors and are disqualified for election as directors. Given the current law, it seems highly unlikely for Ugandan company boards to fulfil their obligations as espoused under the ICGU Manual. The lack of home-grown understanding of effective board governance factors might be a recipe for inefficient boards in Uganda. The idea of adopting principles from elsewhere can stifle home-grown solutions and lead to unpleasant firm performance arising from board governance problems.

3.5. Chapter summary

In summary, this chapter has provided a contextual background of the Uganda banking sector. The chapter has discussed the pre-financial reform policies in Uganda. It evident here that for most of the pre-reform period, Uganda's major institutions were state-owned. There was no opportunity of creating an environment for checks and balances considering the manner state-owned institutions operated. Some of the parastatal organizations were actually mandated to perform a dual role both as regulators and as business entities. The dominance of government in the business sector through the prevalence of parastatal bodies in the economy meant that business activities were overly politicized. The appointment of directors for parastatal organizations and that of the chief executive officers was vested in government. For that reason, such appointments took a political dimension.

The current structure of Uganda's baking sector has also been discussed. It is noted here that compared to the pre-reform period, Uganda's financial sector has substantially developed in terms of number of financial institutions; however, there is still a significant dominance of foreign-owned banks in this sector. Other developments include increased financial inclusion, the introduction of Islamic banking, and bancassurance due to the FIA amendment in 2016.

Finally the chapter discussed the features of board governance in Uganda. Three significant corporate governance sources were covered including; The Companies Act 2012, the Institute of Corporate Governance of Uganda and the Financial Institutions Act 2004. According to these institutions, the roles of the board were outlined and the structure of the board that banks should adhere to was identified.

The findings of the study are presented in the subsequent two chapters. Specifically, chapter five presents the findings addressing sub-question 1 of the research "how is social capital manifested in the context of boards of directors who govern Ugandan banks?" which seek

to understand how directors go through the process to create, develop and maintain social capital across the three dimensions – structural, relational and cognitive. The analysis in chapter five was conducted to achieve the first objective of the study, that being to further examine the dimensions of social capital and identify how each dimension is built and developed. The data examines several categories under each dimension. In addition, it considers the interdependent nature of the three dimensions and the implications of this. Chapter six will present the findings that address sub-question 2 and 3; how social capital affect directors' behaviour does and how does social capital affect the governance of Ugandan banks. These questions have not been addressed as separates but rather concurrently as the aim is to understand the effect of social capital on directors' behaviour in the governance of Ugandan banks.

4. CHAPTER 5: FINDINGS

4.1. Chapter overview

This chapter's findings address the first sub-question of "how is social capital manifested in the context of boards of directors who govern Ugandan banks?" by exploring how directors build, develop, and use social capital.

It is argued that it must be developed first for social capital to influence directors' behaviours (Nahapiet and Ghoshal, 1998). Social capital development is largely affected by factors shaping the evolution of social relations such as time, interaction, interdependence, and closure (Bourdieu, 1986; Nahapiet and Ghoshal, 1998). Additionally, social relationships' dynamic nature could hamper social capital development (Bourdieu, 1986; Granovetter, 1992). So far, there are a few studies that have focused on the development of social capital (for example, Bresnen *et al.*, 2003; Newell *et al.*, 2006), but these studies, although important, have failed to provide adequate empirical evidence on how the interaction of social capital dimensions affects the network actors (board members). To explicitly understand these interactions or relationships, (Leana and Van Buren III, 1999) suggested that future research should empirically refine social capital dimensions and develop specific indicators for it. Additionally, (Chiu, Hsu and Wang, 2006) suggested that future research should examine the social capital dimensions' interrelated nature.

This chapter contributes to this research body by empirically examining the development of the social capital dimensions and their indicators. The researcher examines how directors as social agents come to build social capital (structurally, relationally and cognitively) by answering sub-question one. Drawing from Bourdieu (1987), Nahapiet and Ghoshal (1998) defined social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or group. Social capital, therefore, comprises both the network and the assets that may be mobilised through that network" (1998, p.243). Moreover, the authors argue that social capital consists of three separate but related dimensions: structural dimensions, relational and cognitive.

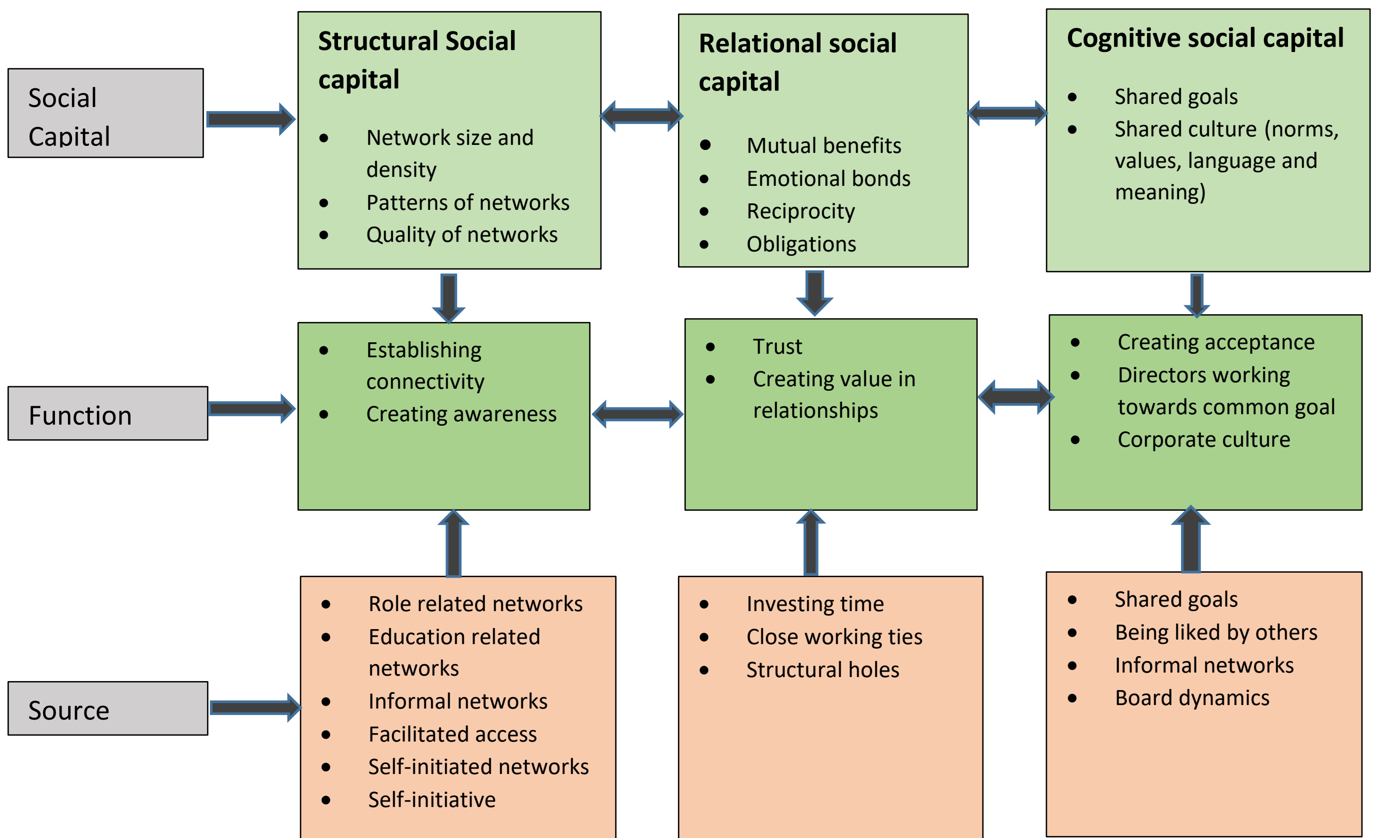
Initially, the reason for including foreign and local banks in the sample was to compare the differences in the social capital of the directors. However, the data did not reveal a significant difference except for a few instances that alluded to this difference. For example, power is a fundamental property of social structures and the location of the board members directly

represents their access to different capitals. In chapter 6, section 6.2.4 page 179 directors in foreign banks alluded to this difference in terms of access to "*the experience, the knowledge, the skills, the learning, size of capital and leverage".* To fully explore this aspect especially concerning access to capital size and leverage, the researcher needed to understand more about the connections between directors on the boards of the subsidiary foreign banks in Uganda and the boards of their parent companies' abroad. However, this was not done due to the use of managerial theories which are not concerned with social capital as a power resource and one which is connected to other capital (economic, cultural and symbolic). Furthermore, all the directors interviewed in this study resided in Uganda and spoke mostly of their networks in Uganda.

Additionally, this study did not aim to explore the social capital differences between male and female directors. However, there is a need to address power structures regarding gender diversity on boards, which are prevalent in the structure of the board of directors of the banks used in this study. For example, as one directors stated on page chapter 5, section 5.4.1 page 154, *"[...] you move from one bank to another, you find directors that have been there before you and have done the work. As a new member, especially a woman, I found some resistance because these people are already thinking how I can contribute to the board, if at all…"* This statement along with the overall structure of the bank boards used in this study revealed in the annual reports, the gendered nature of social capital on the Ugandan bank boards that needs to be addressed, which presents a gap for further research (highlighted in chapter 7, sect. This perspective is not addressed in the managerial approaches of social capital used in my thesis.

The figure below shows a summary of how social capital manifests itself in the context of directors who govern Ugandan banks. These will be discussed in detail in this chapter.

Figure 2: How social capital manifests itself and the relationship between the three dimensions


Social Capital
Structural Social capital
Network size and density
Patterns of networks
Quality of networks
Relational social capital
Mutual benefits
Emotional bonds
Reciprocity
Obligations
Cognitive social capital
Shared goals
Shared culture (norms, values, language and meaning)
Function
Establishing connectivity
Creating awareness
Trust
Creating value in relationships
Creating acceptance
Directors working towards common goal
Corporate culture
Source
Role related networks
Education related networks
Informal networks
Facilitated access
Self-initiated networks
Self-initiative
Investing time
Close working ties
Structural holes
Shared goals
Being liked by others
Informal networks
Board dynamics

4.2. The development of directors' social capital in the Ugandan context

The analysis of directors' responses demonstrated that social capital plays a role in governance. For example, the two statements below implied that directors' acknowledgement that they cannot govern without help from others around them:

> *"Sure […] interestingly, as you go up the ladder in management, you go more into soft skills and reduce on technical skills. For example, if you ask me to sit down and calculate GDP. I would not be able to do it but I have my team who calculate it […] the point I am making here is that the more senior you become the more you have to rely on others to get things done and this means you have to cultivate those relationships…" (Ottis, Executive directors, local bank).*

This is supported by (Forbes and Milliken, 1999), who posited that the board's capacity to fulfil its tasks is likely to be impacted by their interaction, group atmosphere, directors' interpersonal compatibility, group satisfaction, and feelings of inclusion.

> *"It is fundamental to have good relationships with the people around me and otherwise. Everything relies on relationships […]" (Dylan, Executive Director, foreign bank).*

Further analysis of the data revealed several strategies for how they could accrue and use social capital. In regards to structural social capital, directors had been able to build valuable connections with others through role-related networks, education-related networks, informal networks, facilitated networks and self-initiated tactics. There were some differences in terms of which networks were considered valuable – directors from foreign banks engaged more in work-related networks or other networks that had a more structured and formal setting, whereas most directors from local banks found that it was more valuable to work on informal relationships that happened at work or outside of work. In terms of relational social capital, directors pointed out the importance of developing valuable relationships with others as this made it easier to access resources that existed within their networks. Directors pointed out the importance of investing time into the relationship, working closely together and exploring structural holes[17]. Again, some differences were observed here; for example, the

[17] According to Burt (2002, p.34) holes within a network structure act as "buffers…People on either side of a structure hole circulate in different flows of information" Structural holes are therefore, an opportunity to

amount of time invested or which relationships more time was invested in than others across the sample.

The operationalisation of 'cognitive social capital' was defined as the need for directors to be liked, being involved in informal networks, having shared goals and the overall board dynamic. Analysis of the data pointed to a general interpretation that directors considered harmony with others to be a very valuable contributor to their work, and the absence of this created conflict and disagreement.

These findings demonstrated how directors build and develop social capital through the three social capital dimensions in Ugandan banks. Thus, a detailed discussion of these findings that address sub-question 1, "how is social capital manifested in the context of boards of directors who govern Ugandan banks?" is presented in this chapter's remainder. The researcher's overall aim will be to integrate these findings' theoretical and empirical relevance and outline the study's contribution. The three social capital dimensions will be considered individually in the following sections: analysis will highlight the dimensions' interdependence.

4.2.1. Structural social capital: Role related networks

Structural social capital refers to social networks and can be identified by the size, quality, density, and network connectivity patterns. Fundamentally, to have social capital, an individual must have relationships with others, and this relationship is the actual source of value of the social capital (Portes, 1998). Krackhardt (1989) referred to the importance of network ties between actors and the network configuration in terms of its ability to provide access to information, resources, and support to achieve individual goals and objectives; in this study, the goal of governance. The data from the document analysis and triangulation process shown in Tables 4 and 5 show the potential interpersonal networks of boardroom contacts that directors have through their work, revealing that directors have the necessary foundations through their directorates to accumulate social capital. Networks of relationships offer directors excellent opportunities for accumulation. For Bourdieu, actors are strategic improvisers who respond to the opportunities and constraints offered by various situations. In other words, board members can use their directorships and develop a sense of practice to equip them to act over time according to their interests and expected outcomes.

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broker the flow of information between people, and control the channels that bring together people from opposite sides of the hole.

What emerged through interviews using a qualitative approach was the directors' need to be connected to others to get the resources within those networks. In most cases, directors mentioned building networks over time due to their past and current role within the bank and the banking industry at large, which provided them with day-to-day contacts with other directors *(Mekos, non-executive director, local bank).* For example:

> *"I was working in the institution for about 10years and I was going through the ranks every after three or four years. Before I became CEO I was a branch manager and before that, I was in customer service. In both those roles, I was talking to stakeholders, so I ended up being known by a lot of people" (Mekos, non-executive director, local bank).*

A director from a foreign bank supported this…

> *"I have a good relationship with other COOs (Chief Operating Officers). We evidence it when we have challenges we call and discuss issues and ask each other for help. We also have the Banker's Association, you get to meet your counterparts in other businesses …. And we do reach out to each other" (Uriel, Chief Operating Officer, Foreign bank).*

Both directors benefited from the exposure their role gave them – they were able to build connections with several people both within and outside of their organisations. This evidence is in line with previous literature that has shown that directors develop goodwill and connections with industry players through their positions, including their peers, suppliers, distributors, and major customers (Mizruchi and Stearns, 1994; Certo, 2003). Goodwill and connections are a form of social capital that can help directors acquire critical firm resources, gain legitimacy, get employment opportunities and initiate new business relationships vital for firm growth (Pfeffer and Salancik, 1978; Hillman and Dalziel, 2003). Prior positions in different firms increase the number of links that directors develop with various players, creating more leads (Eisenhardt and Bourgeois III, 1988; Bodo Steiner *et al.*, 2017).

Further to the analysis, the researcher discovered that being a director in a commercial bank in Uganda meant that directors automatically had access to a broader network of contacts

through a specific formal organisation called the Uganda Banker's Association (UBA)[18]. This forum provides banks' directors with a platform to express their views on legislation, challenges and more. It is also a platform for directors from the different member banks to form bridging and bonding social capital to bring different banks together and obtain knowledge of each other and the firm's top-level executives. For example, the following text from the Uganda Banker's Association Website states:

> *Uganda Bankers Association (UBA) was formed due to the need to develop, promote, protect and represent the professional interest of its members and promote orderly conditions concerning banking…all commercial banks are members of the association…Before the formation of the Association, there was no forum under which views in the banking industry were put forward. There was no single organization to coordinate views of the sector. Representation of the sector was weak. Government, regulators and other interested parties needed feedback from the implementers of laws and policies (*http://ugandabankers.org/history-charter/, *accessed 10/05/2019).*

Associations, such as the UBA, as social capital can be understood as resources produced by the association as a collective and shared by its members. In this way, according to Bourdieu (1986), social capital is a collective phenomenon, even though it is viewed from the perspective of actors who are exploiting its potentialities. An official organisation is a useful administrative tool in concentrating social capital and transforming quantity (number of members) to quality (organizational effectiveness). The formation of an association creates a sense of solidarity among a mass of people; it gives a "name", institutionalises the capital that is being accumulated. The economic, social and symbolic "profit" that follows from belonging to the association establishes a concrete base for the growth of solidarity. From this perspective, the formation of an association can (also) be collective and individual strategies of investment aimed at creating permanent networks of relations that will make possible the accumulation of social capital (Bourdieu 1986). Table 4 from the document analysis reveals several formal associations that directors are members of, for example, the Association of Chartered Accountants, the Institute of Internal Auditors and the Uganda Institute of Banking and Financial Services.

[18] Uganda Bankers Association (UBA) was formed due to the need to develop, promote, protect and represent the professional interest of its members and promote orderly conditions in relation to banking transactions subject to provisions of any law extant at any time in Uganda (http://ugandabankers.org/history-charter/)

Analysis of data further revealed Directors' role related networks to include a director's ties to other firms, including banks and non-bank organisations. In the literature, these ties are referred to as a board's external social capital - defined as the degree to which board members have outside connections with the environment and the potential resources arising from those connections, which may be sources of competitive advantage for the firm (Cannella Jr. and Yangmin Kim, 2008). External social capital's primary function is bridging or linking the firm to the external environment (Pfeffer and Salancik, 1978). Directors may connect to their environment in several ways, such as having seats on the board of other firms (as revealed in tables 4 and 5) – the literature on interlocking directorates supports this view (Pfeffer and Salancik, 1978; Mizruchi, 1996; Burt, 2000). Some of the directors from both local and foreign banks that were interviewed served on multiple boards, for example:

> "*...I serve on the board of an insurance company, a retail company and one other […] Banking and insurance are now coming together because insurers want to use banks as distribution channels of their products, they also want the bank to finance someone who has taken an insurance policy but may not be able to afford the cash to pay for the policy….being on the board of a bank and an insurance company…I introduced one to the other the bank and the insurer…. I brought together the three connections between the retailer, bank, and insurer…business has expanded based on my recommendation. (Gail, Chairman, Local bank).*

The above statement further demonstrates how the involvement of directors on other boards provides access to networks that can be an essential source of information about business practices and a platform to initiate new business relationships vital for growth (Jennings, Palmer and Zhou, 1993; Mizruchi, 1996; Certo, 2003; Hillman and Dalziel, 2003). Gail's statement above is in line with the recent developments in the Uganda banking industry – now more than ever, the banks and insurers will need to bridge that gap between them and build connections. In January 2016, the parliament passed new legislation and amended the Financial Institutions Act, to allow insurance companies to use banks as a distribution channel to extend insurance policies (Bank of Uganda, 2016). Mataba, a CEO of one of the foreign banks was quoted in PML Daily (2019)[19]:

[19] Okello. G., (2019). Why bancassurance can transform banking, insurance in Uganda, http://www.pmldaily.com/news/2019/04/why-bancassurance-can-transform-banking-insurance-in-uganda.html. Accessed 21st April 2019

> *"…the partnership between the banks and the insurers is crucial right now for the understanding of the banks' clients and their needs, the availability and ability to match products to needs…and the management of expectations for both the insurer and banker" (Mataba, CEO, foreign bank in PML Daily, 2019).*

Access to role-related networks provided directors with the opportunity to become known to other directors and non-directors both within and outside the bank to support them during their governance work. For example, when Editta a Chief Risk Officer, was asked how well other directors on the board knew them as a result of their current role:

> *"First, we refer to each other by first name basis. There is this casual communication between us. For example, one director this morning walked into my office, dropped their bag down and asked about my weekend, how I was feeling. It is very cordial, and each day sets its own pace. People smile and talk freely to one another […]" (Editta, Chief Risk Officer, foreign bank).*

For some directors, their role provided relatively easy access to immediate directors' networks and networks outside their board room, but some directors identified their educational background as a platform to access networks. The role education background plays in facilitating access to networks for directors will be discussed in more detail in the section below.

4.2.2. Education-related networks

As discussed in chapter two, individuals are considered to have a social history when they have shared a social space that allows them to associate and interact with one another in the past. Network theorists acknowledge prior social history, frequent interaction, and affect as fundamental dimensions of strong tie formation (Krackhardt, 1992). Social history among directors can emerge from joint involvement in affiliation networks such as clubs (Galaskiewicz, 1985) and in this study, schools. Moreover, the literature on board social capital shows that shared social history with a network member may lead them to become a part of another network (Hite, 2005). The underlying argument of affiliation networks leading to new tie formation is that individuals with a shared history or who have shared a social space become relationally embedded in their networks, sustaining these relationships over time. Proximate individuals who interact with one another are often likely to develop

similar attitudes (Beyer, Browning and Shetler, 1995; Mayo, Meindl and Pastor, 2002) and forge relationships over time (Rivera, Soderstrom and Uzzi, 2010).

Table 4 of the document analysis revealed that some directors had attended the same educational institutions, for example, Makerere university and Budo. This data is in line with the interview data. The extracts below show some ways in which directors got access to networks through their education.

> *"In Uganda, majority of people went to the same institution – for example, Makere university[20][...] it means that here in this bank they all went to the same institution and they all know each other. For example, about five of the directors were a year behind me in the same university. To make matters more interesting…65 per cent of the staff from the middle level were taught by me in the University…when I want something from them, I use two hands, one I was a loved teacher … there is already rapport, I know what they are capable of. It puts me in advantage as a CEO... Currently, amongst the people, I have taught, two of them are already CEOs – UMEME[21] and FREE ZONES[22] authority" (Tony, CEO, Local bank).*

Other directors on the same board acknowledged this point as Tony. However, several directors from other banks involved in this study also mentioned having a similar education background to some of the board's directors in their banks. Makerere University was largely over-represented on board seats, especially in local banks. There was a difference in each bank in the foreign banks where, for example, one bank had a majority of its directors from the same prestigious private primary and secondary school, specifically Budo[23]. They most likely differed in university education background because most of them studied in countries like the UK and US, and some foreign banks directors are non-Ugandans.

> *"Makerere University. Of course, this is the main University so most of us have attended that one! I have a rich network because I went to University in Edinburgh*

[20] Makerere University, Kampala is Uganda's largest and third-oldest institution of higher learning that was established as a technical school in 1922. Majority of people aspire to attend there after high school.
[21] Umeme Limited is the largest energy distributor in Uganda, distributing 97 percent of all electricity used in the country.
[22] The Authority is responsible for the establishment, development, management, marketing, maintenance, supervision and control of Free Zones in Uganda
[23] Budo is one of the oldest and most prestigious schools in Uganda. During the colonial period the boys who graduated from Budo were especially trained to become Clerks until it was taken over by the Old Boys' society of the Protestants in 1940s who believed in training boys to become leaders (Summers, 2005).

and also worked a bit in Ghana – so I have friends and people I can rely on from a wide array" (Editta, Chief Risk Officer, foreign bank).

"[…] I went to King's College Budo and some of my colleagues did too and some directors in other banks and non-bank organisations, we all respect each other and we expect a minimum standard of behaviour, ethics, delivery because we are associated with that name. So, we hold each other to certain standards but we also enable each other" (Dylan, Executive directors, foreign bank).

The directors above indicated how many people in their network within their respective banks, on boards, other banks and non-bank organisations went to the same university or secondary school. For example, Tony noted; *"about five of the directors were a year behind me in the same university. To make matters more interesting, when I finished University, I was retained as a lecturer so, close to 65 per cent of the staff from the middle level were taught by me in the University."* Editta likewise exclaimed as if to say that it is apparent that they all know each other from having attended the same university. Not only do the directors indicate knowing each from university but that knowing each other creates an advantage for them "*so I have friends and people I can rely on" (Editta, Chief Risk Officer, foreign bank); "[…] there is already rapport, I know what they are capable of. It puts me in advantage as a CEO […]" (Tony, CE0, Local bank).*

These extracts and the rest of the conversations with directors who went to the same schools reveal the great solidarity present among them based on their shared identity as old schoolboy or girls. This is an example where the directors' identity and experiences seem to operate as a bonding mechanism that fosters their connection and friendship. Directors undoubtedly have multiple identities, such as gender, social class and many more, but it seems in this case, the predominant identity was education background, and its authority obscured other differences. One can, therefore, see from this that structural social capital is linked with relational and cognitive social capital.

It is clear from the data that education background has provided these directors with a platform to build networks and access contacts that they can rely on in their governance work and for some this educational history acts as direction for their behaviour. For example, Dylan noted

“we all respect each other and we expect a minimum standard of behaviour, ethics, delivery because we are associated with that name. So, we hold each other to certain standards but we also enable each other” (Dylan, Executive directors, foreign bank).

This might reflect mutual recognition and cognition as characteristics of social capital (see Bourdieu (1980; 1986; 1998a). This is how social capital acquires a symbolic character and is transformed into symbolic capital (Bourdieu, 1986). "Objective" differences between groups or classes must be transformed into symbolic differences and classifications that make possible symbolic recognition and distinction for social capital to be useful. "Symbolic capital ... is nothing other than capital, in whatever form, when perceived by an agent endowed with categories of perception arising from the internalization (embodiment) of the structure of its distribution, that is, when it is known and recognized as self-evident" (Bourdieu 1985, 204).

As a reward for behaving accordingly, one gets introduced to more people and thereby access other networks. For example, Dylan went on to say

“[…]*You gain more social capital in that you are introduced to more people. You are invited into circles. They say ‘ this is our guy’. You are now recognised by others.”*

This resonates with Bourdieu’s concept of social capital being a resource of group membership (Bourdieu, 1986). Membership in groups and involvement in the social networks developing within these and in the social relations arising from the membership can be utilized in efforts to improve the social position of the actors in a variety of different fields. Group memberships creating social capital have a "multiplication effect" on the influence of other forms of capital (Bourdieu, 1986; Joppke Christian, 1987; Coleman, 1988b).

Directors’ tie formation or access to networks was also evident in informal networks. This will be discussed further in the next section.

4.2.3. Informal networks

Theoretical framing to analyse informal networks has been provided by numerous access points with roots in sociology or economics (Hennart, 2015). A typical approach to analysing informal networks has been to use a social network and/or social capital frame. The concept of social capital has been used as a frame to discuss informal ties (Bourdieu,

1986; Burt, 1992; Putnam, 1995; Tsai & Ghoshal, 1998) by addressing the 'intangible,' informal mechanisms supporting economic interaction in social networks, for example employing the shared norms and values that evolve in societies. From a broader perspective, informal networks can be characterized as an informal institution, since they set 'the rules of the game,' as well described by Douglass North, by drawing on customs and traditions, values, norms, or beliefs that influence behaviour and decision making (North, 1990). Typically, they are of greater importance for coordinating activities in transitional economies, where formal institutions (such as contracts, formal rules, law) are ineffective or non-existent (North, 1990; Hao Chen *et al.*, 2009). This follows the view that, as soon as formal institutions develop towards effectiveness, informal networks may disappear, as people may rather draw on ways to coordinate activities that are formal and often regarded as more reliable. However, recent research has shown that informal institutions can persist even in environments in which formal institutions have been firmly established, making understanding informal networks even more critical (Li, Pickles and Savage, 2005; Horak, 2014; Horak and Klein, 2016).

The data's overall analysis suggests that directors did not rely entirely on their work or education background to help them build their networks. For many of them, this meant that they had to attend informal gatherings to build further and enhance their networks. The extract below shows the importance of informal networks:

> *"In Uganda, informal social networks happen a lot and are very strong, they are used a lot. How they help the institution depends on how the key person uses them. You cannot wish them away […]" (Simon, Non-executive director, Local bank).*

Analysis of the data revealed that most of the directors from both local and foreign banks attended informal gatherings, such as Easter, Christmas, New Year's celebrations that provided them with the opportunity to interact outside the workplace and get introduced to new people and strengthen existing networks. Some of the informal meetings can be identified from the quotes below:

> *"We have several events. It is sometimes mandatory, for example, during the annual assessments, this is something that would feature…We have an End of year party, Easter etc. We invite our customers…we get to know each other very well. Also, whenever a new executive is joining the bank, the governance holds a party to*

welcome and also say farewell to the one who is leaving" (Carolyn, Executive director, local bank).

"We have getaways once a month. We have picked it up again – we got very busy at the beginning of the year but we have decided to pick it up again. It is very important to step back as a team, talk about where we have challenges, how we work together and then we come back and reset for another round" (Jacob, Executive director, foreign bank).

Like Carolyn and Jacob, many other directors reported that these informal gatherings are an essential platform for building connections with their fellow directors, customers and others outside of their respective banks. One can see from Carolyn's statement, "*At these parties, we invite our customers as well and we get to know each other very well"* that formal gatherings play a bridging role of social capital where people from different backgrounds can come together and create relations of respect and mutuality as proposed by literature on bridging social capital (Agnitsch, Flora and Ryan, 2006). One can also see that some banks adopted some mandatory expectation by incorporating this into their appraisals to ensure that their directors and all employees attend different gatherings.

Carolyn identifies End of the year and Easter parties as occasions to interact with other directors and customers, implying that networking building extends beyond the fellow directors. Religious practices and beliefs are standard in Uganda and profoundly influence society, culture and business practices. The residents of Uganda practice a wide range of religions, a freedom that is protected by the constitution. The government recognises several religious events like national holidays – these include Good Friday, Easter Monday, Eid al-Fitr, Christmas[24] , and so many more. Religion serves as a common ground for many people. It provides a platform to build new networks, develop and sustain existing ones, and provide many resources. An article[25] in the Daily Monitor, one of Uganda's leading newspapers,

[24] Patriona. A. (2017). Religious Beliefs in Uganda, https://www.worldatlas.com/articles/religious-beliefs-in-uganda.html Accessed 28th May 2019

[25] "Some people do not only stop fellowship when they go to their places of worship, but they make time while at work and meet to nourish their spirituality [..] Witnessing the closure of different commercial banks in the 1990s and the tension with which employees worked [..] A retired deputy director of Bank of Uganda felt the Need to seek God's intervention in the banking institution. "Work is a calling from God. A calling meant to bring joy and peace to us, but also give glory to God," […] Bringing together employees from the different commercial banks. We started prayer meetings in the gardens of the Bank of Uganda… "Enjoying the company of others, having a good laugh and supporting one another through struggles is what the bible asks of us." Fellowship is unity." (Nassanga, P. (2019). Juggle prayer, work. Daily Monitory).

demonstrates the extent to which religion connects people and influences their behaviour at work.

Directors connect with one another, other employees and customers through informal prayer meetings and other religious events like Easter. Some of the directors mentioned going to the same places of worship with their colleagues, directors from other banks, other influential figures in society, and this common ground helped them connect with new people, nourish existing relationships, and seek advice with ease where necessary. Directors being able to connect based on religious identity supports the literature on bonding social capital, which refers to relations between members of a network that perceive themselves as similar in terms of their shared social identity. In this case, one can also see religious netwroks (structural social capital) also reflect like-mindedness among people (cognitive social capital) because religious similarities bring about trust, confidence, and shared values, norms and reciprocity among people in this group (Bourdieu, 1986; Putnam, 1995a; Coleman, 2000)– hence the interrelatedness between structural and cognitive social capital.

Besides attending the occasional parties and religious events, most of the directors in this study reported that they belonged to different social clubs or groups that provided a platform for them to expand their networks. One club that stood out the most about how many directors were members was the Rotary club. Rotary club is a non-profit philanthropic association that has excelled in providing social assistance to the local and global community. Its mission is to support individuals and service delivery groups' activities and projects that seek a quality of life, retain human integrity and provide world understanding and peace[26]. The statements below exemplify how some statements from directors who belong to the Rotary club:

> *"I belong to the Rotarian club. This is now a perfect example of social capital and I will tell you why. Rotarians look out for other Rotarians because one of the Rotarian goals is to promote goodwill, service, and our professions' furtherance. For example, if you are a Rotarian and you want access to the Deputy Governor, all you have to say is that you are a Rotarian" (Mark, CEO, Foreign bank).*

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https://www.monitor.co.ug/Magazines/Life/Juggle-prayer-work/689856-5131532-13xph19z/ Accessed 26th May 2019

[26] Rotary Club. [Accessed 30/05/2019]. https://www.rotary.org/en/about-rotary

"Another example is the CEO summit, which brings together CEOs - most of them are Rotarians, so they help one another a lot and makes rational sense. It is patriotic because it provides a basis for people to identify their national duty. Rotary takes you to another level of aspiration" (Jacob, Executive director, foreign bank).

The Rotary club in Uganda is a somewhat an exclusive club in which membership is by invitation only; for one to join the club an already existing member must invite them and there is also a joining fee – the invitee will then be vetted through a series of questions about themselves and interests. The club's office branches are set up in different parts of Uganda, mostly in Kampala's suburban areas like Muyenga, Entebbe, and Ntinda where most rich people reside. The majority of members are high-status individuals in Uganda's society, for example, those who have prestigious jobs like the boards of directors, politicians and other wealthy individuals. To some extent, this club provides a closed network for its members who identify themselves as Rotarians and can provide many benefits for its members – *"[...] For example, if you are a Rotarian and you want access to the Deputy Governor, all you have to say is that you are a Rotarian" (Mark, CEO, Local bank).*

This confirms Coleman's (1988, 1990) theory of social capital. Coleman argues that social capital's power comes through closed networks of personal relations that engender robust individual and collective action. Because all of one's contacts in closed networks know and interact with each other, they are more likely (than in open networks) to convey and reinforce norms of exchange and more easily monitor their observance and enforce sanctions. Having and observing group norms reduces much of the uncertainty surrounding the exchange. Closed networks also facilitate the accrual of obligations or favours that can be drawn upon as needed and then replenished, thereby sustaining the network and adding to the value of its underlying capital (Coleman, 1988). The resulting social cohesion engendered by a closed network structure reduces exchange risk, enhancing the likelihood that actors so positioned will obtain others' cooperation and resources. Bourdieu (1986), unlike Coleman (1988), argues that the existence of a network of connections "[…] is the product of an endless effort at institution, of which institution rites – often wrongly described as rites of passage – mark the essential moments and which is necessary in order to produce and reproduce lasting, useful relationships that can secure material or symbolic profits" (p. 249).

As shown in the literature in chapter two, the structural social capital dimension addresses the network of relationships. It is derived from structural embeddedness theory (Granovetter,

1992) in that it describes the structural configuration of relationships among individuals, teams or groups. To this point, the data has indicated that directors can have access to different connections through their role, including sitting on multiple boards, belonging to formal bodies like the Uganda bankers' Association and through informal channels like social clubs (for example, Rotary club). Thus far, the data has confirmed that directors' can expand their networks to include ties to other firms, including banks and non-bank organisations. In the literature, these ties are referred to as a board's external social capital - defined as the degree to which board members have outside connections with the environment and the potential resources arising from those connections, which may be sources of competitive advantage for the firm (Cannella Jr. and Yangmin Kim, 2008). The primary function of external social capital is bridging or linking the firm to the external environment (Pfeffer and Salancik, 1978). Directors may connect to their environment in several ways, such as having seats on the board of other firms; the literature on interlocking directorates supports this view (Mizruchi, 1996; Burt, 1983; Pfeffer and Salancik 1978).

The importance of informal network connections is that they allow those who participate in them to develop a relationship beyond that of the 'everyday' work relationship. Developing a 'closer' relationship is connected to both relational social capital and cognitive social capital, which will be discussed later in this chapter.

A concerted effort to engage with others is required from directors to gain access to networks; however, directors noted that sometimes they could not simply turn up to these meetings. They had to be 'invited' by others where one of their main purposes was to facilitate introductions. This need for facilitated access to the appropriate networks to build visibility and awareness will is in more detail in the next section.

4.2.4. Facilitated access to networks

Support from others is needed for directors to get access to networks. Access to networks could be obtained from the director's current role, circles of people from similar education, church circles, other organisations and several directors needed this initial introduction or referral. Social capital literature emphasises the importance of network connections, but there is some disagreement whether goals are achieved by accessing distant ties through the use of key individuals acting as 'brokers' (Burt, 1992, 1998) who span different networks (Granovetter, 1973; Putnam, 2000) or by building 'bonded' (Putnam, 2000) relationships within closed networks (Coleman, 1988). In this study, directors reported that they needed

to have both close and distant ties to ensure access to networks. Sometimes directors could not simply show up to social gatherings, join social clubs voluntarily or even get the directorship job. They had to be 'invited' by others who could facilitate introductions – the individuals who facilitate these introductions are called 'brokers' in the literature. This originated from the structural hole theory, whereby social capital is a function of the brokerage of opportunities in a network (Granovetter, 1992; Burt, 2002). The structural hole argument defines social capital as the information and control advantages of being the broker in relations between people otherwise disconnected in the social structure. The disconnected people stand on opposite sides of a hole in the social structure. The structural hole is an opportunity to broker the flow of information between people and control projects that bring together people from opposite sides of the hole (Burt, 2002)).

Below are some extracts from the directors to support this theory of social capital. The extracts reveal to some extent directors rely or relied upon others to gain access to some networks:

> *"I was invited to join the board by referral. A director recommended me at the time and they needed someone with some legal skills on the board. A director should have a rich network; when appointing a director, you want someone who can bring those relationships to support the company, make introductions, resolve stakeholder issues, and promote the business. It is key to what a director should be doing for their company" (Tim, Executive director, Local bank).*

> *"[...] Part of the reason I am where I am is a result of where people have reached out and said 'this is what we want, do you have a name in mind?' and I have been recommended, that has provided 90% of the door. In most cases that works very well, you have to meet the bill, you must be able to deliver on your side…there must be that underlying rationale for you to gain that social capital, you must achieve a certain level of either trust, performance or reliability for that to gain value" (Willis, Executive director, foreign bank).*

These extracts reveal the importance of 'brokers' in gaining access to board seats. Tim, an executive director, was invited to the board by referral from someone else on the board who knew of his legal skills. Social capital literature has often shown that ties play an important role in director recruitment (Gulati and Westphal, 1999; Carpenter and Westphal, 2001)). Additionally, Tim's extract further reveals the importance of having directors on the board

with a good network; those who can bring forward relationships beneficial to the board act as brokers themselves by making introductions. This extract supports Pfeffer and Salancik's (1978, p.170) influential discussion of the different possible functions performed by directors and that one of those functions is linking an organisation with its environment.

It can further be seen that others recommended both directors, but they also made it clear that one had to prove that one was up to part so to say; "*obviously you have to meet the bill, you must be able to deliver on your side. It is one thing for someone to recommend you but you must also deliver – to avoid situations where if you are recommended and you're not up to standard".* This is consistent with research that suggests that Social capital can provide social cues—such as the credibility and attractiveness of a source—that people may use in place of facts when a judgment task is ambiguous (Petty & Cacioppo, 1986). As Burt noted, social capital is most valuable "where an individual has to figure out for him or herself how to perform the job best" and then persuade others that the job performance is legitimate (1996, p.11). One needed to prove to the others that one could do the job to gain that trust as a suitable candidate "*you must achieve a certain level of either trust, performance or reliability for that to gain value" for example, Tim had the legal skills that the board was lack "A director recommended me at the time and they needed someone with some legal skills on the board".* This suggests that although recommendations played a vital role in gaining access to the board networks as directors, one also needed to gain others' trust to prove themselves worthy.

Besides building networks through support from others or 'brokers' as referred to in the literature, directors also used their self-initiative to form links with others within and outside their respective banks. This will be discussed further in the next section.

4.2.5. Access to networks through self-initiative

The overall analysis of the interview data suggests that directors' self-initiative can make a significant contribution to the process of building networks. Directors mentioned that they did not rely entirely on others to help them build their network. For many of them, this meant that they had to make people around them, for example, at work, aware of what they were doing, how they were doing it and with whom. These findings are in line with the literature on social capital that supports the thinking that social networking is cultivated by individuals and is utilised to further a given individual's personal benefit. Adler and Kwon offer a perspective that "Social capital is the expected value of social support" that results

from "(a) the number of persons willing to grant assistance, (b) the resources provided in this indirect manner, and (c) the degree to which the other persons are obligated to help the individual" (2002, p. 11). They referred to these as an opportunity, motivation, and ability. Some see abilities as "complements" to social capital, while others argue that they are "constitutive of social capital" (Adler & Kwon, 2002; Lin, 2001b). "In life, we cannot expect to derive any value from social ties to actors who cannot help us" (Adler & Kwon, 2002, p. 17). Adler and Kwon cited literature that supports their view that, while the ability of others to be a resource is an essential condition for social capital to be accrued, the ability of the individual to use the resource is an essential complementary feature of the process of mobilizing social capital (2002, p. 33). Likewise, it is argued in this study that one must have the ability to connect to others – one through self-initiatives can create and access networks that may provide resources for them.

The extract below shows one way in which directors used their self-initiative to get access to networks:

> *"I think I am known to be the guy who does the most walking … I do prefer direct engagements so I am always walking around constantly having discussions with my teams. So it is always a verbal discussion….you get to a point where people cannot make decisions without being there. So they become very reliant on me because I am always around to unblock […]the people open up to me about their challenges, I act upon the feedback I get because then that gives them the confidence that if they raise something, it will be dealt with so then they do not keep quiet and continue to have concerns around work" (Uriel, Chief Operating Officer, Foreign bank).*

Uriel uses one-on-one interaction with his teams to interact with others frequently and find solutions to problems. Through his preference for verbal discussions, he reaches everybody under his oversight, that is, his managers and their subordinates:

> "*I still prefer to talk to them and their teams because there are things I do pick up that some of the people subordinate to them open up to me […]".*

The above suggests that he expands his networks beyond his fellow directors, the managers on his teams, to the subordinates. In the end, he makes himself visible to the different teams as the director who listens and acts on their concerns;

"*I pick up challenges. I make it a point to act upon the feedback I get because then that gives them the confidence that if they raise something, they will be dealt with so then they do not keep quiet and continue to have concerns around work".*

This, of course, comes with the challenge of everyone becoming over-reliant on him.

Another extract describes effective communication as an approach he took to ensure that he gained, and retained, a high-quality network by making a "very effective introduction":

"Much of the time is a very effective introduction. An effective introduction will put you in a position where people will want to give you what you want. Stating clearly what you do, what challenges you are facing, what have you done about it so far and what are you expecting?" (Paul, Non-executive director, local bank).

Directors also self-initiated by doing talks in school or at social gatherings. This has the added advantage of signalling to others which banks they were associated with and their skills. The quotes below demonstrate how self-promote to get access and build their networks:

"I have worked in the financial service sector for some time now, so sometimes you find people saying, "we have a workshop or talk show, can you come as a panellist?" Sometimes I am invited to universities - in the school of business-to provide a perspective on a practical side of the business as a brand (Bank 2). If I go and speak on my own that one part it is believable, but if I tell them I am coming for Bank 2, it provides more credibility but then there is a brand and probably an assumption that the things we do, code of practice, ethics and obviously, I am also privy to a lot of knowledge and skills on how things are done in a global company. So that gives a bit of an edge" (Willard, Executive director, foreign bank).

Willard provides an excellent example of how doing talks outside of work enables him to put his brand and that of the bank out there and gives him an edge in building his social network. Below is another director's quote that describes in detail how a simple invitation as a guest speaker allowed him to connect with many people but particularly with someone with whom he discovered he had much common ground spanning different networks:

"I am a Rotarian, I belong to Muyenga Rotary club the largest club in Africa. Last week, they called me and asked me to be a key guest speaker at another Rotary club's installation. I agreed. After ten minutes I called them back and asked for more

information…On speaking to this lady I discovered many things, she worked in a bank, I know her boss, we spoke about a lot of things. She introduced me to many people.

For example, one lady she introduced me to turns out she was a member of the kasangati club, and it turns out I live near Kasangati. She works at the US embassy and it happens my niece works there too. At which she said I know your niece, and her mother is a good friend of mine. As we continue talking, she mentions that her daughter has applied to Strathmore University and I chair on the board. All of a sudden, there is that connection" (Rodney, Chairman, foreign bank).

Summing up, the structural dimension concerns the properties of the social system and the network of relations as a whole (Nahapiet and Ghoshal 1998 p. 244). This dimension has been explored in-depth and strongly influenced by the work of Burt (1992, 1995, 2000, 2002, 2004 and 2007) and deals with who you reach and how you reach them. The findings revealed that directors reach different actors within their networks. However, the most important ones included, fellow board members within and across banks with whom directors could share experiences, challenges and ideas; regulators because regulators have a more direct influence on the directors' work; customers to build stronger relationships that resulted in customer loyalty, customer feedback; and other influential individuals in society, such as politicians (clerks and parliament members), played a significant role in accessing resources easily and quickly. In the literature, connections harbouring the most valuable social capital resources are seen to reside in higher hierarchies (Lin, 2001). In the interviews, directors agreed that having connections with influential (usually members of parliament and regulators) seemed to be very beneficial and therefore building connections with such individuals was very important.

The structural dimension also encompasses network configuration, that is, formal and informal networks. Directors revealed the need to be connected to others to get the resources that exist within those networks. The finding indicates several ways in which directors reached out to others in their networks. Often these connections are made as a result of the current role, education background and informal networks. Where this is not possible, directors have gained access to networks through referrals or introductions from friends and other directors. Besides, some directors have developed their self-promotion strategies, enabling more excellent network connectivity and creating visibility and awareness.

Furthermore, the structural dimension emphasises the importance of network connections, but there is some disagreement whether goals are achieved by accessing distant ties through the use of key individuals acting as 'brokers' (Burt, 1992, 1998) who span different networks (Granovetter, 1973; Putnam, 2000) or by building 'bonded' (Putnam, 2000) relationships within closed networks (Coleman, 1988). Directors in this study reported that to ensure access to networks, they needed to have both close and distant ties. Sometimes directors could not simply show up to social gatherings, join social clubs voluntarily or even get the directorship job; they had to be 'invited' by others who could facilitate introductions.

However, structural social capital is the starting point for building, developing and using social capital. Being connected to others within these different networks does not necessarily lead to the development of high-quality relationships. These relationships may be extensive, but in and of themselves, they cannot generate social capital; instead, these ties facilitate social capital only when they work in conjunction with relational and cognitive dimensions. Burt (1995) asserts that closure between two networks requires more than just structural ties. Bridging also requires facilitating trust, collaborative alignment, and shared interpretations – otherwise known as relational social capital. As such, the next section discusses what the findings reveal in building relational social capital.

4.3. Relational social capital - Building Trust and creating value

The relational dimension concerns the kind of personal relationships people have developed through a history of interactions (Nahapiet and Ghoshal 1998 p. 244). As noted in chapter two, without a relational component, social capital cannot exist. This relational dimension of social capital refers to the quality of the personal relationships between members of a group. Generally, these relationships are time-dependent, being a function of the "history" between individuals. The relational dimension's key elements are trust and trustworthiness, behavioural norms and their "enforcement" through sanctions, and the belief that individual members will honour their commitments to the collective group and each other referred to as reciprocity (Coleman, 1988b; Boyd, 1990; Burt, 2000). Trusting relationships and the understanding among group members that commitments and obligations will be fulfilled are at the core of social capital and provide the aspect necessary for cooperation, information sharing, and collective decision-making. From these relationships, the "oneness" in the mind-set represented by the cognitive dimension of social capital (discussed later in section 5.4), serves to focus group members toward a shared vision and mutual goals.

(Keogh, 2002), describes banking as an intensely relationship-driven business. This implies that the ability to gain relational social capital may be crucial for directors' and banks' success. In this research study, being able to build effective relationships across the industry and work productively in teams spanning different divisions and geographical areas was viewed by directors to be essential for their governance work.

Findings suggest that relational Social Capital is developed when directors invest time in building relationships, team dynamics, close working ties, navigating structural holes, and supporting one another. Directors believed that these activities strengthened their likelihood of securing support and resources throughout the different network channels. As expected, directors sought support from those with whom they felt they had a positive relationship. However, if a director was not deemed to be 'a good person' to work with, they ran the risk of being alienated and thereby unable to gain potential support from the networks, as indicated in the following quote:

> *"Fundamentally, you have to walk the talk, and if you do not walk the talk; if you do not do this, you are not genuine, and people will pick up on this. If you say certain things but do not behave accordingly, people will notice and slowly start to wear down your social capital and once this happens, it is hard to build it back up. It is not a matter of walking the talk but having the conviction that it is the right thing to do under any circumstances" (Mary, Executive director, foreign bank).*

Mary, like other directors, was emphatic about the need for directors to be genuine in their actions otherwise, they stand the risk of losing their social capital. This brings into sharp focus the need for directors to build a good relationship with others by, for example, behaving genuinely; which confirms the social capital literature that suggests that trusting relationships and the understanding among group members that commitments and obligations will be fulfilled are at the core of social capital and provide the factor necessary for cooperation, information sharing, and collective decision-making. From these relationships, the shared mind-set represented by social capital's cognitive dimension serves to focus group members toward a shared vision and mutual goals (Pfeffer and Salancik, 1978; Zahra and Pearce, 1989; Putnam, 1995a).

"Walking the talk" can be interpreted as a signal to others that one is reliable and generates trust. The underlying mechanism of social relations is the moral value of trust. Trust fills in gaps in incomplete contracts and in monitoring (particularly in uncertain environments),

which saves time and money. Trustworthy behaviour, in turn, helps to build a reputation, which is likely to generate even more trust, further reducing transaction costs. For example, it has been suggested that trust may be more appropriately regarded as an outcome of social capital than a determinant (Field 2003, p.65 and 125).

Failure to be genuine, reliable and thereby trustworthy may lead to *" wear down"* of one's social capital, for example, through social distancing– so being aware of this consequence makes social capital an enabler and reinforcer of collective action (To be further discussed in chapter five), a form of social control. Broadly, social control involves processes in the social system that serve to counteract deviant tendencies, which refer to actions by individuals or subgroups that violate normative expectations of the larger social group or threaten the group's social integrity (Cohen and Prusak, 2001). Social control can vary from formal legal sanctions to relatively subtle informal sanctions (Philip B. Taylor, 1985).

4.3.1. Investing time

Social capital resides in the social networks that directors create over time (Hillman and Dalziel, 2003; Haynes and Hillman, 2010). Like other types of capital, such as human capital, social capital benefits directors in the long run if they are willing to make the necessary investments in the short run. Unlike human capital, however, social capital is developed through investments in and maintenance of social networks rather than investments in personal attributes such as education.

Social capital provides long-term benefits to directors if they are willing to invest in relationships and maintain these relationships by investing in social networks (Sauerwald, Lin and Peng, 2016). Quality relationships did not just happen. When analysing the data, findings suggest that directors must develop relationships to build and benefit from relational social capital. Several directors spoke about the time they invested in building these quality relationships with others, suggesting that relationships needed to be worked at:

> *"I have been doing this work for about 8 years and the fundamental ingredient is engagement. This is talking to, checking up on, advising and so on. This can be regular, and periodic [...] do this by meeting with them, sharing a coffee or meal, attending events and so much more. Those are the engagements upon which relationships are built" (Mark, Chief Executive officer, foreign bank).*

> *"Every year we meet for two days with all the other directors to share opinions on what we should start doing, what should we stop doing, what should we create. This*

is in a very cohesive and mutually supportive environment" (Bob, executive director, Local bank).

The extracts from Mark and Bob demonstrate that generating social capital in this case relational social capital is something that needs to be actively worked at. One has to invest time in attending gatherings such as the two-day event that Bob spoke of to meet and talk with other directors, go an extra mile to check up on others, talk to them regularly, and periodically help directors build valuable relationships with others. These findings are in line with several strands of literature on social capital, for example, Bourdieu (1985, p.249) believed that social capital can be deliberately designed because it is not a natural or social given and must be achieved through "endless effort at the institution". As he wrote: "the network of relationships is the product of investment strategies, individual or collective, consciously or unconsciously aimed at establishing or reproducing social relationships that are directly usable in the short or long term". Similarly, after extensive empirical research, Maurer and Ebers (2006) concluded that an organization can take purposeful action to configure and reconfigure its social capital over time. Furthermore, as Kramer (2006, p.23) noted, "Social capital…does not emerge like a bolt from the blue or simply fall from the sky. As with any form of collective resource, it must be created, nurtured and maintained".

By investing time in building these relationships Mark and Bob, like other directors, were able to identify mutual benefits and confirmed the need to work effectively with others. The directors quoted next about their existing network and revealed that this time investment ultimately enabled them to develop trust within the relationship:

"In the business we are in, it is a competitive business, there are so many banks in Uganda and if you do not know what they are doing, you will lose it. You have to know what is going on with your competitor and part of that is keeping contact with them. You see them at social gatherings, you talk with them, establish common ground, for example, you find that your children go to the same school. Already you have that trust - that connection which you capitalise on in the future" (Rodney, Chairman, foreign bank).

"When you associate with people, and they get to know you and know what you can do, you find work much easier to do when you need something from to say another bank; not much is required apart from a simple phone call – it cuts down on the bureaucracy" (Imogene, Executive director, foreign bank).

"We are in this together, we are one, we have the same goal. Let them be close to you, open up to you so that they come to you and you can quickly detect If there is a challenge or not. This system gives people confidence and opens up a channel for the easy flow of information" (Mekos, Non-executive director, local bank).

The below directors were good examples of those who had, in the past, spent little time building close relationships, believing that it was more imperative to spend more energy achieving concrete business outcomes. By their admission, they had not indeed recognised the value of close relationships with colleagues and had not invested time in them: For example, Tony discussed how by failing to recognise the value of 'communication' with colleagues and other peers in the bank, he failed to understand how the changes he was hired to implement within the bank would affect everyone:

"…we have had a lot of change since last year and I came in as sort of a disrupter and not in usual business kind of way. The bank needed this change and while a lot of that was not ideal because we were being forced to make changes for financial reasons, I think the change was good" (Tony, Chief Executive Officer, Local bank).

Tony goes on to say after he was asked, "what are some of the challenges you faced when implementing these changes":

"One of the critical things has been communication because what people want in a big organisation is sort of mass personalised information which is impossible to give, it is very difficult to pull off but again it does not mean you just ignore it, you try and make an effort. So, we have tried to do more public meetings, social events, inviting each other to social events. We are trying to diversify how we communicate with each other and I think that is sort of working. We could have done this last year, but in banking, you are often not allowed to say things to let people have the information they needed when they wanted that" (Tony, Chief Executive Officer, Local bank).

Tony recognised the need to communicate with others and that one way of doing that is engaging with them at social events, public events and further the importance of "*inviting each other"* at these social events, which required taking the initiative. Other directors also spoke of their teams starting to make an initiative towards socialising together:

"(Laughs)… right now we are going through that transition where we are determined as directors to have regular meetings outside the formal meetings. We

are trying to make an initiative to create a platform where we can become more jelled [...] Basically, we are going through a period of change, and many things are happening which require us to be more jelled together and understand each other. Right now, we are making a deliberate effort to meet" (Malcolm, Executive director, foreign bank).

When Malcolm was asked in the interview, "if he ever met with his fellow board members outside of the formal board meetings?" he laughed as if to indicate how foreign this practice was to him and his team. He, however, continued to stress that they are "*determined as directors to have regular meetings outside the formal meetings",* and this is because the bank is going through a period of change[27] . Therefore, the directors felt they needed to stick together and support one another through this change. Director 11 called this "*becoming more jelled".*

4.3.2. Close working ties

For some directors, developing quality relationships with other directors, customers, and other people within banks and non-bank institutions appeared to come from having the opportunity to work closely with them over a long time. This closeness made a difference in their approach to governance duties. Although an actor may have access to several people who are potentially critical sources of information, personal experience, and the quality of past interactions will often influence whom he or she is likely to approach and engage. As Granovetter suggests, "better than the statement that someone is known to be reliable is information from a trusted informant that he has dealt with that individual and found him so. Even better is information from one's past dealings with that person" (Granovetter, 1985, p.490). One director talked about his experience of being affiliated with several of his fellow board members in the past and most of the staff on his team, and how this makes it easier if he needs to ask for something:

"...about five of the directors were a year behind me in the same university. To make matters more interesting, when I finished University I was retained as a lecturer so, close to 65 per cent of the staff from the middle level were taught by me in the University [...] when I want something from them, I use two hands, one I was a loved teacher so my former students here still look at me as that teacher [...] so there is

[27] This bank at the time was in the process of becoming part of Absa Group Limited, an African financial services group based in South Africa.

already rapport, I know what they are capable of. It puts me in advantage as a CEO I am the most advantaged CEOs (Tony, CEO, local bank).

Tony alludes to the fact that it is easier to work with people when there is that close relationship as if to demonstrate the importance of trust in a relationship, a relationship in which the people concerned understand each other and communicate well, "*so there is already rapport, I know what they are capable of".* Further in the conversation, he talked about how trust is cultivated over a long period; "Trust *grows over some time, having worked with some of these people for a while, knowing each other from school. They know how you work, and they know you".*

Marcus, another director, when asked 'how having close relationships with fellow board members affected his work, said:

"Having good relationships with directors or if you like friendships helps because you may be discussing a controversial matter and possibly being misunderstood but because some people on the board trust you, that trust makes it easier for them to believe in what you are saying. It makes it easier" (Marcus, Chief Executive officer, local bank).

In an environment where most people have attended the same schools in the past, directors found themselves gravitating towards people they attended schools with, demonstrating loyalty to their colleagues. The below director implicitly talked about the concept of 'affiliation' suggesting that people see each other as members of a group and are more likely to support 'insiders' rather than 'outsiders':

"I will tell you that four of my colleagues were with me in high school (Budo Highschool). So, that gives me social capital that you could not find anywhere because you already respect each other and you have known each other in the past, there is history so, when you come into an organisation, it does not matter that I had not been talking to these people regularly. However, our history and school's basis directs our expectations on how we are going to work and the standards expected from each other. As a result, it is easier to get things done. You are not looking at these people as outsiders, and this has been one of my benefits" (Ottis, Executive director, local banks).

For some directors, one of the 'close tie' relationships to optimise was that between people in powerful positions in society, especially regulators. In the banking industry, the central bank plays a vital role in the operation of the bank since it is the one that regulates and supervises these banks:

> *"I certainly know people in influential positions! It comes from being in the industry for a long time. For example, being on the board for ten years being regulated, you get to know who gives you stick all the time and those relationships get cultivated because of the interface between the company board and regulators – when we are called for meetings by the BOU[28] it does not hold management accountable but the board. The board gets all the tough questions. So, yes, the relationships are being developed and it is quite possible to call up some people within the BOU and ask them questions where a further explanation is needed" (Abel, Chairman, local bank).*

Abel emphasized the importance of the regulators:

> *"For financial institutions, we rely a lot on our relationships with regulators. It is mostly the regulator because nothing is going to threaten you so much. Inevitably when the regulator is unhappy, the board is the one that takes the stick and they must go to the regulator and say look we have made a mistake, but we have corrected it and it will not happen again" (Abel, Chairman, local bank).*

Other directors recognised the importance of building close relationships with other people in influential positions in society, but the regulators were emphasized the most:

> *"I have friends in places of influence. For example, I used to work for the central bank, one of our regulators and key institutions that we interact with, so I have many friends there whom I can call for advice, for help or whom I can leverage. In other organisations, I have friends who are heads of organisations, for example, the Uganda Securities Exchange, Capital Market Authority, you know friends and acquaintances. They are quite handy when I need information, advice or help" (Ottis, Executive director, local banks).*

[28] Bank of Uganda – The central bank.

4.3.3. Structural holes

As discussed earlier in this chapter, Burt (2002) states that within-group cohesion is stronger than between-group cohesion. In the absence of any relationship between two groups, a structural hole exists. Structural holes can be filled by individuals who are members of both groups ('brokers') or willing to serve as a go-between or bridge between the two groups. Such individuals span the two groups and thereby often improve the social capital of both groups. Structural holes create a competitive advantage for those individuals whose relationships span those holes. As such, social capital can function to brokerage opportunities in each network of relationships or become the broker in relations between people or groups who would otherwise be disconnected in the social structure. This is exemplified by the statement below:

> "*...I serve on the board of an insurance company, a retail company, and one other [...]there is a lot of convergence between the two industries....being on the board of a bank and an insurance company. I introduced one to the other bank and the insurer.... I brought together the three connections between the retailer, bank, and insurer...business has expanded based on my recommendation" (Gail, Chairman, Local bank).*

Brokers seek out partners with whom they can form unique relationships that bring new information and the possibility of negotiating between competing groups. The individual fills the structural hole between two groups, as a leader or a member of both groups like in the statement above. Gail, a local bank chairman, plays the broker's role between the bank, the insurer, and the retailer. This individual then provides an opportunity to span two individual closed networks, where they are now connected and have enhanced social capital beyond what each group had separately.

The data revealed that some directors expanded their networks beyond their usual within-group networks, that is, fellow board members:

> *"[...] when you are a board member how are you connected to FINTEX, industry disrupters; because the people who are disrupting the banking sector are not necessarily bankers...So, networks today can be global. For example, I am a director primarily but I am also a coach and I have also got coaches – virtual coaches. I spend time listening to what Daniel Goleman is saying, Marshall Goldsmith is ...these are my coaches. I can find them on youtube, TEDtalks – I am leveraging my*

virtual networks. Not physical. This is to blow up my innovation circle as a board member…I can probe and uncover new realities and I cannot do that unless I expand my network beyond the people I already know […] I bring back the knowledge and information I learn from my wider network to the board" (Paul, Non-executive director, local bank).

Paul discussed the idea of expanding his network beyond that of people he already knew and although his example was of virtual relationships, he indicated the importance of making these connections is

"...to blow up my innovation circle as a board member and I can ask relevant questions, I can probe and uncover new realities" (Paul, Non-executive director, local bank).

He accumulates knowledge he can then share with his fellow board members who would have otherwise not known of it, in a sense building that bridge between his primary network and his virtual coaches.

Directors primarily get resources from their networks by building effective working relationships through their current role. A director's first supporter, for example, was his/her fellow board member. Then they needed the support of other people with whom they had previously worked, gone to school or who were well known to them; these were people whom directors could call on for support of any kind or people who could talk with knowledge about the director's reputation both in terms of their work and about them as individuals for example if they were recommended for a job. Furthermore, Directors needed resources from influential individuals in society like regulators who played a significant part in the banking industry and the directors' work. It was essential to have regular contact with these people to create effective working relationships.

Directors also needed to build a good reputation and working relationship with their customers. Several directors talked about the importance of building their relationships with customers:

"Clients are very critical – it is a three-way relationship between the shareholders, the board and clients. Shareholders give us the responsibility to run the organisation but, the organisation exists because of clients so we must liaise and work very closely with clients as much as we must work with shareholders.

> *"… it is important to get to know our clients … to understand what it is they want us to provide for them. If we can provide something beneficial to them and save them time, they feel like they can rely on us, they will remain loyal to us and recommend other customers. It is not how much you cut prices – these people once they are loyal to you, they will never move. Building that relationship is enormously important and listening is an essential aspect of that. The Irish have a saying, "if you want to fish in a river, you need to listen to the sound of the rivers" Going to visit the clients at their factory, you get to a visualisation of where they are, their office, what they do, their challenges, their market and products" (Rodney, chairman, foreign bank).*

The relationships with the clients may be sources of information about customer needs "*it is important to get to know our clients to understand what it is they want us to provide for them" and* a source for obtaining new customers. This is in line with Burt who asserts that contacts strongly connected are likely to have similar and therefore redundant information. In contrast, contact with connections to different groups provides a bridge to information available in other groups. This gives them an advantage in access to information (Burt, 2002).

> *"There must be a continuous engagement with customers […] Sharing information for example, our challenges. However, also, customers need to give banks feedback constantly. For many years, we thought that the top-end corporate relationships of the bank with the shareholders were more important – the bottom line was more important and we forgot that the power of numbers at the bottom end of the pillar could be very transformational as well as sustainable. The lower end will always be there, and they are millions, and we do not have to make a huge kill […], So there must be that constant dialogue and engagement so that the banks and clients understand each other" (Bob, Executive director, local bank).*

In summary, relational social capital contributes to a director's governance work, and for the most part, directors in this sample were able to build relational social capital with their fellow board members and other people outside that direct working relationship. Some of the directors had not built relational social capital due to other commitments like family and preferred to spend their time doing the work. However, some of these directors later discovered that it was essential to have close relationships with others, especially their fellow board members – this realisation came about during periods of change that made them feel

that they needed to be more 'gelled' together to support one another. To gain resources from their networks, directors talked about doing their jobs well and creating mutual benefits for others in their networks, but they also talked about qualities such as trust, belief, loyalty and being liked as important differentiators between one person and another.

These findings concur with published literature on social capital, for example, the literature that suggests that the relational dimension of social capital is built upon mutual trust among directors and other members in their social structures (Westphal, 1999; Burt, 1992). Directors built relational social capital by investing time in attending social events, engaging closely with their fellow board members at work and exploring structural holes. Relational social capital brought about the generation of trust among directors and other peers in their social circles, resulting in several benefits such as sharing information. An outstanding feature that relational social capital brought about was the trust - trusting relationships are core to behavioural integration and provide the necessity for cooperation, information sharing, and collective decision-making. From these relationships, the common mind-set that serves to focus directors toward shared organizational goals. This "oneness" in the mind-set is defined as cognitive consistency—a shared mental model that is discussed in the next section.

Structural and relational social capital are complemented by cognitive social capital. What the findings reveal about the relative importance of cognitive social capital in building directors' networks will be covered in the next section.

4.4. Cognitive social capital

The cognitive dimension refers to those resources providing shared representations, interpretations, and systems of meaning among individuals (Nahapiet and Ghoshal 1998 p. 244). This dimension, the least studied of the three (Krause, Handfield and Tyler, 2007; Nahapiet, 2008), incorporates the shared meanings and shared interpretations between people in a relationship. The cognitive dimension captures the concepts of shared norms, systems of meanings and values, and, as such, one can expect the cognitive dimension to directly impact the development of social capital and the development of relationships.

Useem (1982, 1984) has provided considerable qualitative evidence that directors of large, established companies possess a shared "class-wide rationality" or group consciousness as members of a unified business elite (see also Palmer, 1983). In line with this literature, the data findings revealed that directors saw themselves as highly respected individuals in

society and their respective banks due to their positions. Directors were cognisant of being in this role of seniority and their social standing in society. To illustrate, one director stated, "the *position is very highly respected in the country*" *(Abel, chairman, local bank). Due to* sharing a common identity as corporate elite, directors can build relationships and thereby social capital because it increases the similarity of experiences, induces shared categorization (Tajfel, 1981) and increases homophily (liking for similar others) (Marsden, 1988). There is sufficient evidence that resources are likely to be distributed preferentially when the members of a group share a common identity (Kramer, 1991), are friends (Aron *et al.*, 1991), perform interdependent tasks (Greenberg, 1979), and share demographic or other similarities (Tesser, 1988; Tsui, Egan, & O'Reifly, 1992). In this way, cognitive, social capital triggers relational social capital.

In effect, through their service on bank boards, directors can become socialized into the corporate directors' normative expectations (elite) (Palmer, 1983). Tsai and Ghoshal (1998) suggest that cognitive capital is embodied in the shared visions and collective goals of organizational members and is encapsulated by shared perceptions, expectations and interpretations. Relationships developed with shared norms and values can be expected to be more robust (Burt, 1992; Weick, 1995; Moran, 2005). Weick et al. (1995) assert that when goals and values are congruent and when interpretations are shared by and across organizational partners, this cognitive capital becomes on-going, cumulatively supportive, and self-reinforcing. The data findings concurred with this line of the literature. For example, the extracts below demonstrate directors' opinions on what was expected of them:

> *"I must act as the leader of the board, I am there to ensure there is a transparent relationship btween the shareholders and the executives. Making sure we keep to the bank's objectives" (Abel, chairman, local bank).*

The other chairs that were interviewed had a similar view to Abel:

> *"As chairman, my role is to guide the board in undertaking the business of the board. The business of the board is to govern an institution […] The shareholders appoint a board including the chairman to run the business of the institution on their behalf […] you have to be aware of what it means to govern an institution, you also have to be aware of the framework within which to govern the institution" (Rodney, chairman, foreign bank).*

The findings show that there is a shared understanding among directors on what they are expected to do: to *"run the business of the institution (bank)"*, the board acts on behalf of shareholders to govern the Uganda banks. This implies the existence of shared values, systems of meaning and understanding amongst the directors. These norms are thought to reflect the priorities of directors (protecting shareholder interests). Furthermore, "*you have to be aware of the framework within which to govern the institution (bank)"* – Being aware of the framework for governing institutions (banks) suggests that directors are consciously oriented toward mastering the governing frameworks of the banks and thus develop a shared understanding and thinking. In effect, having aligned expectations and common understanding provides a base upon which directors can build social capital and relationships with their fellow board members.

Furthermore, Useem argued that collective consciousness is ultimately made possible by a high level of demographic homogeneity among directors and, most importantly, by overlapping board memberships. Common board appointments provide an opportunity for corporate leaders to "identify [their] shared interests" and thus develop a group identity (Useem, 1982, p.211). Likewise, this study's findings showed that building cognitive social capital appeared to be easier with close ties within the director's network as contact was more frequent than with other people with whom directors had much less contact and fewer opportunities to get to know each other. Demonstrating cognitive social capital to actors in distant networks appeared to be more dependent upon the director's status, skills, and reputation represented by his or her close ties. From the researcher's interpretation of the findings, it is suggested that, in the context of this study, cognitive social capital is operationalised by directors being liked by those with whom they work, through the dynamics of the board, through connections with informal networks, where shared interests with others, beyond the day job, may be shared. These will be discussed in detail below.

4.4.1. Being liked by others

Impressions of likeability were examined in this research because likeability plays an important part in directors' decisions in building relationships with others. Likeability is often regarded as one of the two core factors that drive social judgments (Rosenthal, Hall, DiMatteo, Rogers, & Archer, 1979). Therefore, people are likely to make likeability inferences in perusing different relationships. A person who is disliked is unlikely to attract friends, employers or otherwise. To the extent that people do make inferences about likeability they are likely to do so based on observable cues, however, there are substantial

differences in the cues available to perceivers across social spaces. In this study, the findings showed that for some directors 'being liked' was something that developed out of doing a good job at work or elsewhere and as such competence at one's job was an observable cue upon which directors-built relationships. Being able to execute a job well can produce trust comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another (Burt *et al.*, 1998). The extract below which is drawn from an interview with Editta exemplifies this. Editta is a Chief Risk officer at one of the foreign banks and has only been on the board for a little over a year but had served on other boards before so she spoke of her experience of a new board team:

> *"[…] you move from one bank to another, you find directors that have been there before you and have done the work. As a new member, especially a woman, I found some resistance because these people are already thinking how I can contribute to the board, if at all. Ultimately, because of the institutional set-up, they come to accept you. Nevertheless, in this condition, it is very important to prove yourself as someone who can learn the work and can make a contribution […] It will help you to get in good graces with the rest" (Editta, Chief Risk Officer, foreign bank).*

Editta describes an instrumental approach to being liked when she suggests that to "*get in good graces with the rest"* you have to *"prove yourself as someone who can learn the work and can make a contribution".* Learning the work and contributing the present aspects of behaviour that one may trust is in line with literature that emphasises trust in one's competence (ability to conform to expectations) and trust in intentions (to perform in good faith to the best of competence). Competence includes technical and cognitive competence (Nooteboom, 2002). However, other directors found that this was not enough to win support from others. For example, the below extract from Bob's interview exemplifies this. Bob was also relatively new to the bank. He suggested that it was also useful to find someone on the board who can help one to gain a foothold*:*

> *"[…] You will typically identify one person, an entry resource, who you can use to gain a foothold. It could be a CEO or secretary or you could identify an issue where they all seem to be having a challenge but perhaps you can help or you have authority so that they see the value in you, they need your help, they appreciate […] This can help you break down this wall and in the process, you make friends, gain*

confidence… you have made them trust by showing them what you can do" (Bob, executive director, local bank).

Bob recognised that he had to find someone on the board that could help him gain a foothold with others alongside being able to address an existing challenge that 'they' may be having; this was important in generating trust. By finding someone who can help establish a relationship with others, directors take advantage of the rapport and trust that already exists between the intermediary and the rest of the board to gain access into the inner circle upon first joining a board team. Thus, the data analysis revealed that likeability and trust went hand-in-hand when it came to building relationships. Trust created trustworthiness that was subject to one's competence to perform well, align one's goal with the team, and work in partnership with others. The importance of trust was highlighted in the directors' interviews. For example, the extract below demonstrates the importance of trust in building relationships both at work and outside:

"The basis of anything in the world is trusting. When there is no trust, there is what is called artificial harmony. When there is artificial harmony, everybody is vulnerable. People do not communicate with one another, and are not committed, resulting in less responsibility and accountability and poor results. The T in Trust stands for people who are not truthful; they do not respect each other; they do not understand each other's interests and preferences and are unwilling to support each other and remain transparent. Trust is a basic human principle, and without it, nothing is going to work" (Carolyn, Executive directors, local bank).

Carolyn seems to indicate that trust brought about honesty, openness, accountability and group harmony and without it, these qualities would seize to exist and therefore result in poor results. Several directors expanded on the aspects of group harmony and teamwork:

"[…] colleagues who have expertise and dedication. To see someone bring their 30-year experience to bear on the documents that we have before us. Applying it, knows what to do and can tell where you are right or wrong – this is invaluable […]. It is also good to see the progress that the organisation has made from being in the bottom and the whipping boy of the regulators – everybody is trying, and it is a Christian organisation, so it is nice for that feeling to be there, that we are going to lift this thing, we are going to make it work, we are going to make it work for the shareholders, management and employees" (Gail, Chairman, local bank).

Gail builds on the theme of doing a good job and extends this to include working together and belonging to a Christian organisation. Suggesting group harmony, having a common goal and acceptance; "*everybody is trying, and it is a Christian organisation, so it is nice for that feeling to be there, that we are going to lift this thing, we are going to make it work, we are going to make it work for the shareholders and management and employees".* This can be related to the notion of directors being expected to do a good job and work as a team to achieve a common goal of making it work for the shareholders, management and employees, and to embrace a corporate identity of being in "*a Christian organisation".*

Tim too referred to the sense of having a common goal and working together – the need to be aligned with what the bank required of them:

> *"I guess commitment to a higher purpose, sounds religious but it is not. People who in what they do always have in mind why are they here. It is easy to get distracted and just focus on the everyday mundane system things that people are being asked to do instead of thinking through what we are trying to do. What is the mission of the bank? So that quality in people when you can see that they are committed to making a difference in people's lives […] people who are generally positive about life and have a problem-solving approach rather than problem raising approach "(Tim, Executive director, Local bank).*

Tim not only emphasized teamwork, commitment to making a difference on a wider scale, implying a sense of integrity but he also referred to the concept of resilience and embracing change in terms of what being liked meant to him:

> *"I think being able to try and push against the status quo and just say what if? What if? And not being afraid of failure. It does not bother me if we try something and it does not work, for me, that is not a terrible thing. Far better to try something, and maybe it just did not work on that particular occasion, but you can try again, or you adapt. It is far better to do that kind of activity than not trying at all and just sticking to the thing we did last year and the previous year […]" (Tim, Executive director, Local bank).*

Trust is based on social judgments, such as assessing the other participant's competence or benevolence, together with the valuation of the costs, that is, the risk, if the other participant turns out to be untrustworthy (Burt *et al.*, 1998). Being liked appeared to be based on trust that directors would do their job well, have integrity, resilience, and work well with others

to achieve common goals, including contributing toward corporate goals. Discussions also revealed that 'being liked' or 'liking' and shared interests could also exist in informal networks.

4.4.2. Informal networks

Informal socializing relationships specifically move outside of the physical setting of the workplace. In that sense, the shift in the physical focus of the relationships' activities invites a shift in the types of resources that are transferred in the ties (Putnam, 1995b). For example, what might begin as a tie in which simple workflow information is transmitted can be transformed into a tie that can be appropriated for task-related advice, political support, strategic information, and emotional support if the relationship is taken outside of the workplace (by, for example, the directors going out to dinner together). This change of venue invites a greater focus on the informal, expressive aspects of the relationship, increasing the level of trust and likeability between the members of the relationship and giving them greater time, opportunity, and motivation to strengthen and broaden their relationship. This increased appropriability increases the liquidity and utility of directors' social capital.

The interview data revealed that informal networks were frequent, and there was clear evidence that they existed:

> *"In Uganda, those informal social networks happen a lot and are very strong, they are used a lot. How they help the institution depends on how the key person uses them. You cannot wish them away […]" (Paul, Non-executive director, Local bank).*

Paul emphasises how informal networks are used a lot in Uganda and how they cannot be wished away. This may indicate that networking in informal settings is common practice in the Ugandan culture. Research has shown that in some cultures, such changes in relationship focus are institutionalized and actively encouraged for workplace relationships to the point that these shifts are informal requirements for being an effective worker. For example, in many Asian cultures, including the Chinese, Japanese, and Korean cultures, norms have developed whereby workers engage in social activities outside of the workplace, mostly centred on eating and drinking (Bian, 2001). While these informal socializing relationships are undoubtedly important in Asian cultures, the data finding revealed that they are also crucial in the Ugandan business culture - in some of the banks, directors were required to

participate in these informal networks. The extract below demonstrates how directors used informal networks to build relationships and these informal networks' frequency.

> *"You get to know each other at parties – we have End of year party, Easter and more. At these parties, we invite our customers, and we get to know each other very well. Also, whenever a new executive is joining the bank, the governance (the board) holds a party to welcome and also say farewell to the one who is leaving" (Carolyn, Executive director, local bank).*

Some opportunities that directors used to meet in informal settings included celebrating birthdays, leaving dos or even having a trip together as a team. Many of the directors openly discussed their participation in these informal relationships. The extract below demonstrates some informal gatherings and social norms that exist to help directors build their social capital.

> *"The first one is a culture of stressbusters where you either meet say on a pre-arranged monthly basis. We also informally put together a sum of money for either a day out or a trip or a meal [...] monthly we have got a fund which we use for many things to meet, somebody is leaving we want to have a small party, celebrate a birthday or sometimes we want to travel so as a team we put together something to make these things possible" (Job, Chairman, Foreign bank).*

Informal networking provided a platform for directors to discover and develop cognitive social capital attributes such as shared vision, goals, language, and identity that facilitated a common understanding. For many directors, informal networks were used as a platform to get to know one another, create harmony and a sense of shared identity amongst themselves. Shared identity is a property of people working in together in a team. Social identity theory posits that individuals who share identity find themselves similar (Hinds and Mortensen, 2005). Hinds and Mortenson (2005) argue that individuals with shared identity are more willing to share resources, ideas, reduce conflict and ambiguities, whereas, in the absence of shared identity, they conceive others as competitors rather than companions, especially during uncertainties. Findings from this study support the above argument and found that directors who confirmed that they had the same identities as their colleagues also believe themselves to be similar.

In the interviews, directors mention the Rotarian club as one of the prominent social clubs that most of the directors belonged to and provided them with that sense of community and social identity.

> *"[…] as a director, your social capital is extremely important. For example, I am a Rotarian, I belong to Muyenga Rotary club the largest club in Africa […] Of course most board members who live here in Uganda belong to the Rotarian club. This includes board members from other organisations outside the banking industry" (Rodney, Chairman, Foreign bank).*

The data revealed that directors who belonged to the Rotarian club had a sense of loyalty to one another; they seemed to have a sense of belongingness, a set of values and norms that they were all expected to abide by as members of this group. In the statement below, one director noted:

> *"There is only one network group that I know that is exceptional and that is Rotary; it has very clear values, the rules of conduct of the members. Rotary is different; someone loses a job, there will be a couple of people looking out for him for example, if you are still young and are looking for a job, other members will be active in finding you a job. For example, when I left my job at UN and World Bank and started consulting, several CEOs run organisations recommending me to others and that is how I built my business. These CEOs are themselves Rotarians, so it became easy to start networking and building a business. Simon, Non-executive director, Local bank*

> *" The CEO summit brings together CEOs - most of them are Rotarians, so they help one another a lot, and it makes national sense; it is patriotic because it provides a basis for people to identify their national duty. Rotary takes you to another level of aspiration […]" (Jacob, Executive director, foreign bank).*

The interview data findings demonstrated that when members of a group shared the same identity, it was more likely that they would be able to coordinate and collaborate, thereby fostering collective decision making. For example, directors mentioned that informal networks:

> *"enhance the knowledge of working with each other […] It is just eating food. That is it. However, this leads to conversations that can create depth and enable us to*

know each other better and work better as a team – this relates to other people as well not just fellow directors" (Mekos, Non-executive director, Local bank).

In a demonstration of this teamwork and sense of community, members of the Rotarian club have a behavioural standard expected of them indicated by the club's rules and values. The club offers its members several befits. For example, the main benefit of the club is helping and looking out for one another through the provision of support or help or even an introduction:

"I *belong to the Rotarian club. This is now a perfect example of social capital and I will tell you why. Rotarians look out for other Rotarians because one of the Rotarian goals is to promote goodwill, service, and our professions' furtherance. This is social capital at work. For example, if you are a Rotarian and you want access to the Deputy Governor, all you have to say is that you are a Rotarian" (Mark, CEO, Foreign bank).*

Gail also spoke of the informal network opportunities that working in two different banks gave him and others. He discussed a sense of community, belief in the banks and genuine enjoyment of work among employees that existed because of these networks, suggesting that participating in informal gatherings creates a better working environment where employees enjoy the work they do and feel like they belong to a community:

"With some of the banks I have worked with for example [name of bank], people work there because they are generally in love with the institution. People believe in the institution. I think people did go out and socialise, rarely, weekly but people did go out and socialised if you know what I mean, formed friendships and did things together. They had Christmas parties, so that is a very good memory I have from there.

When I worked at [name of bank] where I was head of markets, we had an open space that had a dinner and a bar and again there was much socialising going on. There was a very strong sense of community in that bank. There were also several social activities that everyone got involved in" (Gail, Non—executive director, Local bank).

Most of the interviewed directors belong to the same informal networks, and these networks play a crucial part in directors' work as will be discussed in detail in chapter five. One director summed it up very well when he said:

> *"Social capital has many good aspects and challenges. In Uganda, social capital is used a lot and here I mean peoples' networks, acquaintances, people you have gone to school with, met at church, sit on boards with, belong to the same clubs such as Rotarians whatever it is – they bring together people, and they serve in many ways. People get to share those things that are not written or are not in reports, but you know this is happening or are aware, so, useful information is passed through those channels. Sometimes it is dangerous or unhelpful information but if you maintain it professionally, there are those undertones, opinions, views […]" (Bob, Executive director, Local bank).*

4.4.3. Shared goal

The shared goal was one of the categories found to describe cognitive social capital. Working in a team as directors often do requires the directors to create clear and compelling goals that they all must work towards to facilitate action and meet shareholder expectations. The team's effectiveness depends on the goals and objectives that are manifested and agreed upon by all the team members. Meanwhile, the team leader should be able to stimulate members to work together and co-operate in their work. Tsai and Ghoshal (1998) suggest that cognitive capital is embodied in the shared visions and collective goals of organizational partners and is captured by shared perceptions, expectations and interpretations. Weick et al. (1995) assert that when goals and values are congruent and when interpretations are shared by and across organizational partners this cognitive capital becomes on-going, cumulatively supportive, and self-reinforcing.

Scholars most commonly describe the board of directors as the formal link between a firm's shareholders and the managers entrusted with the organisation's day-to-day functioning (Nicholson and Newton, 2010; Sauerwald, Lin and Peng, 2016). Consistent with this description, the Financial Institutions Act 2004[29] sets out what the responsibilities and duties of the boards of directors in financial institutions in Uganda should be, in a way, imposing goals that all boards of directors should primarily aspire to. For example, "A director shall in relation to the financial institution in which he or she serves, stand in a fiduciary

[29] Act 2 Section 55 (1) and Section 56 (1) of the Financial Institutions Act 2004.

relationship and shall also without derogation owe the financial institution and its shareholders inter alia a duty to act in the best interest and for the benefit of the financial institution" (Financial Institutions Act 2004, S (56) (1b)). In addition to this, each bank has got its internal rules of conduct that provide a basis upon which directors must aspire to and represent a set of goals that are meant to unite them as a team.

The interview data revealed that directors were cognisant of their duties as directors as set out in the Financial Institutions Act 2004 and in their respective banks' codes of conduct. They expected each other to learn these rules and act accordingly.

> *"As chairman, my role is to guide the board in undertaking the business of the board. The business of the board is to govern an institution. As chairman, you have to be aware of what it means to govern an institution, you also have to be aware of the framework within which to govern the institution [...] The shareholders appoint a board including the chairman to run the business of the institution on their behalf. The board appoints the management team, but they have to delegate the day to day running of the organisation to management" (Rodney, Chairman, Foreign bank).*

> *"I am an independent non-executive director as per the regulations [...] As a chair, I must act as the bank leader, [...]" (Johnny, Chairman, local bank).*

Like Rodney and Johnny, several directors were cognisant of the regulations that govern their conduct within banks and how important it was for them to follow the regulations. Moreover, Rodney and Johnny highlighted the responsibility as the team leader to stimulate other directors to work together and co-operate in their work by guiding them in undertaking the business of the board, that is, to *"govern an institution."* Alongside having goals to aspire to as a board, directors needed to have a shared understanding of these goals. To have a shared understanding, directors must have appreciated the vision, which will motivate them to work towards accomplishing the goals. Shared goals require directors team members to have a shared understanding and approach to achieving the goals (Tsai and Ghoshal, 1998). In this study, an understanding was seen to develop when directors attended meetings, got involved in informal social gatherings, took part in any activities with regards to their governance work since all these allowed for the growth of a shared frame of reference.

The following quote demonstrated that shared understanding was observed in the way directors performed their duties:

> *"[…] information the board gets is quarterly so the information flows quarterly. When we get this information, we are expected to dedicate time to read and assess it. This is what we are paid to do. Committees have been structured to play to the directors' strength, you are using the people around you to get the work done. For example, the person best suited to deal with numbers has dealt with it, the one best suited to deal with risk has also done so – and they only come to make recommendations. Therefore, what is required is to have enough knowledge of what it is they are recommending and have enough background to ask dangerous questions, to know what to ask." (Johnny, Chairman, local bank).*

For Johnny, governance meant to be able to read the information presented before the board "*When we get this information, we are expected to dedicate time to read it, assess – this is what we are paid to do"* and ask the right questions "*Therefore, what is required is to have enough knowledge of what it is they are recommending on and have enough background to ask dangerous questions, to know what to ask."* The interview data seemed to suggest that when directors were unclear of the objectives, members felt a sense of dissatisfaction. In support of this, the quote below from Mark, a Chief Executive Director of a Local bank, suggests a sense of dissatisfaction arising from members not knowing "*what its purpose is for"*:

> *"This board initially seems to me as not a great example because it is the kind of group that people do not know what its purpose is for. It seems to be configured to be a sort of information-giving updates role, but I feel a lot of that happens anyway. And it also receives a lot of minutes from the board committees that just do not acknowledge its existence. So yes. There is this problem of not knowing clearly what the board should be doing and that needs revisiting" (Mark, Chief Executive Director, Foreign bank).*

Another task that seemed to be the main goal for all the directors was their control task. The board's control task refers to its legal duty to monitor management on behalf of the firm's shareholders and to carry out this duty with enough loyalty and care (Monks and Minow, 2004). Directors generally understood that their responsibility was to govern the bank and that meant delegating work to management and board committees and for the board to give updates, receive and review the information presented to it. As Rodney so plainly stated:

"[…] it is important that when you delegate the day to day running of the organisation to the management team, you have to step out and not micro-manage the institution […] a full board cannot always discuss all matters in depth. What you do you set up committees to focus on special issues – you have audit and finance, human resources, risk committee, technical committee, credit committee to approach large loans and in banks, these committees are mandated legally. You also as a board have to draft and approve policies, for example, financial reports stipulating how financial reports will be prepared and when […]" (Rodney, Chairman, Foreign bank).

4.4.4. Board dynamics

Social capital in the form of relationships has been argued to affect group dynamics (Forbes and Milliken, 1999). Relationships may bring about shared meaning and understanding between directors which can be reflected in the board's dynamics operationalised through the board culture - how meetings are conducted, decisions are made, in how directors interact with one another generally. Board dynamics, therefore, may reflect the norms of each board. Norms are habits that people display without calculation (Lyon, 2000), and they play an essential part of social capital that is used by an individual when making decisions on whether or not to trust another. Norms will define what actions are considered acceptable or unacceptable. For example, a team member will assume that the group's presence of shared norms of behaviour will mean that everyone will perform according to the expectations and not violate what has been agreed. Shared norms are actively created by the group members and must be continuously worked on.

"[…] Because of all these things you have to do even setting up policies, committees. You have to be working closely as a team, they are group dynamics…an effective team is a team which can produce an output that exceeds the sum of its members. But because of human dynamics, you could have a team whose sum of output is less than the sum of its individuals. This could be because of fighting, not listening to each other, not coming together to do the necessary work. So, you could destroy work/efficiency by not being a good team. So, teamwork is very crucial.

You can exceed the sum of individual directors by creating synergies in other words if you work together as a team, you can help each other reach way beyond. So those

synergies are something you have to work daily and if you can do that you can get good results" (Rodney, Chairman, Foreign bank).

Rodney discussed how it requires daily work to create synergies that bring about good results on the board. It was shown in earlier sections that directors do this by trying to have good relationships with their fellow directors through gathering outside the boardroom over dinners and occasional drinks that can result in sharing information, creating bonds that can result in friendships with one another. The data revealed some of the norms practised by the boards – for example, viewing each other as family, referring to each other on a first-name basis:

"[*...] the team is very supportive and warm. It is almost like a family. First, we refer to each other by first name basis. There is this casual communication between us. For example, one director this morning walked into my office dropped their bag down and asked about my weekend, how I was feeling. It is very cordial, and each day sets its own pace. People smile and talk freely to one another. When it comes to decision making, professionalism still stands. It is quite an engaging approach, but it is not like friendships get in the way to block you from making a decision" (Editta, Chief Risk Officer, foreign bank).*

Editta exemplified some norms that exist on their board in the way they communicate and relate with one another "*the team is very supportive and warm. It is almost like a family. First, we refer to each other by first name basis" a* a very close relationship. Further, he pointed out that "*people smile and talk freely to one another",* indicating the existence of confidence and trust among the board directors of that respective team. Along the lines of relatability and communication amongst the directors on the board, another director stated:

"[...] communication is a generally open discussion. We have a lot of social activities that we do to build board cohesion. For example, we have (bank name) news where everybody gets to know what is happening everywhere. We also have a mentoring programme that encourages people to voice things that make them uncomfortable and uneasy to create an open conversation environment. Also, the way we greet. In Bank 6 every time you greet someone there is an embrace. We moved Bank 2's culture from one of just exchange. The board leads by example. It builds trust" (Ottis, Executive director, Local bank).

According to the literature, boards of directors can be characterized as large, elite, and episodic decision-making groups that face complex responsibilities relating to strategic-issue processing. Because boards are not involved in implementation, boards' contribution is entirely cognitive (Forbes & Milliken, 1999). Furthermore, they are vulnerable to interaction difficulties that may prevent groups from achieving their full potential. Consequently, boards' effectiveness is likely to depend heavily on social-psychological processes, particularly those relating to group participation and interaction, the exchange of information, and critical discussion (Jackson, 1992; Forbes and Milliken, 1999; Cikaliuk *et al.*, 2020). This suggests that an ideal board dynamic on decision making would be that which encourages open discussion, participation by all members, a free flow of information and critical discussion.

> *"The decision-making dynamic of our board I would say is free-flowing – open discussion and decisions are made by consensus. We have had very few incidents of tense moments" (Mekos, Non-executive director, Local bank).*

> *"We build consensus very quickly. We have what we call outliers on almost every decision; we also note these and call this raw material for the innovation team. Nothing is discarded – when someone comes up with a point it must be investigated properly and considered. We build consensus and present a common line of sight" (Tim, Executive director, Local bank).*

> *"I think it is quite good and a lot of it depends on the leadership. You have to be able to listen and listen and listen. For example, when I am conducting board meetings, I am always the last person to speak on a particular topic; I let everyone say their views and I will then intervene if I have any comments. But there are times when you do not even need to add anything in the sense that you simply summarise the views of the board –that is collective views" (Mark, Chief Executive Officer, Foreign bank).*

However, in certain circumstances, the board culture reflected norms that did not necessarily lead to team dynamics as described above. Some boards had norms that reflect a very structured and hierarchical dynamic on the board, but these boards also had directors who did not spend much time socialising with one another

> "*I can tell you that all board meetings are generally very structured and very formal. We are trying to be flexible with this, but the CEO and chairman usually leads the*

discussions. Within committees, the person chairing the meeting or presenting will be the one talking for the longest" (Uriel, Chief Operating Officer, foreign bank).

Uriel's description of his board's decision-making dynamic suggests one where not much discussion and engagement from all the directors is involved. There seems to be an acceptance that one individual, either the head or one who is presenting, dominates the discussion. This is like what one director called "*a sort of information-giving updates role"*.

In summary, the findings in this section reveal that directors were able to build cognitive social capital the third dimension of social capital, and was defined as acceptance achieved through being liked, having an informal network connection and aligning one's goals with the collective which enabled easier team decision making on the board. Cognitive social capital resonated with Bourdieu's (1984, 1990) concept of habitus and organisational culture. The cognitive dimension, the least studied of the three, refers to those resources providing shared representations, interpretations, and systems of meaning among individuals (Nahapiet & Ghoshal 1998 p. 244; Nahapiet 2008, Krause et al. 2007). The cognitive dimension captures the concepts of shared norms, systems of meanings and values, and, as such, one can expect the cognitive dimension to directly impact the development of social capital and the development of relationships. That study found that being liked, informal networks, shared goals and board dynamics are important determinants for the cognitive dimension and that their presence facilitated the building of relationships.

The study found that Impressions of likability played an important part in directors' decisions in building relationships with others. Likability is often regarded as one of the two core factors that drive social judgments (Rosenthal *et al.*, 1979). Directors found that by doing their job well, they could elicit trust and likeability from other directors or other people in their social circles. Doing the job well and proving oneself to others was especially important for those directors who have recently joined the board they were serving on. It was also found that directors elicited trust and likeability from others by finding someone on the board that could help them gain a foothold with others alongside being able to address an existing challenge that 'they' may be having was important in generating trust. By finding someone who can help establish a relationship with others, directors take advantage of the rapport and trust between the intermediary and the rest of the board to gain access into the inner circle upon first joining a board team.

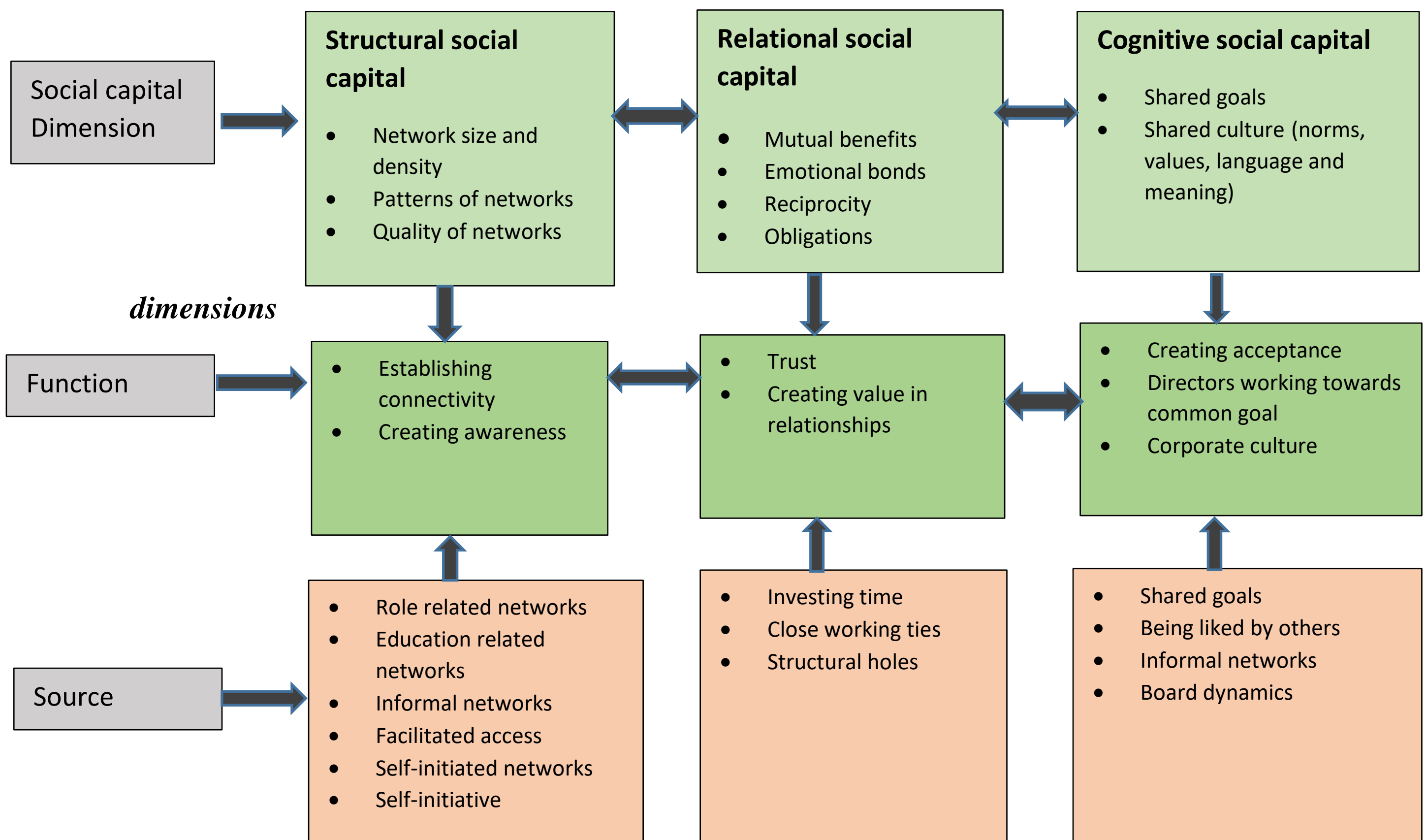
Furthermore, it was found that directors used informal networks to build relationships of trust and shared norms with others, especially outside the workplace's physical setting. In that sense, the change in the physical focus of the relationships' activities invites a shift in the types of resources transferred in the ties (Putnam, 1995b). For example, what might begin as ‘a tie’ in which simple workflow information is transmitted can be transformed into ‘a tie’ that can be appropriated for task-related advice, political support, strategic information, and emotional support if the relationship is taken outside of the workplace (for example, the directors going out to dinner together). Some of the informal networks included dinners, occasional parties and social clubs. For example, the data findings showed that many of the directors belonged to the Rotarian club which helped them in forming a sense of identity through shared norms and goals.

Shared goals were manifested in the implementation of board tasks. By having a shared understanding of the ultimate goal, directors will work hard as a team and be willing to exchange and share their skills to achieve the tasks beforehand and ultimately encourage relationship building. The absences of shared goals will cause dissatisfaction which may cause the team dynamic to be distorted and thus affect relationship building. Shared goals and shared norms were reflected in the board culture, such as how directors interact with one another, for example, through casual interactions, referring to one another like family. This helped strengthen the directors' bond as reflected by the decision-making dynamics of open discussion and less conflict.

4.5. Chapter Summary

As has been discussed, social relationships are essential to directors and contribute in several ways to their governance work. Directors rely on their social networks for soft information, job referrals, team strengthening and access to key players in the industry. This suggests that social capital can be a critical element for board success. This chapter has aimed to answer sub-question one of the thesis by identifying how social capital is manifested in the context of directors who govern Ugandan banks. A summary of how social capital is built across the three dimensions and the dynamic nature of the dimensions' interrelationships is shown in Figure 3.

Figure 3: How social capital manifests itself and the relationship between three dimensions



Subsequently, Chapter six will present the findings that address sub-question 2 and 3; how does social capital affect directors' behaviour and how does social capital affect the governance of Ugandan banks. These questions have not been addressed as separates but rather concurrently as the aim is to understand the effect of social capital on directors' behaviour in Ugandan banks' governance.

5. CHAPTER 6: FINDINGS: The effect of social capital on directors' behaviour and the governance of Ugandan banks.

5.1. Chapter overview

The previous section presented the findings on sub-question one of this study, that is, **“how is social capital manifested in the context of boards of directors who govern Ugandan banks?”** The researcher believes that for social capital to influence directors’ behaviour it must exist first hence the first step in this study was to establish how it comes into existence through the lens of Nahapiet and Ghoshal’s (1998) social capital dimensions (structural, relational and cognitive).

It was established that structural social capital entails the network structure or connections between actors (Bourdieu, 1986; Nahapiet and Ghoshal, 1998). The directors in this study built and developed the network ties through role-related networks, education-related networks, Informal networks, facilitated access and self-initiated efforts. The findings showed that structural social capital was one of the determining factors for the development of social capital and the foundation for the development of relational and cognitive social capital.

Relational social capital, defined as trust and the development of mutually valuable relationships, was examined through the effective execution of the current role (directorship), investing time in developing relationships with close ties and navigating structural holes. Findings revealed the existence of three different relationship contexts: ‘long-term colleagues’ (usually those directors with whom one had attended the same school or been in the industry with for a long time would provide support, act as advocates and teamwork easy due to the existent familiarity), ‘regulators’ (close ties with regulators were very important for directors because regulators are the ones who threaten and given them “stick” – so close ties with them makes it easy for directors to negotiate for pardons), ‘customers’ (close ties with customers helped to solidify bank reputation and presented a means for getting customer feedback). Directors were able to build and use relational social capital with regulators, customers and colleagues through repeated contact, often over prolonged periods.

The cognitive dimension of social capital is embodied in the attributes like shared vision, goals and language that together facilitate a common understanding of collective goals and

appropriate ways of acting in a social field (Bourdieu, 1986; Nahapiet and Ghoshal, 1998). The findings showed that shared culture and vision are important determinants for the cognitive dimension and that their presence facilitated the achievement of common goals. The shared goals, board dynamics, informal networks and likeability were used to facilitate the achievement of a common frame of reference and therefore form the attributes of the cognitive dimension of social capital.

Having established how directors' social capital is built and developed, this chapter presents the results that address sub-questions two and three of this study. **"How does social capital affect directors' behaviour?"** and **"how does social capital affect the governance of Ugandan banks?"**

Bourdieu views the social agent (in this case directors) as a physical, embodied actor, subject to developmental, cognitive and emotive constraints and affected by the very real physical and institutional configurations of the field (habitus). From this perspective, the researcher believes that social groups to which directors belong define the 'self', based on the social group's characteristics – focusing on the norms, values, and stereotypes of social group membership as affecting directors' behaviour. Thus, each identity shapes behaviour. When identifying with a social group, individuals undergo a process of self-categorisation that steers them to act in a manner appropriate for that group. It is therefore important for the researcher in this study to examine how social capital affects directors' behaviour. If directors' social capital affects their behaviour, directors' behaviour likely affects board functions. This then leads the research to ask, "how does board social capital affect the governance of Ugandan banks?"

By considering both directors' role and social capital, the researcher is better able to understand the holistic effects of social capital on directors' behaviour in the governance of Ugandan banks. However, rather than examining either role or social capital in isolation for the other, sub-sub question 2 and 3 will be examined in parallel by identifying which aspects of directors' social capital (for example group memberships of directors) affect the monitoring and resources provision functions. As the social agent's identity and hence their behaviour is shaped by the social group they belong to, this process may predict prototypical behaviours whereby individuals attempt to align their actions (such monitoring and resource provision) with the normative behaviours of their social identity. Research on social identification has shown that identification is said to occur when a social group's member

comes to define himself or herself in terms of the perceived social group (Foreman and Whetten, 2002). For example, the more directors identify with their social fields (such as workgroups and informal social clubs) the more likely that their attitudes and behaviours toward those groups are affected, particularly cooperation, commitment and satisfaction. Thus, the more strongly directors identify with their fellow board members (workgroup) for instance, the more he or she will work to benefit it because he or she sees themselves as partly defined by that social groups.

It is important to note that throughout this chapter and the thesis, directors' behaviour in the governance of Ugandan banks is presented as an outcome of the activities and processes associated with relationship building (building social capital). To support the sub-research questions of 'how does social capital affect directors' behaviour?' and secondly 'how does social capital affect the governance of Ugandan banks?' the discussion is narrowed from social capital dimensions namely structural, relational and cognitive (Nahapiet and Ghoshal, 1998), incorporated with Bourdieu's (1986) concept of social capital.

The following section discusses the findings of the effect of structural social capital on directors' behaviour in the governance of Ugandan banks. The categories to be discussed include:

- Place
- Frequency of contact
- Conduit for information flow
- Power

5.2. Structural social capital

5.2.1. Place

The word place refers to the places within and outside the banks. For the coding process, this code appeared to be essential when the directors talked about informal meetings. Restaurants and coffee places were the most mentioned, as can be seen from the following quotes:

> *"…most of the time before we have a meeting we go for dinner in a restaurant and we discuss the agenda …" (Imogene, Executive director, foreign bank).*
>
> *"As the chairman, I like to talk to other directors outside of the formal meetings. Say I can ask them to coffee … I find that they are more relaxed in this kind of setting*

and can tell you things they would not otherwise tell you during formal meetings..." (Abel, Chairman, local bank).

Generally, directors especially those from local banks, preferred to meet in informal places because this created a relaxed environment for them to interact freely and share information that they would not otherwise share in a formal setting. As seen in the quote above by the Chairman of a local bank Abel, *"I find that they are more relaxed in this kind of setting and can tell you things they would not otherwise tell you during formal meetings..."*

As discussed in the literature review, the development of effective network ties depends on how close the relationship is between the individuals. Network closure refers to the frequency, reciprocity, emotional intensity and intimacy of that relationship (Burt, 1992) and can be a significant factor in determining the flow of resources. The interviews revealed that informal places of meeting enabled directors to create an emotional bond by sharing personal information about themselves.

"…and we get to know each other very well. You feel that people are not judging you and at that moment we are on the same playing field so you can open up to them about what is going on at home or even the difficulties you might be facing at work…" (Carolyn, Executive director, local bank).

"You know there is something about sharing a meal with someone…it brings us closer as a team and makes it easy to get support from people because they know you from outside the boardroom… " (Jacob, Executive director, foreign bank).

With a perspective that structural spaces such as informal places like restaurants enabled directors to establish close and intimate relationships with one another that made it easier for them to work as a team through an easy exchange of information, it was further revealed in the interviews that education institutes played a vital role in the creation of close relationships among directors that would enable access to social capital:

"four of my colleagues were with me in high school (Budo Highschool)...that gives me capital that you could not find anywhere because you already respect each other and you have known each other in the past, there is history so, when you come into an organisation ... the basis of our history and school directs ... our expectations on how we are going to work ... the standards expected from each other…You are not looking at these people as outsiders" (Ottis, Executive director, local banks).

The statement above echoes Bourdieu's (1984) contribution to our understanding of symbolic power, and how its pervasiveness as a 'field of power' helps to maintain and sustain dominant agents, power elites and corporate domination. One can see that based on education background directors can maintain their power using old boy's networks. Through these networks directors accumulate social capital over others in the field and, as a consequence, other players in the banking field are discriminated upon. Indeed, there is a possible inequality of power and domination in the Ugandan banking environment that was observed throughout the interviews as several directors noted to have attended the same prestigious schools such as Budo in Ottis' case. The boardroom plays the role of a social space which brings together dominant agents operating collectively within this field of power, conceived as the integrative domain for the upper-class individuals who have attended the same prestigious schools. Legitimacy in these directors' circles is to some extent signified by the schools that one attends, therefore, excluding those who have not attended the same schools.

Often education has been associated with the formation of the symbolic capital associated with elite membership. In Otti's statement, for example, one can see that his education background serves as a symbol of recognition by others who have attended the same school. He is seen as an insider and ultimately one can argue that this makes it easy for him to be accepted within the directors' circle (because they all attended the same school). It was shown in chapter five how some directors came into their positions through referrals:

> *"I was invited to join the board by referral. a directora director recommended me recommended me at the time and they needed someone with some legal skills on the board…" (Tim, Executive director, Local bank).*

Tim mentioned that this person had attended law school and was a good friend when asked 'what was his relationship with the person who recommended him':

> "of course he is a friend but more so we attended law school together and we remained friends after university…" *(Tim, Executive director, Local bank).*

The interview results show that power is concentrated in the hands of a unified class of directors who have attended the same elite schools, who belong to the same social clubs. Informal networks like Rotary club have created a social space for the elite directors within Ugandan banks to maintain and reproduce their domination. 'Inner circle' directors, united through education backgrounds, historical friendships and kinship, can access a web of

social relations where they meet as friends, co-directors and as colleagues of kin and friends, and each relation reinforces the others to produce multiple personal relations (Useem, 1984).

These reults are in line with Bourdieu's Theory of practice, in which social spaces are occupied by social agents who share similar structural relations to economic and cultural resources. Thus he maps associations between indicators of taste, cultural and economic power to generate a 'theoretical space', in which these indicators and the social agents have a position. Relation in this context does not refer to the tie that passes between positions. It refers to similarities and or differences in position. Therefore the directors' relation to one another is one's proximity to them in social space, as Bourdieu defines that. So, directors choose to go to places where they can find people of similar education backgrounds, economic status and so much more; this is how they can reproduce their domination and maintain their power in society through the exchange of resources and ideas which can be used to enhance the position of the banks they work for as well as their agendas.

5.2.2. Frequency of contact

Findings from the interviews also indicated that frequent meetings outside the boardroom enabled directors to become close to each other, understand each other better, and thus, facilitate a better working environment in the boardroom. Words like 'every day', almost every month' 'often' and 'regularly' were mentioned by directors to connote the frequency of meetings. These codes appeared to comprise the essential conditions for 'frequency'. As with informal meetings, frequency of contact functioned as a means for maintaining a sense of being always together, as one director stated:

> *"There must be a continuous engagement ... Sharing information for example such as challenges. So there must be that constant dialogue and engagement so that we understand each other" (Bob, Executive director, local bank).*
>
> *"We have formal meetings usually four times a year, but for the informal ones almost every week if not monthly. Sometimes, when there is an issue, we just call for an informal gathering" (Rodney, chairman, foreign bank).*
>
> *"We have getaways once a month. We usually have lunches together... but for those of us in the Rotary club, we like to meet for lunch, almost every day. It is imperative to step back as a team, talk about where we have challenges, how we work together and then we come back and reset for another round" (Jacob, Executive director, foreign bank).*

One can see that frequent informal meetings enabled directors to create close bonds and share information regarding challenges at work, help them better understand each other, and work together as a team. As the directors discussed the places and frequency of meetings, they often spoke of these meetings as channels for exchanging information. Therefore, frequent interaction within network ties can result in actors being more comfortable with each other and hence, a more willingness to share resources such as information.

5.2.3. Conduit for information flow

Networks can be used to describe the patterns of relationships or where one's social capital resides (Bourdieu, 1986; Coleman, 1988b; Putnam, 1995a; Nahapiet and Ghoshal, 2000b). In chapter five, the researcher discussed the different ways directors developed social networks, for example, inadvertently as they seek to perform tasks requiring collaboration such as their board duties or join other networks such as social clubs like the Rotary club other formal and informal networks. Research has shown that Directors who are broadly connected will have greater social capital because they have "quick access to timely information, diverse ideas, and critical instrumental, political, and emotional resources" (Oh et al., 2006, p.578).

The interviews revealed that directors' participation in several networks generates the sharing of tacit knowledge. Additionally, directors indicated that through networking, they learn from one another, share information that is not given in reports, and exchange business ideas. For example, directors who served on multiple boards mentioned that it helps them connect to other directors to share experiences and exchange knowledge (Hillman & Dalziel, 2003; Nahapiet & Ghoshal, 1998). The extracts below illustrate this point:

> *"By serving on other boards I get data or information from them - it is strategic. But we also provide them with information to use in their work. So, if they need help, they get it quickly because I am a member of their board" (Editta, Chief Risk Officer, foreign bank).*

Several other directors expressed a similar view to Editta. Serving on other boards enabled directors to access information quickly. In the statement below, Mekos states by sitting on another company that is a non-financial company he has access to the minister of finance, which serves as an advantage because when they face financial issues, he is the first person to call as a member from the central bank. These findings are in line with the research that

suggests that directors develop goodwill and connections with major players through network positions, including regulators, politicians, and major customers (Certo, 2003; Mizruchi & Stearns, 1994). With this external social capital, directors can help the firm acquire critical resources, gain legitimacy, and initiate new business relationships vital for growth (Adler and Kwon, 2002; Certo et al., 2001; Hillman & Dalziel, 2003; Pfeffer & Salancik, 1978):

> *"For example, in one of the other companies (non-financial company) on whose board I sit, we have a board member who is from the ministry of finance, so when we have a challenge in finance on either board, he is the first person we talk to. We have a member of the central bank as well. Makes it easy for us to collaborate" (Mekos, Non-executive director, Local bank).*

> *"…there is lots of competition, inconsistency in policy – so you can call up someone and speak to them about these issues and try to get a solution - use your networks of people in official positions" (Samuel, Executive director, Local bank).*

Research has shown that resource-rich directors can provide others with a valuable domain, organization, or industry-specific knowledge and network connections to other organizations or institutions, among others (Burt, 2000; Portes, 1998). Gail, a chairman of a local bank, demonstrates how serving on the board of both a bank and insurance company keeps his mind full of ideas, but further, he states that the connections he has with a retail company, insurance company and the bank enabled him to bring the three companies together which led to an expansion in the business:

> "*Yes. I serve on the board of an insurance company, a retail company. One other […] Banking and insurance are now coming together because insurers want to use banks as distribution channels of their products, they also want the bank to finance someone who has taken an insurance policy but may not be able to afford the cash to pay for the policy [..] being on the board of a bank. An insurance company helps keep my mind full of ideas and increase this interplay between the two [..] I brought together the three connections between the retailer, bank, and insurer and business has expanded based on my recommendation. (Gail, Chairman, Local bank).*

Other directors recognised networks as conduits for accessing information regarding fellow directors. When directors are connected, they gather information about each other that could enable them to work better as teams:

"You connect with them so that you can know them better: their strength, weaknesses, backgrounds […] allows deployment. If they are good in finance, I will appoint them to the audit committee. If they have good HR credentials, then you put them on the compensation committee. But that comes from that interaction – knowing who you are dealing with" (Willard, Executive director, Foreign bank).

Willard statement indicates that as directors interact with one another, a form of relationship develops and a better understanding between members who are naturally distanced is built, initial barriers are broken, and one starts to learn more profound strengths and weaknesses of another that can enhance decision making in deploying work on the board. Several directors highlighted the importance of connecting with other directors in enhancing their understanding of one another which in turn helped them work better. Sharing information about themselves creates a strong group bond that gives rise to collective cohesiveness and thereby facilitating the pursuit of collective goals (Sandefur and Laumann, 1998).

The evidence from this study suggests that connections provided a platform for directors to share knowledge. It is suggested that through connections, directors may gain access to individuals such as the minister of finance who can provide them with expert knowledge that might otherwise be difficult to obtain. It was further shown that connections are a conduit for personal information such as that pertaining to directors' backgrounds, strengths, and weaknesses, which can be used to allocate board tasks better and work better as a team. Moreover, connections provided directors with a platform to forge business connections between different organisations spanning different industries.

On analysing the interview data, it was revealed that the mobilization of social capital resources within directors' networks depended much on directors' position in the network: being in a position of power or having access to other influential individuals within the directors' networks.

5.2.4. Power

In this study, power is found to be one of the categories that describe the effect of structural social capital on the director's behaviour in the governance of Ugandan banks. Research has shown that directors' networks are frequently created to exploit strategic alliances and share resources across the network. It is argued that these networks may generate direct power or influence that may yield benefits of control to a director or information advantages that may

benefit the organisation (Bourdieu, 1986; Burt, 1997; Lin, 1982; Granovetter, 1995). Based on these studies, structural positions ranked according to certain normatively valued resources such as wealth, status and power shape the accessibility and control of social capital resources. Individuals within these structural positions can take actions for expressive and instrumental purposes. For instrumental actions (attaining status in the social space is one example), the better strategy, according to Lin (1982) and Granovetter (1995) would be for the actor to reach toward contacts higher up in the hierarchy. These contacts would be better able to influence (for example, on regulators, firm recruiters) whose actions may benefit the actors' interest. This upward process may be facilitated if the actor uses weaker ties since weaker ties are more likely to reach out vertically (likely upward) than horizontally relative to the actor's position in the hierarchy (Bourdieu 1985; Granovetter, 1995). The data findings in this study were in line with this line of literature.

Directors associated their participation in various networks with their behaviour and to their governance work in the Ugandan banks. Several directors mentioned that they benefited from this involvement by gaining power and with power also came influence. Being in powerful positions (like the directorship) or being in contact with other powerful individuals by belonging to powerful social clubs like Rotary club enabled directors to influence others both within their respective banks and outside the banks. For example, they could use their power to access resources. Tim talks in the extract below about his experience of being in contact with high-status individuals in society which derived from his participation in social clubs.

> *"I do belong to some clubs. Partly in religious clubs like the Bible society. In this society, I had contact with the speaker of parliament, vice-chancellors, people of different status standing in society and they get to know you and you them. I find that very encouraging. It becomes easier to find solutions to issues. These clubs help a lot because they provide you with a platform, access to people who have the power and ability to help" (Tim, executive director, Local bank).*

Tim viewed his participation in the Bible Society as an opportunity to get to know and be known by powerful people like the speaker of parliament and vice-chancellors. In particular, he talks about how this provides him with a certain level of encouragement because it is easier to find solutions to issues from people who have the power and the ability to help. Many other directors spoke about the importance of power they were acquiring through their

participation in several networks. Directors reported that they had developed critical social networks that were helpful in the context of work. For instance, being associated with individuals of high status provides leverage for the directors, which can be used to get things done quickly and fast at a low cost – "*Social capital gives you leverage. You don't have to suffer when you need to get things done" (Rodney, Chairman, Foreign bank).* In the extracts below Marcus and Mekos demonstrate how director leverage their positions as well their high-status contacts to attain resources.

> *"…I was trying to organise transportation for our directors to a conference. So I picked up the phone and called the clerk in parliament and said "my sister I have a function, I have a regional conference and I want vehicles to transport my staff. Do you think you can get vehicles?" She asked how many do you want? … she told her transport officer to get in touch with my transport officer and within a day I had the vehicles. At the end of the day, I didn't need money for hiring vehicles" (Marcus, CEO, Foreign bank).*
>
> *"For example, in one of the other companies (non-financial company) on whose board I sit, we have a board member who is from the ministry of finance, so when we have a challenge in finance on either board he is the first person we talk to. We have a member of the central bank as well. Makes it easy for us to collaborate" (Mekos, Non-executive director, Local bank).*

Marcus can first be seen as already in a powerful position that comes with being a Chief Executive director of a foreign bank and secondly knowing a Clerk in parliament (someone in a powerful position) – that is having access to a powerful individual who can give him access to resources that would have been otherwise hard to obtain. In his statement, he demonstrated how he could leverage that kind of power to get favours from others, such as vehicles to transport his staff to a conference within a day. If Marcus did not have this amount of power, he would have had to probably go through an application process and pay a fee to get those vehicles. Thus, Marcus used the power that came from his position in the network to get something done. Several directors mentioned having contact with government officials. For example, Marcus mentions a Clerk in parliament, and Mekos mentions the minister of finance. These findings echo the literature that suggests that access to government officials offers directors and, therefore the board access to superior essential

resources, thereby contributing to value creation within the firm (Lester *et al.*, 2008). This evidence is also in line with Bourdieu's framework of social capital, which maintains an interest in the crucial role of structural power and inequalities, in which he explores the way social capital works for already advantaged social groups (Bourdieu 1985). In line with Bourdieu (1986), network structures position directors in a structural space. Each space in the social field provides opportunities and risks, depending on their position regarding others. In both Tim and Marcus' interview extracts, one can see that social ties affect directors' behaviour in the governance of Ugandan banks through attained status and access to high-status individuals, which can then be instrumental in attaining resources that might be useful to directors' work (Pfeffer, 1972; Adler and Kwon, 2002). Both Marcus and Mekos' statements demonstrate how directors use their positions of power and powerful contacts to attain resources for the firms.

In other examples, although these are more to the directors' personal benefit, Bob and Rodney like many other directors talk about the importance of status in "making things move". Bob, for instance, elaborates on how people like to associate with "big names". From Bob's extract, the directors' position provides them with status and, therefore symbolic capital in society. Their positions of power symbolise someone of means both to benefit others and himself/institution:

> *"Status plays a very important role to make things move. I find that people like to associate with big names. Nowhere have I gone, and I have mentioned my job, and someone has not mentioned some big investment they have or a possibility of helping them out. Sometimes I want to hide. They regard you in high esteems and therefore it becomes easier to get certain things done and or access certain resources, it becomes capital for you to use both at the institutional level and personal level" (Bob, executive director, local bank).*

> *"But the most interesting one is that I met the town Clark for Makindye –that's where I live. I talked to him on the phone and said, I know you are the town clerk for Makindye, and then I told him about the condition of the road where I stay is in terrible shape. He said let me ask the town engineer to review and I will call you tomorrow. Then I said by the way I am also chairman of Namulondo investments, and we have investment projects at Gombolola headquarters in Makindye – he thought it was interesting" (Rodney, Chairman, Foreign bank)*

One can see from the above that directors' networks provide them with powerful status in society and even more power by having access to certain powerful individuals such as clerks and members of parliament who can be of great advantage in getting things done quickly and less costly. The extract from Rodney referred to an event he had been invited to as a guest of honour and how he met several high-status individuals from there. From the phrase "*I know you are the town clerk for Makindye, and then I told him about the condition of the road where I stay is in terrible shape…"* one can see Rodney mobilising the position of the Town Clerk to get something done (fix the road). Moreover, one can also observe in the statement "*Then I said by the way I am also chairman of Namulondo investments, and we have investment projects at Gombolola headquarters in Makindye – he thought it was interesting"* that Rodney uses his position as a chairman of Namulondo investment to suggest investment opportunities for the town Clerk.

Even though directors can use their positions of power as well as their high-status contacts to obtain resources, there are costs associated with the generation of power and influence. The use of directors' powerful contacts to access resources relies on the principle of reciprocity – "I scratch your back, you scratch mine". Furthermore, in a culture where ethically, if one has more means (for example, financial) in comparison to others, they are expected to help those who may not be as endowed or as privileged as they are. This expectation may be abused and thereby exert undue pressure on the directors. Being in a position of power and having access to other powerful individuals may come with certain expectations that may pressure the directors. Several directors spoke of this pressure;

> *"First, there are some members of the group who know that you are the director of a bank, for example, someone may come up to me and say they are having problems with applying for a loan for a project they are starting. One member told me this and I asked them which bank? They mention the bank and I set up a meeting with someone in that bank to help resolve this problem" (Jacob, Executive director, Foreign bank).*

The phrase "some members of the group who know that you are the directors of a bank" illustrates the expectations that people have of those with greater means. For instance, in Jacob's case, the person asking for help with obtaining a loan for their project knew that

Jacob was a director of a bank, therefore, should be able to help. These kinds of requests happen all the time and some directors expressed the discomfort this brings them:

> *"[…] Nowhere have I gone, and I have mentioned my job, and someone has not mentioned some big investment they have or a possibility of helping them out. Sometimes I want to hide […] (Bob, executive director, local bank).*

> *"The biggest challenge is when people come to you, and they want favours. Because you see it is one thing being your friend, but it is another asking me for a favour - Unfortunately! For example, somebody can come to me and says I have someone looking for a job, can you give me a job? I wouldn't have a job, the jobs are signed by someone else (*in a frustrated tone*). Or somebody might say you know I have a printing shop, next time you have a printing job, can you consider me? Of course not, you have to go through procurement" (Gail, Chairman, Local bank).*

> *"Life is about give and take. Influence peddling*[30] *- we talked about influence peddling as a form of social capital to achieve action but misusing it (Abel, Chairman, local bank).*

> *"[…]there is this fear of exploitation and it is something that happens in relationships – at some point, someone will exploit you" (Mali, Non-executive director, Foreign bank).*

From the above extracts, one can see that the social influence on directors that is derived from their networks can be negative. For example, Bob expresses how he feels about the expectations that come with other people in his network, viewing him as a symbol of power (someone with means). One can assume that Bob feels this pressure from others that he sometimes wants to hide because, like Abel expressed '*life is about give and take'* and the expectations from others may not always be reasonable or in line with one's integrity or means as exemplified by Gail interview extract above. Simon a non-executive director of a local bank, spoke of his experience demonstrating how sometimes expectations from others may not always be in line with one's moral integrity:

> *"One experience I had and I got really sad about was one of my colleagues was in a commercial bank and I met him and he said what sort of person are you? He said*

[30] Influence peddling is the use of one's position or connections to obtain favours or preferential treatment for another in exchange for money or favours

you have a position which can make you very rich and you are not using it, you are a hindrance to progress. I was offended by this statement. Some people want to use those relationships to defraud the system especially in banks – this is because they know you and know that you have access to certain areas and resources and can easily use it for the negative aspects. I think a lot of bankers have been faced with this problem, where people test you and see if you get involved in these dodgy activities by proposing something. So, when you do not play along, this relationship dies or ceases to exist because you are in essence useless to them" (Simon, Non-executive director, local bank).

This may result in constant fear of being exploited by others. The fear may be of exclusion if one does not comply - "*when you do not play along, this relationship dies or ceases to exist because you are in essence useless to them" (Simon, Non-executive director, local bank).* Indeed, Granovetter (1983) described tie strength as a combination of time, emotional intensity, intimacy, and reciprocal services that characterise the tie. Adler and Kwon (2002) argue that social capital's primary cost is the time and effort it takes to build and maintain relationships. "Building social capital requires considerable investment…and as with any expensive investment, the social capital investment may not be cost-efficient in certain situations" (Adler and Kwon, 2002, p. 25). The reciprocal services that characterise directors' ties above negatively affect them, such as fear of exploitation.

Structural social capital as discussed above affects directors' behaviour in the governance of Ugandan banks through power obtained from their position in a social space. However, it appeared from the interviews that not all directors had the same amount of power and therefore not the same advantages, such as access to resources like skills and knowledge, revealing structural power inequalities and inequalities in the access and distribution of resources (Bourdieu, 1985). Although all boards of directors are corporate elites (Jensen and Zajac, 2004), research shows that directors are sensitive to differences in status. Thus, Network positions may reflect directors' position relative to others, reveal reputation orders, create the entrance and exit barriers to social spaces such as the banking industry (Bourdieu, 1986; Coleman 1988). In the below extract, Jacob speaks of why he would never want to work for a local bank.

"I think there are some things that I would not want to change for a local bank for crying out loud, the experience, the knowledge, the skills and the learning. I do not

think that I will ever get – I have worked for three international banks, I do not think if I had worked for a local bank, probably I could have risen higher maybe but I do not think I would have the same kind of knowledge, outlook, and approach" (Jacob, Executive director, Foreign bank).

The extract from Jacob's interview reveals a certain level of 'class consciousnesses[31] among directors in foreign banks and those in local banks. The statement underpins the multiple ways in which directors in foreign banks are constructed, that is, through knowledge, skills and learning experiences. This could be a form of embodied cultural capital that converts into symbolic capital (Bourdieu, 1986) that can be used to pursue upward social mobility. A director in a foreign bank has access to better training, advanced knowledge, skills, more funds, and so much more that enables them to do their governance work more efficiently as opposed to those in local banks in Uganda. This illustrates furthermore how social capital works for already advantaged social groups. In the statements below, Willis spoke of how social capital benefits international banks when they need to raise capital to make big transactions:

"The other second way is capital. Size of capital and leverage, international banks can leverage group offices for certain guarantees, capital size to undertake a bigger transaction. Therefore, to an extent, domestic banks need to have a certain leg or have a little steak of the foreign share so that they can leverage on it. You get experience, support which is what (name of bank) is doing right now - local and foreign shares…Brings certain skill sets. When we needed bigger money that is 50 million dollars to take over (name of bank), we quickly mobilised it because of the international connections. That way you can undertake bigger transactions, attract bigger partners and partners come with certain terms and standards and slowly start catching up with international banks." (Willis, Executive director, foreign bank).

Directors were able to cross these structural power boundaries when they formed friendships outside of work through social clubs or associations like the Uganda Bankers' Association and the CEO summit or when a director from a foreign bank served on a local bank's board. In these cases, directors from local banks often drew on this social capital relating to their

[31] The term 'class consciousness' here could be seen in relation to Marxi's transitionary stage of 'class in itself' as it implies the understanding that people and, in this case, directors have their belonging in a social class which is different to another social class.

governance work by sharing ideas and seeking advice from directors across banks, including foreign banks. In the example below Carolyn speaks about the training that a new CEO who had recently joined their board from an international bank implemented.

> *"We were given training and especially in the area of transparency – unlike (name of bank), Ugandan business is not very transparent, so we did not have a habit of asking where the money was coming from for example. Our customers do not want those questions – they just wanted to deposit their money and that is it. (name of CEO) changed this" (Carolyn, Executive director, local bank).*

From this extract, one can see how structural social capital further influenced directors' behaviour in Ugandan banks' governance by allowing them to have contact with other directors from whom they could learn. In this case, for instance, a director from an international bank who joined Carolyn's board as the CEO brought with him that work ethic of transparency provided training opportunities for this local bank – useful skills and knowledge that they would have otherwise not had. It was further observed from the interviews that directors used networks to shape power and work collectively to find solutions to merging problem in the Uganda banking industry, thereby presenting different dimension of social capital as a collective power resource. On analysis of the interviews, it was revealed that all commercial banks were required to have a membership in the Uganda Bankers Association, a platform where boards of directors of these banks come together to discuss issues in the Uganda banking industry and collectively come up with solutions:

> *"Uganda Bankers Association (UBA) was formed due to the need to develop, promote, protect and represent the professional interest of its members and promote orderly conditions regarding banking…all commercial banks are members of the association…" (*http://ugandabankers.org/history-charter/*, accessed 10/05/2019).*

The UBA empowers directors and generally bankers to pursue collective goals that benefit the entire banking industry and perhaps in the future might present an excellent platform for influencing policy changes relating to governance.

Another effect of structural social capital that emerged from the interview data was that participating in several networks may take a toll on directors' limited time and attention (Carpenter and Westphal, 2001). Because being a director is a prestigious and honourable job that provides valuable learning opportunities (Useem, 1982), directors may be tempted

to accept invitations to join several boards and other networks. However, if pressed for time, directors may not attend board meetings regularly or fail to prepare for them (Finkelstein and Mooney, 2003). When directors cannot immerse themselves sufficiently in each firm's activities, their contributions to a board are adversely affected (Baysinger and Hoskisson, 1990; Westphal, 1999).

5.2.5. Summary of the effect of structural social capital

Summing up, directors' networks are endowed with different structural and interactional categories that interrelate to influence the directors' behaviours in carrying out their governance duties. Furthermore, these dimensions influence the resources and contacts through which directors would have direct and indirect access. It was shown in this section that directors mostly preferred to meet in informal places because this created a relaxed environment for them to interact freely with one another and share information that they would not otherwise share in a formal setting. However, the informal interaction must be backed up with frequent contact to foster a more genuine and closer bond between directors that could bring about the exchange of resources. It was noted that directors utilise informal meetings frequently to discuss the board's matters before formal meetings or if an issue arose that they needed to address right away.

Moreover, director networks were frequently created to exploit strategic alliances and to share resources across the network. For example, networks may generate direct power or influence that yield group or private benefits of control to a director or informational advantages that may benefit the banks. The effect of structural social capital (directors' networks) on directors' behaviour in the governance of Ugandan banks that stemmed from the interview data seemed to manifest in the form of power and influence. Here directors referred quite often to the power they felt they had because they had access to other powerful individuals and the power that came with the positions they occupy. It was shown that powerful directors could not only influence others to get things done by calling in favours but that other actors in the directors' networks used their power to influence directors' behaviour through expectations and favours.

This seemed to have both a positive and negative influence on the directors' behaviour. Positive influences included acquiring resources quickly and cheaply, learning from one

another by sharing ideas. The negative influences included the fear and stress that stemmed from others having high expectations and sometimes unreasonable demands on the directors. It was further noted that power was unequally distributed among the directors' networks. It was observed that directors in foreign banks have access to some forms of social capital that directors in local banks do not and therefore more power compared to directors in local banks. However, directors could overcome some of these inequalities through networks where they had access to other directors from foreign banks or access to government officials to share ideas and exchange information.

Given this structurally deterministic implication of social capital on directors' behaviour in Ugandan banks' governance, this study also looks beyond structural explanations to identify factors that could influence directors' actions. The researcher suggests that the relationship process between actors in the network may be one non-structural factor that could have implications for directors' behaviour in Ugandan banks' governance. Differences in how directors interact with one another and other actors in their networks may be reflected in the relational social capital they possess. Thus, structurally similar directors may still vary in their social capital because of how they relate with another. This perspective helps identify the internal forces that could influence directors' behaviour and thereby the governance of Ugandan banks.

The next section sets out to explore the possibility that relational social capital might influence directors' behaviour in the governance of Ugandan banks. Research has shown that organizations are constrained by social values, rules, and norms, and are embedded within larger social systems, the board of directors inevitably comes to reflect the demands of, and structures present in, the general society. The norms will both constrain and encourage certain directors' behaviour (Huse 2007, 78), which will be reflected in the tasks the board undertakes.

5.3. Relational social capital

As shown in the literature review, this social capital dimension focuses on personal relationships via a history of interactions (Bourdieu, 1985; Granovetter, 1992; Nahapiet and Ghoshal 1998). It is concerned with the particular relations that people have, such as respect and friendship, that influence their behaviour and allow for the fulfilment of motivations

such as sociability, approval, and prestige (Nahapiet and Ghoshal 1998). Trust is a critical aspect of the relational dimension (Putnam, 1993; Portes, 1998; Macke et al., 2010; Nahapiet and Ghoshal, 1998). Moreover, norms, obligations, expectations and identity (Nahapiet & Ghoshal, 1998) have also been viewed as important behavioural components of relational social capital. The categories to be discussed in this section include:

- Long-term relationships.
- Norms of reciprocity.
- Norms of conformity.

5.3.1. Long-term relationships

Interview data analysis demonstrated that the way directors influenced each other and were influenced by other actors in their networks is not homogenous but that it is strongly related to the type of relationships. Not all friends had the same kind of effect on directors' behaviour in the governance of Ugandan banks. Overall, it seems that the most intimate and long-term relationships can exercise the biggest influence whether positive or negative. More distant friends or acquaintances had insignificant or no role at all. Therefore, it is the strong, dense ties among directors that affected their behaviour in the governance of Ugandan banks.

This finding is incompatible to conclusions drawn from research in other areas, such as job seeking (Granovetter, 1973) and occupational status (Lin 1981) that advocate the importance and authority of weak as opposed to strong ties. The reason for which this finding is not supported in relation to directors' ties lies perhaps in the fact that the nature of the purpose of the influence is different. On the one hand, the way ties facilitate people to find a job (Granovetter, 1973; 1983) and more specifically to find a high-status job (Lin, 1981) is an action that takes place once, at a specific time and has no duration. On the other hand, the way directors influence each other is a constant process that does not take place once and for all but continues over a long time, especially in the Ugandan setting. So, whereas for the first instance - finding a job - it is not necessary to have strong social networks with the person who will help you but it is rather the authority of the person that matters, for the second instance - peer influence – a constant interaction between directors is necessary. As a result of social influence being an ongoing process that does not happen once in directors' lifetime but instead takes place daily, the directors who exercised the biggest role had to be

friends that were close to them. It was, therefore, the dense, durable and intense social networks that had the strongest effect in this case.

Time allows directors to get to know each other, to increase familiarity amongst themselves which may foster interpersonal trust and mitigate directors' needs for dysfunctional impression management (Sundaramurthy and Lewis, 2003; Westphal, 1999). Furthermore, long-term relationships enable directors to become familiar with one another's skills, habits and personalities, thereby enabling them to function and make decisions effectively as a group (Westphal and Bednar, 2005). The extracts below illustrate some ways in which directors' long-term relationships affected their behaviour in the governance of Ugandan banks:

> *"In Uganda, majority of people went to the same institution – for example, Makere university [...] it means that here in this bank they all went to the same institution and they all know each other. For example, about five of the directors were a year behind me in the same university. ... so there is already rapport, I know what they are capable of. It puts me in advantage as a CEO I am one of the most advantaged CEOs [...]" (Tony, CEO, Local bank).*

> *"I will tell you that four of my colleagues were with me in high school (Budo Highschool) [...] you already respect each other and you have known each other in the past,.There is history so, when you come into an organisation, it does not matter that I had not been talking to these people regularly but the basis of our history and school directs not only our expectations on how we are going to work but also the standards expected from each other. As a result, it is easier to get things done. You are not looking at these people as outsiders, this has been one of my benefits" (Ottis, Executive director, local banks).*

Ottis and his colleagues who all attended the same high school have a historical relationship that binds them. They act as a form of (peer) pressure for each other by having certain expectations of working with one another and standards expected from each other. This often works within the framework of what everyone else does or will not do. Ottis, for example, may feel out of place if he deviated from the standards that his colleagues are delivering. So, this reminder of what the majority are doing, and what everyone in Ottis' group of colleagues who went to the same high school should strive to do seemed to comprise a positive drive for them to get things done. The incentive, of course, is that keeping up with the expectations

and standards of the majority means that one gets to enjoy the benefits of the social circle otherwise, they risk being excluded, just like one director mentioned in his interview that:

> *"These old schoolboy alumni, if somebody loses a job then he becomes useless; they will stop inviting you to parties, you are not considered to be a credible speaker at annual gatherings, you may have a PhD, you are so knowledgeable, but they will not consider this. The culture is so opportunistic that they overlook that. In Uganda, if you lose an official position, society forgets you [...]" (Malcolm, Executive director, foreign bank).*

Time cultivates and strengthens relationships, and, in the process, some degree of trust is achieved. The extract below from Mataba further exemplifies how long-term relationships can influence directors' behaviour. One can see that Mataba and his fellow board members can easily confide in each other about work issues and personal matters and help one another when needed. So, in this case, one can see a different effect of long-term relationships on directors' behaviour and a positive one.

> *"We know each other very well because we have all been in the industry for a very long time. We are very open with each other about what is going on at work and even sometimes personal issues. People are always willing to offer help when you need it so in that way, we tend to rely on each other" (Mataba, Executive director, foreign bank).*

In general, directors noted that they preferred to rely on people with stronger social connections and many of them spoke of those relationships that span over a period. Experience of working in the same industry for a long time provided directors with a chance to develop strong relationships and an opportunity to learn about each other. Ottis and Mataba have a similar view to other directors on how long-term relationships with other directors whether from school or from being in the industry together for a long time, to belong in the same social club for years influenced their behaviour. In Ottis' quote, these relationships dictate directors' behaviour through socially formed expectations of certain standards of behaviour. For example, directors may find it easier to interact openly with one another because they have known each other for a long time and have possibly developed a certain level of trust as Mataba quoted, "*We are very open with each other about what is going on at work and even sometimes personal issues. People are always willing to offer help when you need it so in that way, we tend to rely on each other".* These findings,

therefore, suggest that social ties, especially those built over a long time, encourage directors to be open with one another and set standards of behaviour through socially formed expectations. They confirm the literature, suggesting that increased familiarity amongst directors may foster interpersonal trust and mitigate directors' needs for dysfunctional impression management (Sundaramurthy and Lewis, 2003; Westphal, 1999). Furthermore, long-term relationships enable directors to become familiar with one another's skills, habits and personalities, thereby enabling them to function and make decisions effectively as a group (Westphal & Bednar, 2005) because as Tonny as CEO of a local stated "… *there is already rapport, I know what they are capable of.*"

However, the solidarity benefits of social capital have costs in that it can restrict information flow (Oh et al., 2006). Long-term relationships resulting in strong bonds among directors can result in less communication and openness to outside information, increased commitment to certain views of the firm, including its opportunities and challenges, and resistance to major changes in firm's strategic direction (Hambrick and Mason, 1984; Hambrick and Fukutomi, 1991; Miller, 1991). With increased familiarity with each other, directors may significantly reduce their use of external information (Keck and Tushman, 1993), avoid debating and questioning each other, and develop groupthink tendencies (O'Connor, 2002; Janis, 2008).

> *I have noticed that good is the enemy of great. Sometimes when we are too good to one another we get comfortable with average and we don't take that extra step to be great. So being harmonious or social could have the limitation of us not going that step further. We get too comfortable with an easy flow and get stuck at that level. Sometimes there is a need to progress. (Editta, Chief Risk Officer, foreign bank).*

Paul seems to provide a good example of this type of influence:

> *"Sometimes the teams that run the banks, you may find that they are very inward-looking, that's the organisation they have worked for, that is what they know, their circles are just within…have a way of doing things and they are comfortable with that… For example, the deposit protection fund is fairly a new one and this is the first board – the staff are coming from Bank of Uganda, this has been their life so it is a reproduction of Bank of Uganda if you like […]" (Paul, Non-executive director, Local bank)*

It is clear from Paul's example of the deposit protection fund board that when directors are so comfortable with each other, they may get stuck in their old ways. In this case one can see that people who had been working in the same organisation (Bank of Uganda) before and now are serving on the same board together of a different organisation are bringing their past experiences and ways of doing things and in a way turning this new company into a "*reproduction of Bank of Uganda"*. Based on the interviews it was revealed that the majority of the board members had attended the same schools or belonged to the same social clubs like the Rotary club; this provided a platform where certain habitus are produced and reproduced over time.

5.3.2. Norms of Reciprocity

Longevity and history of the relationship are not the only important factors in affecting relationship dynamic and therefore directors' behaviour in the governance of Ugandan banks. (Madhok and Tallman, 1998) argued that the relationship process is itself a specialised resource. They recognise the crucial distinction between the potential value created in the actors' relationship (Bourdieu, 1986) and the actual value that is appropriated and state that the relationship process determines to what extent the potential value is realised. The scope to tap into the underlying potential is greater if the relationship process is characterised by norms of reciprocity than just by the relationship's mere longevity. For example, where the relationship is dominated by opportunism, the actors will not make the unilateral and voluntary commitments necessary to develop the synergistic potential of collaboration and exchange (Dyer, 1997; Dyer and Nobeoka, 2000). However, the realisation that the relationship is the best vehicle to achieve such synergistic capabilities and that such capabilities may not be available through other means would ensure that actors make these commitments. Accordingly, the effect of relational social capital on directors' behaviour was first understood through norms of reciprocity. Reciprocity is a feature of trust; it is considered an essential aspect of relational social capital that facilitates collaborative behaviour (Coleman, 2000; Haniffa and Cooke, 2005) and refers to the expectation that actors' collective actions will be reciprocated (Putnam, 1993). Reciprocity or exchange is used to nurture and strengthen relationships that are expected to continue. In the process, advantages and obligations are achieved as well as trust.

"Life is about give and take [...]" (Abel, Chairman, Local bank).

The focus on norms of reciprocity in the relationships process between directors' networks is necessary because of its influence in affecting the flow of resources such as information between directors and other actors, the nature of those resources and the utilisation of those resources. It thus affects the social capital available to directors and the utilisation of that capital. Bourdieu's analysis of social capital suggests that ''the profits which accrue from membership in a group are the basis of the solidarity which makes them possible'' (Bourdieu, 1985: 249). He is explicit that social networks are constructed through investment strategies in group relations of mutual advantage. Previous research on social relationships within boards of directors shows that the norm of reciprocity, an important social exchange principle, is an underlying characteristic of relationships among board members (Westphal & Zajac, 2013), especially in the context of advice relationships. This is not surprising given that people seek advice from resourceful others. Furthermore, Contractor and Monge state that "an individual will seek a knowledge network tie with another individual if the other can reciprocate and offer something in return" (2002, p.251). In boards of directors, instrumental relationships among board members can emerge in business transactions, knowledge exchange, and advice-seeking/giving, among others.

To this end, data revealed that directors who had known each other for a long time found it easier to work with one another and were more willing to offer each other help. The quotes below illustrate this point:

> *"We are very open with each other about what is going on at work and even sometimes personal issues. People are always willing to offer help when you need it. So in that way, we tend to rely on each other" (Mataba, Executive director, foreign bank).*

The illustrations above confirm the academic literature that suggests that relational social capital facilitates exchange, which is the precursor to resource attainment. Where parties trust one another, they are more willing to engage in cooperative action, potentially generating further trust (Portes, 1998). Additionally, social capital directly facilitates the development of resources by affecting the exchange conditions (Bourdieu, 1986; Burt *et al.*, 1998; Nahapiet, 2008). For example, studies have shown that personal relationships increase employees' tendency to seek advice from friends or others in their work units by creating a sense of social security that reduces the perceived risk (Anderson and Williams, 1996;

Fischer, 1982; Rosen, 1983). Personal ties encourage advice-seeking by enhancing mutual trust.

The quotes above suggest that relational social capital built over a long time fosters trust among directors, enabling reciprocal behaviour and collaborative behaviours. As boards of director work in teams, collaboration among them is essential for their work. Reciprocity is also just as important because it enables directors to exchange resources (such as advice and counsel, information) (Pfeffer and Salancik, 1978; Pearce and Zahra, 1991) that can benefit them in the governance of Ugandan banks. Some scholars have suggested that boards can extend their involvement beyond monitoring and control to the provision of ongoing advice and counsel on strategic issues (Zara and Pearce, 1989; Johnson et al., 1996) and Alderfer (1986) suggested that the best CEO-board relationships included on-going collaboration in the decision-making process (cf. Spencer, 1983). Therefore, behaviours that foster collaboration and reciprocity among board members may enhance directors' ability to perform these functions.

On the other hand, the absence of trust may affect the willingness for directors to collaborate and exchange resources, for example, one director quoted:

> *"The basis of anything in the world is trusting because when there is no trust there is what is called artificial harmony. When there is artificial harmony everybody is vulnerable, people do not communicate with one another, people are not committed which results in less responsibility and accountability and hence poor results… people are not truthful; they do not respect each other, they do not understand the interests and preferences of one another and are not willing to support each other and remain transparent. Trust is a basic human principle and without it, nothing is going to work" (Carolyn, Executive directors, local bank).*

The effect that relational social capital has on directors' behaviours and governance work can be described by one of the general insights from Bourdieu concerning the exchange itself. Social exchanges that reinforce relationships are interactions that have mutual knowledge and recognition. Bourdieu writes, 'exchange transforms the things exchanged into signs of recognition and, through the mutual recognition and the recognition of group membership which it implies, reproduces the group' (1986, p. 249). The exchanges that take place fortify the things exchanged as permanent tokens of group membership and the exchanges also reproduce the group.

5.3.3. Norms of conformity

The code *conformity* emerged through directors' discussions about team dynamics within the boardroom. Norms are thought of as a socially defined mechanism for action when faced with a collective group decision (Coleman, 1990). These historically taken-for-granted norms become 'rationalised myths', including for example respect for directors in senior positions in an organisation. The persistence of structures and beliefs that result in inequalities such as power and gender inequalities can partly be attributed to institutional processes that uphold the legitimacy and assumed neutrality of these arrangements (Bourdieu, 1990). This habitus perceived as natural and legitimate (and, therefore unseen), may limit people's ability to imagine alternatives and is resistant to change. For example, the data revealed that boards of directors had differing ways of conducting board meetings. It was noticed that some boards compared to others had a more formally structured way of conducting meetings where the CEO or chairman of the board spoke most of the time and the rest just listened and this was the accepted norm.

> "*I can tell you that all board meetings are generally very structured and very formal. We are trying to be flexible with this, but the CEO and chairman usually leads the discussions or chairs the discussions. Within committees, the person chairing the meeting or presenting will be the one talking for the longest" (Uriel, Chief Operating Officer, foreign bank).*

Other directors agreed with this form of meeting structure. For Uriel's board, the meetings are hierarchically structured in that the chairman or CEO of the board will lead the discussion and speak for the longest. One can expect that the directors' behaviour on Uriel's team is more submissive – where members simply listen to the leader and readily accept what is being presented before them. Due to power distance or difference, the CEOs and/ or Chairman are dominant, but the rest of the board members are always on the side of receiving information without challenging what they are told or making a contribution and, in essence, creating a norm of conformity.

This type of behaviour is very typical of the habitus of the people in Uganda where it is 'normal' to have respect for elders, allied to deference to one's superiors and non-confrontation of those in authority (Wanyama, Burton and Helliar, 2006; Wanyama Simeon, Burton Bruce and Helliar Christine, 2013). Although not intentional, directors are complicit in perpetuating a system of inequality as they seek to perform according to the historically

accepted rules of engagement – the less powerful (such as those in inferior positions), buy into the myths and replicate them and the CEOs and chairmen (being privileged) do not see their privilege. Accordingly, one director noted how such a norm may affect directors:

> *"In the Uganda culture like many African cultures, requires that you must submit to elders and superiors and then you get to work and find yourself in a way unfairly treated or unhappy with the way things are done – but because of this upbringing, one finds it a bit rude to voice their concerns. I have noticed this with many colleagues" (Tim, Executive director. Local bank.*

Tim highlights how such a submissive approach can lead to unfair treatment and dissatisfaction with the way things are done and still be constrained in speaking up because it would not be a socially acceptable norm to speak up. There is indeed a danger that directors may be negatively affected regarding their governance role of monitoring if they cannot voice their opinions or question those in superior positions (CEO, chairman). Tim's statement demonstrates how societal norms give rise to socially accepted ways of behaviour and dictate what is considered normative at an organisational level – "*many African cultures, requires that you must submit to elders and superiors and then you get to work and find yourself in a way unfairly treated or unhappy with the way things are done."* This behaviour is part of the habitus that is formed right from childhood and all through life as one goes through different life experiences. For example, when a child speaks up to their parents they are punished, the political history of Uganda is also another reinforcer of this habitus where people are in constant fear for their safety and cannot dare to say anything about the incumbent government because one never knows what might happen. One director quoted:

> *"We live in fearful times… with this military regime, people fear for their safety. Boycotts and any other expression of displeasure are quickly suppressed using force against those who speak up" (Mali, non-executive director, foreign bank).*

Such extreme force one would expect would not be exerted on boards of directors for challenging the norm, but it provides an understanding of how such submissive behaviour comes about and why it is so readily accepted. For directors it might be the fear of straining relationships (as many directors expressed in their interviews) in the workplace or otherwise - as Bob expressed "*it was difficult for me to speak up because of the fear to strain those relationships*":

But the person I was before I went for masters and the one I had become after the masters were different people. I realise that people in the UK were very open in voicing their concerns without a threat of being harmed so I became outspoken myself and I could quite easily say when I did not agree with an issue. Before this, however, it was difficult for me to speak up because of the fear to strain those relationships (Bob, executive director, local bank)

These findings confirm the literature that argues that actors reproduce norms because they internalize them in the socialization process and because norm violations will be sanctioned while norm compliance will be rewarded (Parsons and Shils, 1951; Parsons and Neil, 1984). Since actors attempt to avoid negative sanctions, they comply with norms and thereby reproduce them. However, to some extent norms can be violated and can be changed as in Bob's case. Bob had a chance to be exposed to a different social arena when he went to study his masters in the UK and this exposed to him to a different norm that allows actors to express themselves freely and so his habitus of fear changed to one of confidence and being outspoken. Other directors also spoke of similar experiences where the norms of conducting board meetings promoted open discussion and encouraged everyone to engage:

"The decision-making dynamic of our board I would say is free-flowing – open discussion and decisions are made by consensus. We have had very few incidents of tense moments" (Mekos, Non-executive director, Local bank).

"I think it is quite good and a lot of it depends on the leadership of the chair; one is, and I have learned the hard way, as a chairman you have to be able to listen and listen and listen. For example, when I am conducting board meetings, I am always the last person to speak on a particular topic; I let everyone say their views and I will then intervene if I have any comments …" (Mark, Chief Executive Officer, Foreign bank).

Mekos' described his team's board meetings as a more open discussion and *"free-flowing"*. Directors' behaviour in conducting meetings is therefore dependent on how directors relate with one another and the norms being produced and reproduced as illustrated by the quote below:

"[…] communication is a generally open discussion. We have a lot of social activities that we do to build board cohesion. For example, we have (bank name) news where everybody gets to know what is happening everywhere. We have also a

mentoring programme which encourages people to voice things that make them uncomfortable and uneasy to create an environment of open conversation. Also, the way we greet. In (bank name) every time you greet someone there is an embrace. We moved (bank name) culture from one of just exchange - the board leads by example. It builds trust" (Ottis, Executive director, Local bank).

It is clear from Ottis' quote that this board fosters an environment that encourages social relationships and perhaps friendships. Prior research on helping behaviour suggests that people feel more comfortable engaging with individuals with whom they have a social relationship, and research on friendship has shown that people feel socially obligated to help one another if they are friends (Shah and Jehn, 1993). Krackhardt (1992) noted that friendship implies trust, the expectation of personal loyalty. Similarly, (Roger Rees and Segal, 1984) noted that certain social obligations are normatively part of the friendship relationship: for instance, a friend is expected to come to one's aid or defence when needed. The friendship relation is governed by communal norms, whereby individuals are obligated to care for each other's welfare.

"Because of the relationship dynamic that exists between you and those people, they would gladly stay back and help" (Arthur, Non-executive director, foreign bank).

"Having good relationships with directors or if you like friendships helps because you may be discussing a controversial matter and possibly being misunderstood but because some people on the board trust you, that trust makes it easier for them to believe in what you are saying. It makes it easier" ((Marcus, Chief Executive officer, local bank).

The statements above demonstrate that together trust and reciprocity encourage mutual reliance, obligation and solidarity, increasing the possibility that directors will act collectively – as Marcus a CEO of a local bank stated: "*you may be discussing a controversial matter and possibly being misunderstood but because some people on the board trust you, that trust makes it easier for them to believe in what you are saying."* The norms of trust and reciprocity can resolve problems of collective action and bind directors together. They thus serve to transform individuals from self-seeking and egocentric agents, with little sense of obligation to others, into members of a group with shared interests and a sense of common good or common goals – these will be discussed in detail in the next section on the effect of cognitive social capital on directors' behaviour.

To sum up, Relational social capital is primarily concerned with social relationships within a group that develops over time. The components of this dimension allow directors to build and enhance personal relationships that, in turn, influence certain behaviours among them. As directors relate with one another over time, they develop norms which have the potential to demonstrate consensus within a network (Coleman, 1988). Social norms, are what it takes to be socially 'normal.' As directors interact with each other and others within their networks over time certain actions or behaviours are created and repeated over time such that they become the norm. The echo of symbolic interactionism is evident here when norms emerge out of social interaction, thereby forming the parallel between this view and Bourdieu's notion of 'legitimate' language; something that emerges out of the dynamic of recognition and misrecognition (Bourdieu, 1985). Thus, norms are arrangements of behavioural features that, within given social arenas and social groups, count as an understandable language which may have certain implications for directors' behaviour.

Interview data analysis demonstrated that the way directors influenced each other and were influenced by other actors in their networks is not homogenous but that it is strongly related to the type of relationships. Not all friends had the same kind of effect on directors' behaviour in the governance of Ugandan banks. Overall, it seems that the most intimate and long-term relationships were able to exercise the biggest influence on directors' behaviour in the governance of Ugandan banks. It was shown that time allows directors to get to know each other, to increase familiarity amongst themselves which may foster interpersonal trust and mitigate directors' needs for dysfunctional impression management (Sundaramurthy and Lewis, 2003; Westphal, 1999). It was clear from the interviews that majority of directors preferred to rely on people with whom they have stronger social connections and many of them spoke of those relationships that span over some time. Experience of working in the same industry for a long time provided directors with a chance to develop strong relationships and an opportunity to learn about each other.

Strong relationships that had developed over a long period fostered norms of reciprocity among directors suggesting that relational social capital built over a long time fosters trust among directors which then enables reciprocal behaviour and collaborative behaviours and, seeing as boards of director work in teams, collaboration among them is very important for their work. Reciprocity is also just as important because it enables directors to exchange resources (such as advice and counsel, information) (Pfeffer and Salancik, 1978; Pearce and

Zahra, 1991) that can benefit them in the governance of Ugandan banks. The absence of trust may affect the willingness for directors to collaborate and exchange resources.

Lastly, the effect of relational social capital on directors' behaviour was seen through the lens of norms of conformity. The data revealed that boards of directors had differing ways of conducting board meetings. It was noticed that some boards compared to others had a more formally structured way of conducting meetings where the CEO or chairman of the board spoke most of the time and the rest just listened and this was the accepted norm which sometimes led to unfair treatment and dissatisfaction with the way things are done. However, directors who accepted this norm were constrained in speaking up because it would not be a socially acceptable norm to speak up. Whereas in some other boards open discussion was encouraged.

The next section discussed the findings addressing the influence of cognitive social capital on directors' behaviour in the governance of Ugandan banks. The focus will be on the following categories.

- Shared goals and values
- Shared culture

5.4. Cognitive social capital

The cognitive dimension of social capital as shown in the literature is embodied in attributes like shared goals, values, culture and shared language that together facilitate a common understanding of collective action and ways of acting in a social system (Nahapiet and Ghoshal, 1998). For example, when directors have the same perceptions about how to interact with one another, they can avoid possible misunderstandings in their communications. The common goals provide more opportunity for them to share potential resources and ideas (Bourdieu, 1986; Coleman, 1988b; Putnam, 1995a; Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998; Portes, 2000b). Directors convert the input to outcomes through cognitive capital, which directs them to achieve governance tasks (Westphal, 1999). Hence, they need to have a degree of social cohesion to share a frame of reference to better understand interactions, clues, or behaviours of one another. The resources providing shared representation, interpretations, and systems of meaning among actors, therefore, can be expected to yield significant performance improvements when coupled interactively with structural and relational dimensions of social capital. In the literature on social capital, the role of the cognitive dimension received relatively little

attention. In this study, however, the data revealed the importance of this dimension and its effect on directors' behaviour.

The categories to be discussed in this section are shared goals and values and shared culture.

5.4.1. Shared goals and values

Weick et al. (1995) assert that when goals and values are congruent and when interpretations are shared by and across organizational partners this cognitive capital becomes on-going, cumulatively supportive, and self-reinforcing. Shared goals and values were found to be one of the categories that described the cognitive social capital. Directors need to understand clearly the goals and values of the board to make it easier for them to determine appropriate action and thus ensure its success (Carpenter and Westphal, 2001). When asked about shared goals and values, directors used the word 'clarity' about the 'business of the board. Many directors mentioned that every one of them needed to know what board responsibilities to 'shareholders' and 'customers' mostly but also to the bank in general. However, some of them were not clear on what the role of the board was.

5.4.1.1. *Clarity*

The emergence and the development of the code clarity, as one of the open coding of shared goals, is explored in this section. The code clarity was derived from the interview with Mark a Chief Executive director of a foreign bank. During the interview, one director stressed the importance of a shared goal and its relationships to governance. In speaking of his fellow board members, he stated:

> *"To do our job as directors, all members have to agree on the same goal ... of course all of us are not on the same page. Some directors do not seem to know what the role of the board is [...] There is this problem of not knowing clearly what the board should be doing and that needs revisiting" (Mark, Chief Executive director, Foreign bank).*

Working in a team as directors often do requires them to have clear and compelling goals which they all must work towards to facilitate action and meet shareholder expectations. Having goals and working collectively to achieve them influences efficacy and efficiency with which directors create knowledge. It affects their ability to access, transfer, absorb, and apply information (Tsai and Ghoshal, 1998; Phelps, Heidl and Wadhwa, 2012). Given that directors' proscribed role behaviours emphasise their responsibility to the organisation's (in this case the bank) shareholders (Bainbridge, 2003), there is a general alignment of goals

among directors when it comes to monitoring and providing resources for the banks. The interests of the directors are closely tied in most circumstances:

> *"As chairman, my role is to guide the board in undertaking the business of the board. The business of the board is to govern an institution […] The shareholders appoint a board including the chairman to run the business of the institution on their behalf […] you have to be aware of what it means to govern an institution, you also have to be aware of the framework within which to govern the institution" (Rodney, chairman, foreign bank).*

The other directors had a similar view in terms of what the goal of their job was.

> *"I am an independent non-executive director as per the regulations […] as a chair, I must act as the leader of the bank, I am that interface between the regulator and the bank and shareholders. Making sure that the bank sticks to the mission […]" (Johnny, Chairman, local bank).*

Quite simply, the explicit responsibility owed to shareholders embedded in directors' proscribed role behaviour serves to align their interests and identities, as Rodney stated in his quote *you have to be aware of what it means to govern an institution, you also have to be aware of the framework within which to govern the institution" (Rodney, chairman, foreign bank).* Thus, when directors are driven by a common goal their behaviours may serve to meet this goal. In the extract below

> *"[…] when we get this information, we are expected to dedicate time to read it, assess – this is what we are paid to do." (Johnny, Chairman, local bank).*

The failure to have aligned goals may lead to a potential conflict of interests in the boardroom. A lack of clear goals may affect the way directors do their work for example they may be unable to provide efficient advice and counsel. Mark's board may be an illustration of this point in the sense that since "*there is this problem of not knowing clearly what the board should be doing",* the directors on that board spend a lot of time as one may conclude listening to information that is being given to them by the committees – there is a lack of discussion that may lead to new ideas or useful advice.

> *"This board initially seems to me as not a great example because it is the kind of group that people do not know what its purpose is. It seems to be configured to be a sort of information-giving updates role, but I feel a lot of that happens anyway. And*

it also receives a lot of minutes from the board committees that just don't acknowledge its existence. So yes. There is this problem of not knowing clearly what the board should be doing and that needs revisiting" (Mark, Chief Executive Director, Foreign bank).

When analysing the data, it was further revealed that shared goals with other stakeholders such as the banks' clients also influenced directors' behaviour. Directors indicated in the interviews the importance of paying attention to their relationships with the clients because of the potential benefits of generating mutually beneficial social capital such as feedback from both ends. They dedicate time to keeping in touch with their customers by visiting them frequently, inviting them to occasions or even making calls to them. Thus, creating stable relationships with trusted partners, over time these ties accumulate into a mutually beneficial network and ultimately generate stakeholder social capital (Balkundi and Kilduff, 2006) that is good for the banks.

"For us, it is important to get to know our clients to be able to understand what it is they want us to provide for them. If we can provide something beneficial to them and saves them time – and they feel like they can rely on us, they will remain loyal to us, they will recommend other customers [...] Going to visit the clients at their factory, you get to a visualisation of where they are, their office, what they do, their challenges, their market and products" (Rodney, chairman, foreign bank).

"There must be a continuous engagement with customers [...] Sharing information for example such as challenges. But also customers need to constantly give banks feedback [..] the power of numbers at the bottom end of the pillar can be very transformational as well as sustainable…" (Bob, Executive director, local bank).

This goal of being customer-oriented also meant for some banks that monitoring of the banks was relaxed to some extent for example in terms of doing extensive background checks on customers due to the strong loyalty:

We were given training and especially in the area of transparency – unlike (bank name), Ugandan business is not very transparent, so we did not have a habit of asking where the money was coming from for example. Our customers do not want those questions – they just wanted to deposit their money and that is it. (bank name) changed this (Caroyln, Executive director, local bank).

Having a shared goal affects directors' behaviour in the governance of Ugandan banks in the sense that it directs their behaviour towards solidarity and community. It encourages them to share resources such as support and information which may help them do their work better and even further their personal goals. Having shared goals requires that directors are interacting and talking to one another, that they are influencing one another.

Networks (formal and informal) provided a platform for directors to align their goals to the collective. For example, informal networks like the Rotary club helped directors to practice the values of collective thinking and collective support and since many of the directors interviewed in this study belonged to the Rotary club this support would extend to work-related matters. To illustrate this point, Mataba an executive director demonstrated how by Rotarians having and knowing the goal of promoting goodwill, service and furtherance of members' professions they support one another to achieve that goal:

> *"We are in this together, we are one, we have the same goal. Let them be close to you, open up to you so that they come to you and you can quickly detect If there is a challenge or not. This system gives people confidence and opens up a channel for the easy flow of information" (Mekos, Non-executive director, local bank).*

Like the Rotary club is the Uganda Bankers' Association which brings commercial banks together to discuss matters that pertain to the banking industry in Uganda. Directors use this platform to talk shop, make connections and spread influence amongst themselves and other relevant players such as the regulators, and the government by developing, promoting, protecting and representing the professional interests of its members as well as promote orderly conditions in relation to banking.

> *"Uganda Bankers Association (UBA) was formed due to the need to develop, promote, protect and represent the professional interest of its members and promote orderly conditions concerning banking…all commercial banks are members of the association…" (*http://ugandabankers.org/history-charter/*, accessed 10/05/2019).*

Directors on their own do not have influence but membership in different networks (workgroups, social clubs, and professional associations) gives them the common ground. It is all about relationships and that is intentional – "*Let them be close to you, open up to you"*, that is the idea from the beginning. In these networks, directors are encouraged to share intimate thoughts and feelings which binds them to the collective and the collective way of thinking:

"…people get to share those things that are not written or are not in reports, but you know this is happening or are aware, so, useful information is passed through those channels. Sometimes it is dangerous or unhelpful information but if you maintain it professionally there are those undertones, opinions, views" (Uriel, Chief Operating Officer, Foreign bank).

"Rotarians lookout for other Rotarians because one of the Rotarian goals is to promote goodwill, service and the furtherance of our professions. For example, if you are a Rotarian and you want access to the Deputy Governor, all you have to say is that you are a Rotarian" (Mark, CEOx, Foreign ban4k).

Members of the Rotary club have the goal of looking out for one another and this drives their behaviour toward each other; their will to help each other is deployed by that goal. The statement "*if you are a Rotarian and you want access to the Deputy Governor, all you have to say is that you are a Rotarian"* further indicates team solidarity and support, support that is only available to Rotarians. It is important to note here that majority of the directors interviewed belonged to the Rotary club. If one is a member of the Rotary club, the word 'Rotarian' takes on several different functions, more than meanings to hold the people who participate together in the same ideology, but there is a shared understanding that what we are really about here is power. Directors can use thier collective power obtained from networks like the UBA and Rotary to spread influence; for example, they can easily persuade regulators to change governance laws together than individually. This is in line with Portes (1998) who argues that shared experiences and common beliefs create a strong sense of community and solidarity. The below interview extracts demonstrate this point further:

"They are sources for sharing challenges – I am faced with this problem, what do you think, how can I overcome, can you help me see so and so, open for me this door" (Harriet, Non-executive director, Local bank).

"[…] Rotary […] someone loses a job, there will be a couple of people looking out for him for example if you are still young and are looking for a job, other members will be active in helping to find you a job. For example, when I left my job at UN and World Bank and started consulting, several CEOs run organisations recommending me to others and that is how I built my business. These CEOs are themselves Rotarians, so it became easy to start networking and building a business […]" (Simon, Non-executive director, Local bank).

Therefore, having a congruence in goals means unity and bonding which encourage directors to help one another at work and outside of work by for example bringing about trust among directors. It is easier to work with people you trust and can rely on. Several other directors also mentioned the importance of being aligned in terms of knowing what the overall goal is and this made easier it to get support from others:

> *"Because you may be discussing a controversial matter and possibly being misunderstood but because some people on the board trust you, that trust makes it easier for them to believe in what you are saying. It makes it easier" (Marcus, Chief Executive officer, local bank).*

Networks can help directors build trust amongst each other by providing a platform where individuals through interaction can spread influence and align members to the collective goals and collective thinking. The alignment of goals my benefit directors outside of work but also inside the boardroom.

5.4.2. Shared Culture

The effect of cognitive social capital on directors' behaviour in the governance of Ugandan banks also manifested itself in the form of corporate cultures. Culture is a subset of cognitive social capital which in general consists of values, attitudes and behavioural norms shared by organisational members (Coleman, 1998; Nahapiet and Ghoshal, 1998). (Bolino, Turnley and Bloodgood, 2002) argue that cognitive social capital is like "team mental models" discussed by (Klimoski and Mohammed, 1994) in that it reflects the extent that teammates "as a collective think or characterise phenomena". Some banks had a more collaboration-oriented culture where cohesion, consensus and collaboration were paramount. In such banks, directors invested more in social relations; employee voice and involvement in organisational matters were encouraged. With a collaboration-oriented culture, cohesion, consensus and collaboration are paramount. Such organizations tend to invest in their employees' human capital and employee voice and involvement in the organization also tend to be much greater. The example below from Ottis illustrates some strategies that his bank implements to create cohesion but more so how this brings about transparency, better performance and ease in getting feedback which may result in the growth of the organisation (banks);

> *"We have a lot of social activities that we do to build board cohesion [...] news where everybody gets to know what is happening everywhere. We have also a*

mentoring programme which encourages people to voice things that make them uncomfortable and uneasy to create an environment of open conversation. Also, the way we greet. In (bank name) every time you greet someone there is an embrace" (Ottis, Executive director, Local bank).

Research has shown that an open organisational culture encourages members to seek help from one another and likewise enhances the process of knowledge sharing and acquisition (Nahapiet & Ghoshal, 2000). In the context of this study, the interviews revealed that majority of the board members spoke of "open conversation" and "open debate" when it came to addressing issues or conducting board meetings and in fact the majority invested in activities that helped to encourage a culture of open communication. Open communication gives each member the confidence to speak up, it encouraged them to share ideas, and support one another in solving problems. In the extract below Ottis further spoke of some of the ways that this affected directors' behaviour in the governance on the bank:

[…] It builds trust […] Getting everyone involved […] increases transparency, better performance and efficiency, for example, you get feedback without spending so much time and money […] at the end of the day, it means that the organisation will grow and that relationships with the customers and colleagues are much stronger (Ottis, Executive director, Local bank).

The effect of cultural differences was observed in the way directors spoke about their board dynamics concerning board meetings and discussions, from which it was clear that directors in foreign banks practised a less open culture compared to directors in local banks. The following quotes indicate the existence of barriers to communication among some directors from foreign banks, as a result of cultural norms within their banks:

"We all must do our work and work hard. You cannot keep going to others for answers or asking all sorts of questions […] You were hired to do a job and so you must prove that you can do it […]" (Uriel, Chief Operating Officer, Foreign bank).

"I can tell you that some people here do not like sharing what they know. They feel that they are in competition with you and so they do not want to give you information that will help you in doing your job well. For example, one director said to me one time "I did not get this easily, I have worked hard to get here." (Job, Chairman, Foreign bank).

Shared culture further provides a framework of behaviour for the directors and others in their networks. Culture represents the image of the bank which can be used as symbolic capital in legitimation (Bourdieu, 1986). For example, wearing clothes that adhere to a certain dress code may send a message of respect, confidence depending on how others perceive that outfit. Therefore, culture sends out a signal to others of who one is but more so what bank they represent. Imogene's extract below puts it simply:

> *"Within banks, for example (name of banks), there is a standard dress code, code of conduct. And I think I appreciate why they do that, there is an image you want to promote. The way you dress and carry yourself communicates many things…key messages that banks should be associated with; stability, knowledge, confidence so that a person has confidence in the institution you represent. When they see you, they see the institution" (Imogen, Executive director, Foreign bank).*

Culture communicates many things, which exemplifies how foreign banks differed to local banks in terms of transparency. It was revealed in the interviews that local banks compared to foreign banks have a culture of 'not asking questions' so to speak when it comes to customers' money.

> *"unlike (name of the foreign bank), Ugandan business is not very transparent, so we did not have a habit of asking where the money was coming from for example. Our customers do not want those questions – they just wanted to deposit their money and that is it. (name of the foreign bank) changed this (Carolyn, Executive director, local bank).*

To conclude, this study found that shared goals and culture are essential determinants for the cognitive dimension and that their presence facilitates that achievement of governance tasks. A shared goal was seen to provide a platform for building a shared understanding that would motivate directors to contribute their knowledge and expertise towards the governance tasks and overall group objectives. Moreover, this enhances the process of collective thinking that is important in the achievement of goals. All this eventually becomes a group norm for directors working together.

From having a shared goal and culture, shared objectives are manifested in the implementation of governance tasks. By having a shared understanding of the ultimate goal such as the goals of meeting shareholder and customer needs, directors will work hard and be willing to share and exchange their knowledge and skills for the success of these

objectives. The absence of shared goals will distort the team members from having the same perspectives and limit the way they do their work. To ensure shared goals, directors may rely on formal and informal networks; they foster the environment for aligning their goals and collective thinking. These networks, such as the Rotary club and Ugandan Bankers' Association, encourage members to shared intimate details about themselves to bind them together; they encourage collective support and guidance to accomplish goals. Circling back to the work of Bourdieu, specifically his perspective upon class and field-specific habitus, presumes a process of differential association in which actors are more likely to form and sustain social contacts with those socially similar to themselves. Actors who are close in social space, as he defines it, have more similar habitus, he maintains, and their similarity in habitus draws them together to form concrete relations: 'the proximity of conditions, and therefore of dispositions, tends to be translated into durable linkages and groupings' (Bourdieu, 1985, p. 730).

5.5. Chapter summary

The findings in this chapter addressed sub-question two and three of this study: *how does social capital affect directors' behaviour and how does social capital affect the governance of Ugandan banks concurrently.*

Overall, it can be concluded based on the previous discussion that access to and sharing information within and between networks were the primary effects of structural social capital within and between directors' networks. Directors believed that being connected to others enabled them to get to know their peers (fellow board members) better by sharing personal information that facilitated group cohesion in the achievement of governance goals in the boardroom. It was indicated that connections provided directors with the opportunity to exchange knowledge across different organisations through multiple directorships, which proved useful for carrying out board tasks.

It is evident that directors formed networks to have access to power and influence that they could use to benefit themselves and the banks. Additionally, they had access to privileged information that also played an essential role in their governance duties. Thus, structural social capital provided directors with a form of power that they could use to obtain and mobilise resources. Further, the findings revealed that directors' networks provide them with powerful status in society and even more power by having access to certain influential individuals such as Clerks and parliament members who can be of great advantage in getting

things done quickly and with little cost. Professional clubs like the UBA enabled directors to mobilise collective power by empowering members to share challenges and find solutions to the Uganda banking industry's issues. The networks are a conduit for directors to link with other influential individuals to exchange resources and further reinforce and spread their ideologies.

However, there are costs associated with the generation of power and influence. The use of influential contacts to access resources relies on reciprocity, which sometimes results in the misuse of power by the others who later may call in favours that are not always in line with the directors' moral codes of conduct. Furthermore, in a culture where ethically, if one has more means (for example, financial) in comparison to others, they are expected to help those who may not be as endowed or as privileged as they are, this expectation may be abused and thereby exert undue pressure on the directors. Still, it appeared from the interviews that not all directors had the same amount of power and therefore not the same advantages, such as access to resources like skills and knowledge, revealing structural power inequalities and inequalities in accessing and distributing resources (Bourdieu, 1985).

Relational social capital was primarily concerned with social relationships within a group that develops over time. The components of this dimension allow directors to build and enhance personal relationships that, in turn, influence certain behaviours among them. It was shown that time allows directors to get to know each other, to increase familiarity amongst themselves which may foster interpersonal trust and mitigate directors' needs for dysfunctional impression management (Westphal, 1999; Sundaramurthy and Lewis, 2003). Experience of working in the same industry for a long time provided directors with a chance to develop strong relationships and an opportunity to learn about each other.

Strong relationships that had developed over a long time fostered norms of reciprocity among directors. This finding suggests that relational social capital built over a long time fosters trust among directors, enabling reciprocal and collaborative behaviours and, seeing as boards of director work in teams, collaboration among them is significant for their work. Reciprocity is also just as important because it enables directors to exchange resources (such as advice and counsel, information) (Pfeffer and Salancik, 1978; Pearce and Zahra, 1991) that can benefit them in the governance of Ugandan banks. The absence of trust may affect the willingness for directors to collaborate and exchange resources. The effect of relational social capital on directors' behaviour was seen through the lens of norms of conformity. The

data revealed that boards of directors had differing ways of conducting board meetings. It was noticed that some boards compared to others had a more formally structured way of conducting meetings where the CEO or chairman of the board spoke most of the time and the rest just listened and this was the accepted norm which sometimes led to unfair treatment and dissatisfaction with the way things are done. However, directors who accepted this norm were constrained in speaking up because it would not be a socially acceptable norm to speak up. Whereas in some other boards open discussion was encouraged.

The effects of cognitive social capital on directors' behaviour were related to suitability and capability by expressing shared goals and values and shared cultures. This section highlighted that it is essential for directors to clearly understand the board's goals and values to make it easier for them to determine appropriate action and ensure success (Carpenter and Westphal, 2001). When asked about shared goals and values, directors used the word 'clarity' about the board's business. The failure to have aligned goals may lead to a potential conflict of interests in the boardroom. A lack of clear goals may affect the way directors do their work for example, they may be unable to provide efficient advice and counsel. Shared culture further provides a framework of behaviour for the directors and others in their networks. For example, culture represents the bank's image, which can be used as symbolic capital in legitimation (Bourdieu, 1986). Some banks had a more collaboration-oriented culture where cohesion, consensus and collaboration were paramount. In such banks, directors invested more in social relations; employee voice and involvement in organisational matters were encouraged.

As shown in this chapter, the effect of social capital on directors' behaviours and governance is the production and reproduction of power of the corporate elites (boards of directors). The Ugandan banking industry is characterised by directors who have attended similar prestigious schools and later mobilised this cultural capital to dominate the banking industry further and maintain their power in society. Social networks such as the Rotary club, Uganda Bankers' Association and even religious places have been utilised to access other powerful individuals in society such as government officials, regulators and directors from banks and non-bank organisations.

Furthermore, informal and formal networks are used by directors to instil common goals through sharing of resources and ideas (Bourdieu, 1986; Coleman, 1988b; Putnam, 1995a; Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998; Portes, 2000b). Directors convert the

input to outcomes through cognitive capital, which directs them to achieve governance tasks (Westphal, 1999). Hence, they need to have a degree of social cohesion to share a frame of reference to understand better one another's interactions, clues, or behaviours. Ultimately, this pattern's consequence is that the Ugandan banks are governed by a small group of elite individuals who are mostly men who through social capital mobilisation knowingly or unknowingly discriminate against other individuals who do not belong in their social class and thereby deny access to the banking leadership positions. This chapter has elaborated and made tangible Bourdieu's constructs of power and domination through a study of dominant corporate agents in the Uganda banking industry. Therefore, the focus of this research is on the extremely powerful, at the top of large organizations, who are often overlooked in the study of power (Pettigrew 1992; Pettigrew and McNulty 1995, 1998).

In the next chapter a discussion and conclusion of the thesis is provided.

6. CHAPTER 7: DISCUSSION AND CONCLUSION

6.1. Chapter overview

This chapter provides a discussion and conclusion of the research findings in section 7.2, discusses the generalisability of the research findings in section 7.3, followed by the strengths and limitations of the study in section 7.4. It further presents study implications in section 7.5 and concludes with recommendations for further research in section 7.6.

6.2. Discussion of the research findings and contribution

This study mobilises the notion of social capital advanced by Nahapiet and Ghoshal (1998) and draws on managerial studies in order to understand the potential implications of directors' networks for corporate governance. In the literature review, the sociological origins of social capital were identified where it was used to explain how individuals and groups can access potential resources and highlighted that, social capital has become part of mainstream academia (Oh, Labianca and Chung, 2006). Although the concept is contested (Adler and Kwon, 2002b), there is agreement amongst researchers that social capital is multi-dimensional in nature, particularly in terms of its links with social network and other features of networks (Nahapiet and Ghoshal, 2000b). Nahapiet & Ghoshal's (1998) three-dimension framework was used as the theoretical lens for this study.

The study responds to calls for a more agentic understanding of social capital (Ibarra et al, 2005), more qualitative research, which focuses on dimensions of social capital other than structure (Nahapiet, 2011) and which identifies how the dimensions work together (Lee, 2009). Through individual accounts of directors' experiences, the study responds to these calls. It makes a key theoretical contribution in extending our understanding of social capital theory by demonstrating how each social capital dimension – structural, relational and cognitive – is developed and the nature of their interdependence, in the context of Ugandan banks.

The researcher further recognises that power is a fundamental element of social networks. However, the use of Nahapiet and Ghoshal's model and other studies from the managerial perspective in this study do not allow for a complete understanding of how this power is operationalised. This is because most existing managerial social capital research has been devoted to identifying positive links between directors' networks and the good values of corporations. This study departs from single sided perspective and attempts to investigate

how directors' networks impact their governance work. The finding show that there are both negative and positive impact of social capital on directors' behaviour and governance work.

The following section provides a detailed discussion of these objectives.

6.2.1. How directors build and use social capital.

To further define social capital by empirically examining the development of the social capital dimensions and the indicators of each dimension.

Bourdieu defines social capital as "the aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition – or in other words, to membership in a group – which provides each of its members with the backing of the collectively owned capital, a "credential" which entitles them to credit, in the various senses of the word. These relationships may exist only in the practical state, in material and/or symbolic exchanges which help to maintain them (Bourdieu, 1986, pps. 248-249).

In order to determine the social capital of board members, the researcher first investigated how directors build structural, relational and cognitive social capital.

6.2.1.1. *Network connections – structural social capital*

The volume of the social capital possessed by a given agent depends on the size of the network of connections he can effectively mobilise and on the volume of the capital (economic, cultural or symbolic) possessed in his own right by each of those to whom he is connected (Bourdieu, 1986, p. 249). In other words, the ensemble of connections, contacts, relationships, friendships and obligations gives them the power to act in relation to the quality and quantity of their relationships, and of relationships with other board members and business people. What emerged through interviews and document analysis using a qualitative approach was how certain network connections were important and how they were made. Structural social appeared to be the foundation dimension on which relational social capital and cognitive social capital were subsequently built and accessed; as such it provides the first evidence of the interdependence of the three dimensions.

Table 4 shows the name of each board member and the network of connections that he/she is able to mobilise, together with a brief description of the volume of capital (cultural and symbolic) possessed in their own right. For example, in Table 5 the researcher shows the interpersonal network of boardroom contacts that directors have, revealing that the directors

with the highest centrality ranking sit on 5 boards of directors. Board members are arranged from high to low levels of board seats in Table 5. This data reveals that directors have the necessary foundations through their directorates to enable them to accumulate social capital. In the interviews, directors claimed that their past and current roles within the bank and the banking industry at large such as current board seats in their respective focal bank, other directorships in both bank and non-bank organisations as well as memberships to certain associations that come with being a director of a bank, provided them with day-to-day links with other directors and other actors in the industry. This evidence is in line with previous literature that has shown that through their positions, directors develop goodwill and connections with industry players including their peers, suppliers, distributors and major customers (Mizruchi and Stearns, 1994; Certo, 2003). Prior positions in different firms increase the number of links that directors develop with various players, which then create more leads for the firm (Eisenhardt and Schoonhoven, 1996). In Table 4, the researcher shows through previous job roles, the links that directors in this study had developed.

Directors also pointed out that education background played an important role in building networks. Network theorists acknowledge prior social history, frequent interaction, and affect as fundamental dimensions of strong tie formation (Krackhardt, 1992). Social history among directors can emerge as a result of joint involvement in affiliation networks such as clubs (Galaskiewicz, 1985) and in this study schools. It was evident from the finding some directors were drawn to each other because of their education background and in fact, some of them stated that it is easier to work with people that you something in common with such education because that person is likely to have similar attitudes towards work (Rivera, Soderstrom and Uzzi, 2010). From Bourdieu's (1986) education background serves a cultural capital for the network agent, In this case it serves for the directors as a means to strengthen their network investment strategies. Table 4 also demonstrates directors' cultural capital in their credentials (for example, degree from Stanford, Cambridge, Makerere).

The findings further showed that directors did not rely entirely on their work or education background to help them build their networks. For many, this meant that they had to attend informal gatherings to further build and enhance their networks. Informal gatherings were seen as especially important for building connection beyond the 'everyday' work relationships. Due to the relaxed setting of the environment, directors noted it was conducive for developing 'closer' relationships, which is connected to both relational social capital and cognitive social capital.

Social capital theory emphasises the importance of network connections but there is some disagreement whether goals are achieved by accessing distant ties through the use of key individuals acting as 'brokers' (Burt, 1992, 1998) who span different networks (Granovetter, 1973; Putnam, 2000) or by building 'bonded' (Putnam, 2000) relationships within closed networks (Coleman, 1988). Directors in this study found that, both close and distant ties were important and needed to be developed. Directors spoke of the need to get support from their fellow directors within and across banks. Specifically in the form of sharing experiences, challenges and ideas. The importance of close ties was underlined by some directors who neglected to build support from close ties and so failed to develop the social solidarity associated with mutual trust and commitment (Sandefur and Laumann, 2000). Sometimes directors could not simply show up to social gatherings, join social clubs voluntarily or even get the directorship job, they had to be 'invited' by others who could facilitate introductions.

Connections harbouring the most valuable social capital resources are seen to reside in higher hierarchies (Lin, 2001). In the interviews, directors agreed that having connections with influential (usually members of parliament, and regulators) seemed to be very beneficial and therefore building connections with such individuals was very important.

6.2.1.2. *Relational social capital*

The relational dimension concerns the kind of personal relationships people have developed with each other through a history of interactions (Nahapiet and Ghoshal 1998 p. 244). Findings suggest that relational Social Capital is developed when directors invest time in building relationships, team dynamics, close working ties, navigating structural holes and providing support for one another. Directors believed that these activities strengthened their likelihood of securing support and resources throughout the different network channels.

Relational social capital is related to concepts such as trust, reciprocity and obligation (Nahapiet and Ghoshal, 1998; Coleman, 2000). In this study, trust was a word frequently used by candidates in terms of building support. Trust is generally related to terms such as reliability, predictability and fairness (Misztal, 2001; Li, Pickles and Savage, 2005) and in quantitative studies of social capital the presence of a network is often used as a proxy for trust (Moran, 2005). This qualitative study contributes an alternative and agentic interpretation of trust, in terms of relational social capital, defining trust in both instrumental and expressive ways.

In terms of an instrumental definition of trust, directors claimed that their confidence in securing support and resources from others within their network rested on the fact that they had worked or studied with in the past, thereby underlining the importance of reliability and predictability. Directors believed that this would be repaid in the future for example through recommendations for jobs. Findings revealed that 'long-term colleagues' (usually those directors with whom one had attended the same school or been in the industry with for a long time were more likely to provide future support and act as advocates for them due to the existence of familiarity . In addition, some directors believed that they would be supported by other directors and actors in their network not only on past working relationships but also, on what they could for them in the future. Hence, supporting the idea that social capital feeds back into the network for future usage (Adler and Kwon, 2002b). For example, directors deliberately built close relationships with regulators, knowing that regulators are the ones who threaten and given them "stick" – so close ties with them makes it easy for directors to negotiate for pardons should they need it. Trusting relationships with customers helped to solidify bank reputation and presented a means for getting customer feedback. This contributes to our understanding of what motivates network actors to use their social capital to help others (Lin, 2001; Nahapiet and Ghoshal, 1998), seeing motivation as interwoven with the notion of reciprocity creating a sense of obligation. This instrumental use of social capital resources supports Putnam's (1995) view that doing something for someone now, means that they will do something in return later. However, this exchange is also "one of the functions that create an inner bond between people" (Lin, 2002, p. 148) and helps develop trust.

Findings suggest that appointed directors developed relational social capital through building trust in both instrumental and expressive ways. Some directors described their failure to invest in developing relationships believing that it was imperative to spend more energy achieving concrete business outcomes. By their admission, they had not indeed recognised the value of close relationships with colleagues and had not invested time in them. These directors acknowledged a disconnect from other directors and that they needed work on building closer relationships. This supports Ibarra et al. (2005), who considered the relationship between an actor's perception of a network and their behaviour, theorizing that those who see the value of increasing their network alliances act on this and benefit from it. It also supports Granovetter's (1973, p. 1361) concept of tie strength which relates to "… the amount of time, the emotional intensity, the intimacy (mutual confiding) and reciprocal

services which characterize the tie". As Moran (2005, p. 1149) says,' networking' and building social capital are not synonymous […], it is vital to find the time to cultivate enduring, intimate ties".

In summary, this section has identified how relational social capital is developed and how it is dependent on the existence of structural social capital. It has demonstrated how relational social capital helps create valuable relationships based on demonstrable commitment, high trust levels, and close bonds (Nahapiet, 1999). This was easier to effect with close ties but was more problematic with distant connections based on infrequent and irregular contact.

6.2.1.3. *Cognitive social capital*

Cognitive social capital is based on shared norms, values, and systems of meaning developed over time (Nahapiet and Ghoshal, 1998). (Staber, 2006) views cognitive social capital attributes as "created and sustained through relationships, which, themselves, evolve in a changing environment. Meaning systems evolve over time as actors continually negotiate a shared understanding of what they are doing". This indicates that enduring relationships help create cognitive social capital but that drawing on cognitive social capital also helps relationships develop, highlighting the interrelatedness between relationship context and social capital. This resonates with Bourdieu's (1984, 1990) concept of habitus – an internalized acceptance of what is and is not appropriate, developed through shared histories, experiences and unconscious reproduction. Nevertheless, little is known about the cognitive dimension of social capital (Lee, 2009); this was the most difficult of the three dimensions to study and in this thesis the researcher defined as being contingent upon acceptance achieved through being liked, having an informal network connection, aligning ones' goals with the collectives which facilitated easier team decision making on the board.

Directors perceived a need to be seen and liked. 'Being liked' was something that developed out of doing a good job at work or elsewhere and as such competence at one's job was an observable cue upon which directors-built relationships. Being able to execute a job well can produce trust comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another (Rousseau, Sitkin, Burt, and Camerer, 1998). To "get in good graces with the rest" you have to "prove yourself as someone who can learn the work and can make a contribution". One way of doing this especially as a new member of the board was to use one's expertise to do a job that no one else is able to, being able to integrate and work together with the other directors to achieve a common goal.

Within an organisational context, having a shared vision based on collective goals and aspirations (Tsai and Ghoshal, 1998) means that members of a network are likely to be clearer about how they should interact with one another, which promotes mutual understanding and the sharing of resources (Inkpen and Tsang, 2005). Interpreting cognitive social capital through the concepts described in the aforementioned studies, situates cognitive social capital partly within the context of the firm's culture. Organizational culture can be defined as ''a learned set of assumptions, values and behaviours that have been accepted as successful enough to be passed on to newcomers'' (Hitt et al., 200 , p. 111), and which "become entrenched in the minds and practices of organizational participants" (Wicks and Bradshaw, 2002, p. 137).

Beyond the need to need to be perceived as capable for the role there was also a perceived need to be accepted into the existing directors' network on a more personal basis. This was defined as being liked by and having informal (network) connections with other directors. The need to be liked by others was cited by several candidates. For many being liked seemed to be based on attributes already discussed in this chapter such as being trusted to execute their job well and having the time and inclination to build valuable relationships (based on the notions of reciprocity and a perceived sense of obligation) with fellow directors with whom they had a direct connection. However, there was also an implicit recognition that being liked was attributed to shared interests and an ability to engage in, and be at ease with, informal network connections, suggesting a more expressive foundation for building and deploying cognitive social capital. Some directors spoke of sharing social clubs, sporting activities and spiritual beliefs with others which provided connection (both mental and physical) on an informal, non-work basis. Belonging to the same social clubs for example created opportunities for rapport building and for some this was beneficial at the board level when they needed support.

In summary, this section has identified how cognitive social capital is built, how it is related to both a sense of suitability and capability through an expression of shared understanding, values and meaning. The section further highlights the interdependency between relational social capital and cognitive social capital dimensions, for example, being liked and accepted as a director is related to aspects of relational social capital such as ability to create valuable working relationships.

So, to answer the question of how is social capital manifested in the context of board of directors who govern Ugandan banks. This study has found that social capital is built across three separate but interrelated dimensions including: structural, relational and cognitive social capital. Through interaction, via processes of mutual adjustment and the sharing of information and other resources, networks of directors and other agents actively converge on lifestyles, transforming prior aspects of their lifestyles to unify their practices (Bourdieu, 1984). The patterned and uneven nature of such interaction is a key mechanism by which field relations take their force. Social actors in a similar position to one another are more likely, as a consequence, to interact and therefore to influence one another, such that they develop similar habitus. If they do not interact and do not belong to a common network then there is no good reason to suppose that they will share similar tastes, even if they do possess the same resources. Interactions are more likely between those actors with similar profiles of capital because they have more in common, but the impact of such shared relations to capital can only operate through patterns of concrete social connection.

To identify the underlying relations between directors and other social agents in their networks is also to understand how these relations generate practices. In the next section the researcher discusses the effects of social capital on directors' behaviours and governance.

6.2.2. Effects of social capital on board behaviours and governance

To determine the effect of social capital on directors' behaviours in the governance of Ugandan banks.

The main motivation for securing social capital is rooted in material or symbolic profit. As evidenced in chapter 6, being in a network provides several benefits to directors. According to Bourdieu (1986), the existence of a network of connections "[…] is the product of an endless effort at institution… which is necessary in order to produce and reproduce lasting, useful relationships that can secure material or symbolic profits" (p. 249). In table 4 and throughout chapter 5, the researcher has identified the directors' networks. These are materially useful for directors both individually and as a group: the more they are connected, the more capital they can exploit to their advantage. Each of the links identified in Table 4 and in chapter 5 either through past affiliations or present affiliations represents an opportunity for directors to secure profits through interaction with other actors in those networks.

Seen through this lens, we can start to understand the implications of directors' networks for corporate governance practices. Board members in Ugandan banks serve as a means of control and resource provision for their individual banks through the network connections they have created along with their social capital (and other forms of capital; economic, cultural or symbolic).

Daily et al., 2003) and Huse (2000) summarise several perspectives on board functions. From the monitoring perspective, the responsibility of directors is to monitor executives' actions on behalf of shareholders. This function originates from agency theory, which is concerned with the relationship between principals and agents and focuses on how to minimize the agency costs associated with this relationship. In carrying out this monitoring function, directors may engage in various activities, including selecting, evaluating, and replacing executive management, serving the interest of shareholders, and assessing and monitoring the firm's strategic direction and overall performance (Bacon and Brown, 1975).

The board of directors also perform the resource provision function by providing a variety of resources to the firm. This function comes from resource dependence theory, which centres on the relationship between organizations and their environments (Pfeffer and Salancik, 1978, for a review see Hillman, Withers & Collins, 2009). The dominant stream of research on board relationships suggests that personal social ties and obligations between directors critically impair a board's capacity to monitor and control management decision making and performance, thus diminishing effective board involvement, whereas, there is an increasing literature that suggests that perceived board friendship ties may increase advice-seeking behaviour by enhancing trust among directors, increase the ability of directors to obtain resources for the firm by deploying reciprocal behaviour and bring about several resources found in social networks.

This thesis makes an essential contribution to corporate governance research by adopting the social capital perspective put forward by Bourdieu (1986) and perspectives from the managerial view to analyse how factors relating to the board of directors and social processes work together to assist impede corporate governance. These factors were identified in chapter 6 and will be discussed here.

6.2.2.1. *Advantages of social capital*

Access to soft information – Generally, directors in this study highlighted access to information as the main importance of social networks. Directors indicated that through

networking they get to learn from one another, share information that is not given in reports, and exchange business ideas. For example, directors who served on multiple boards mentioned that it helps them connect to other directors with whom they can share experiences and exchange knowledge. Directors found that the most relevant information came from directors who serve on multiple boards. Research from a resource-dependency perspective (Pfeffer, 1987; Boyed, 1996), has shown that well-connected boards can advise better and provide greater access to scarce resources because they are more "resource-rich".

The evidence from this study suggested that through connections directors may gain access to influential individuals such as the minister of finance who can provide them with expert knowledge that might otherwise be difficult to obtain. It was further shown that connections are a conduit for personal information such as that pertaining to directors' backgrounds, strengths and weakness which can, in turn, be used to allocate boards tasks better and work better as a team. This is line with the emerging literature in corporate finance which demonstrates the significe of social connections in the spread of information and access to resources (Boyd, 1990; Cohen, Frazzini and Malloy, 2008; Engelberg, Gao and Parsons, 2012; Ferris, Javakhadze and Rajkovic, 2017).

Another advantage of social capital that directors highlighted is this study is the enhancement of cooperation and better teamwork. In line with this contribution is Fukuyama (1997), who suggests that social capital is a certain set of informal values or norms shared among members of a group that permits cooperation. For example, directors indicated that frequent meetings outside the boardroom enabled them to become close to each other, be able to understand each other better, and thus, facilitate a better working environment in the boardroom. Connectedness among directors facilitates the establishment of norms and values between directors, fostering implicit mutual expectations and behaviours and promoting commitment to collective actions (Offstein et al., 2005). Teamwork was noted to be very important for the directors in this study as Rodney stated, "*[…] Because of all these things you have to do even setting up policies, committees. You have to be working closely as a team… you could have a team whose sum of output is less than the sum of its individuals. This could be because of fighting, not listening to each other, not coming together to do the necessary work. So, you could destroy work/efficiency by not being a good team. So, teamwork is very crucial.*" Some of the norms that directors in this study engaged in were going out for meals and these occasions helped to bring them closer as a team and make

easy to get support from one another "*because they know you from outside the boardroom "(Jacob, Executive director, foreign bank).*

The findings in this study show that in some of the director groups there were elements of long-term historical relationships that especially reinforced trusting bonds among these directors and their ability to work well together. For example directors who have attended the same schools or even worked in the banking industry for a very long time often mentioned being able to rely on each other, have unspoken expectations of each other, and have a better understanding of each other's abilities. They confirm the literature which suggests that increased familiarity amongst directors may foster interpersonal trust and mitigate directors' needs for dysfunctional impression management (Sundaramurthy and Lewis, 2003; Westphal, 1999). Furthermore, long-term relationships enable directors to become familiar with one another's skills, habits and personalities, thereby enabling them to function and make decisions effectively as a group (Westphal and Bednar, 2005). Board ties and relationships between directors on the board, deploying a bonding function enhance trust between those directors who are connected, which, in turn, facilitates the exchange of valuable information (Kim, 2005; Kim and Cannella, 2008; Stevenson and Radin, 2009). Directors may only be willing to share key and critical environmental information with members whom they trust (Kim and Cannella, 2008; Offstein et al., 2005).

In addition to improving teamwork, collaboration and information flow on the board, directors networks may also help add value to their respective banks and individual portfolios through legitimation. Through signalling their directors' social capital, banks are more likely to be perceived as good quality and gain the rewards associated with legitimacy. Legitimacy may be assessed according to different criteria in this study, such as through the signal of possessing greater social capital by the number of board seats a director has (shown in Table 5), access to prestigious networks and the symbolic capital of the positions directors occupy as illustrated in the intewrviews:

> *"if somebody loses a job then he becomes useless; they will stop inviting you to parties, you are not considered to be a credible speaker at annual gatherings, you may have a PhD, you are so knowledgeable, but they will not consider this. The culture is so opportunistic that they overlook that. In Uganda, if you lose an official position, society forgets you […]" (Malcolm, Executive director, foreign bank).*

"I do belong to some clubs. Partly in religious clubs like the Bible society. In this society, I had contact with the speaker of parliament, vice-chancellors, people of different status standing in society and they get to know you and you them. I find that very encouraging. It becomes easier to find solutions to issues. These clubs help a lot because they provide you with a platform, access to people who have the power and ability to help" (Tim, executive director, local bank).

Bourdieu's notion of social capital is a very powerful narrative for understanding the legitimation advantage of networks of relationships. Directors' networks and the durability of these networks are clearly understood from the motivations of powerful actors derived from material, cultural and symbolic exchanges. The findings in this study show that by having multiple board seats in different companies, directors put themselves in a better position to maintain and enhance their status in the field of corporate governance. These board seats along with other networks offer them a channel to interact with other board members who are well-connected and popular and with other influential actors. This can be illustrated form statements like "

"in one of the other companies (non-financial company) on whose board I sit, we have a board member who is from the ministry of finance, so when we have a challenge in finance on either board he is the first person we talk to. We have a member of the central bank as well. Makes it easy for us to collaborate" (Mekos, Non-executive director, local bank).

A one director noted "you want someone who can bring in those connections".

6.2.2.2. *Disadvantages of social capital*

Research has shown that solidarity benefits of social capital have costs in that it can restrict information flow (Oh et al., 2006). Long-term relationships resulting in strong bonds among directors can result in less communication and openness to outside information, increased commitment to certain views of the firm, including its opportunities and challenges, and resistance to major changes in firm's strategic direction (Hambrick and Fukutomi, 1991; Miller, 1991). With increased familiarity with each other directors may greatly reduce their use of external information (Tushman & Romanelli, 1985), avoid debating and questioning each other, and develop groupthink tendencies (Janis, 1972).

The findings is this study confirmed this line of literature. Some directors in this study noted that when directors are so close and comfortable with each other, they tend to get stuck in

old ways and are less open to new ideas. An example was given where some directors had moved from one bank to another and turned that bank into a 'reproduction' of their previous organisation. The risks of closed mindedness due to very close groups among the directors were very prevalent as they revealed how similar they are in education background, in the social clubs they belonged to or even churches they went to. From the sample interviewed in this study majority of the directors were men who mostly attended the same schools and belonged in the same social clubs.

> *"Sometimes when we are too good to one another we get comfortable with average and we don't take that extra step to be great. So being harmonious or social could have the limitation of us not going that step further. We get too comfortable with an easy flow and get stuck at that level. Sometimes there is a need to progress. (Editta, Chief Risk Officer, foreign bank).*
>
> *"Sometimes the teams that run the banks, you may find that they are very inward-looking, that's the organisation they have worked for, that is what they know, their circles are just within and different organisations have a way of doing things and they are comfortable with that… For example, the deposit protection fund is fairly a new one and this is the first board – the staff are coming from Bank of Uganda, this has been their life so it is a reproduction of Bank of Uganda if you like […]" (Paul, Non-executive director, Local bank)*

This can have implication for corporate governance whereby if directors are too close to each other they may fail to carry out their duties such as monitoring. Their friendships may prevent them from scrutinising and addressing bad behaviour especially in countries like Uganda where corporate governance mechanisms and capital markets designed for corporate governance as weak. Researchers have argued that the material incentives that induce directors to work on behalf of shareholders, such as the market for corporate control or compensation, are lacking in emerging economies (Brennan *et al.*, 2008). Furthermore, corporate governance mechanisms designed to alleviate agency problems are inefficient or non-existent, while the weak legal environment increases the potential for agency problems (Brownbridge, 1996; Wanyama, Burton and Helliar, 2006; Wanyama Simeon, Burton Bruce and Helliar Christine, 2013).

It can plausibly be argued that, as found in previous studies, closely connected directors in the context of poorly regulated and under-developed market and political institutions have

the potential to lead to a lack of transparency and control (Wanyama, Burton and Helliar, 2006). These problems have been illustrated in several governance scandals in Uganda over the years. Between the 1990s and early 2000s, several cases relating to corporate governance practices in some Ugandan banks revealed how board members and internal governance systems appear to have been non-existent or failed in these banks. More recently was the Crane Bank Uganda scandal between 2016 and 2019. This case shows exposure to risk, lack of control and the ineffectiveness of the audit committee and board members. Board members and some shareholders of this bank were involved in several misconducts such as failure to uphold the statutory responsibilities required of financial institutions and overseeing the preparation and presentation of false and misleading financial statements, which misrepresented the bank's performance. The researcher does not claim that these scandals are entirely the result of closely networked boards of directors, but they do appear to have played a part in failing to properly carry out their corporate governance duties.

Another disadvantage that arose from the findings regards the expectations that come with being in networks. Some directors mentioned that being in a position of power either by way of job tittle or knowing someone of influence signalled to other players in their network to ask for favours that may not always be in the best interest of the bank of the director's integrity. Like one of the directors stated that there is some extent of influence-peddling where some people ask for favours in exchange for money.

> *"[…] nowhere have I gone, and I have mentioned my job, and someone has not mentioned some big investment they have or a possibility of helping them out. Sometimes I want to hide […] (Bob, executive director, local bank).*
>
> *"[…] there is this fear of exploitation and it is something that happens in relationships – at some point, someone will exploit you" (Mali, Non-executive director, Foreign bank).*
>
> *"The biggest challenge is when people come to you and they want favours. Because you see it is one thing being your friend but it is another asking me for a favour - Unfortunately! For example, somebody can come to me and says I have someone looking for a job, can you give me a job? I wouldn't have a job, the jobs are signed by someone else (*in a frustrated tone*). Or somebody might say you know I have a printing shop, next time you have a printing job, can you consider me? Of course not, you have to go through procurement" (Gail, Chairman, Local bank).*

This may have negative implications for corporate governance. For example, the exchange of favours may encourage specific misconduct such as money laundering, insider lending, corruption, bribery, lack of probation of potential borrowers and a general lack of transparency and accountability.

> *“unlike (name of the foreign bank), Ugandan business is not very transparent, so we did not have a habit of asking where the money was coming from for example. Our customers do not want those questions – they just wanted to deposit their money and that is it. (name of the foreign bank) changed this (Carolyn, Executive director, local bank).*

This may be exacerbated by general economic factors and specific cultural and social norms. For instance, low levels of remuneration and poverty may incentivise directors to accept money for favours, pressure from families and friends for financial support might encourage corruption and bribery; and respect for elders, allied to due deference to one’s superiors and non-confrontation of those in authority (Brownbridge, 1996; Wanyama Simeon, Burton Bruce and Helliar Christine, 2013).

Finally, this study's findings illustrated the importance to which directors attach to having access to networks with influential individuals and the prestige that comes with being in a position of power as a member of a board of directors. This may bring into question whether directors are able to invest time fully in all the networks they are involved in and still manage to provide their corporate governance duties effectively, or are they simply using these networks as strategies to pursue their own interest in accumulating capital (social, economic, and symbolic). Granovetter (1983) described tie strength as a combination of time, emotional intensity, intimacy, and reciprocal services that characterise the tie. Adler and Kwon (2002) argue that social capital's primary cost is the time and effort it takes to build and maintain relationships. “Building social capital requires considerable investment…and as with any expensive investment, the social capital investment may not be cost-efficient in certain situations” (Adler and Kwon, 2002, p. 25). Table 4, for example, illustrates the number of board seats that directors currently hold and some of these directors hold up five board boards. It was not prevalent in this study how this affects directors dedication to their governance work. However, it can be argued that having multiple board seats may be straining on directors and affect the quality of their governance work where for example,

they may not be able to thoroughly read and process the information in the reports provided for them, attend all the board meetings, and even engage in discussion at meetings. Similar to previous studies (Useem, 1984; Granovetter, 1985; Davis, 1996; Mizruchi, 1996), the researcher argues that, by participating in board meetings and sitting on different boards, directors are at risk of performing ritual practices that do not contribute to the effective monitoring of the banks' affairs.

> *"This board initially seems to me as not a great example because it is the kind of group that people do not know what its purpose is. It seems to be configured to be a sort of information-giving updates role, but I feel a lot of that happens anyway. And it also receives a lot of minutes from the board committees that just don't acknowledge its existence. So yes. There is this problem of not knowing clearly what the board should be doing and that needs revisiting" (Mark, Chief Executive director, Foreign bank).*

6.2.3. Conclusion

To conclude the discussion, Bourdieu's (1986) work permits a view of social interaction that is contextually grounded, explicitly relational, and attentive to dynamic power relationships over time. In contrast, managerialist conceptualisations of social capital derived from Nahpiet and Ghoshal (1998), Coleman (1990), Putnam (1995) and others focus predominantly on the accumulation of network capacity and thus present a static perspective on social process. Most significantly, when taken in total, Bourdieu's theory of practice provides a lens for understanding both the material and symbolic dimensions of social exchanges associated with social capital. Social capital encompasses social interaction based on formal and informal exchanges and culturally and institutionally embedded networks **(structural social capital).** Moreover, Nahapiet and Ghoshal' (1998) along with other managerial theories of social capital are different to Boudieu (1986) because they are not linked to class, they do not take a holistic view of the subject and they fail to adopt a relationship process which includes the different forms of capital and the concepts of field and habitus.

This study's findings showed that access to and sharing of information within and between networks were basic effects of structural social capital within and between directors' networks. Directors believed that being connected to others enabled them to get to know their peers (fellow board members) better by sharing personal information that facilitated

group cohesion in the achievement of governance goals in the boardroom. It was indicated that connections provided directors with the opportunity to exchange knowledge across different organisations through multiple directorships, which proved useful for carrying out board tasks. Thus, structural social capital attributes such as networks as suggested by Nahapiet and Ghoshal (1998) are salient conduits that allow for network actors to be linked together. These connections allow directors to exchange valuable information about themselves and other matters that may facilitate the directors' governance role. For Bourdieu, the main importance of connecting with others is to have access to other powerful individuals in the networks. This was supported by this study's findings, where directors mentioned that networks allowed them to access key individuals in society, government officials, and regulators. Social interaction occurs when actors seek to acquire other forms of capital such as economic and cultural capital. On one level, actors may pursue rational strategies to enhance their power resources. On another level, actors' moves are shaped by durable, reflective, culturally defined practices.

Formal and informal exchanges within fields (the flow of resources) constitute the enactment of **relational social capital**. Social capital exists in the realm of social relationships and consists of the social obligations that come with those relationships. More specifically, social capital is the aggregate of the resources that are tied to membership in a specific group. The group itself provides these resources, and they serve as credentials, sources of leverage, status, or worth (Bourdieu, 1986). These resources are exchanged, and as they are exchanged, they reinforce the relationships that exist in the group. Therefore, the social interactions that occur maintain and reinforce social relationships and social standing through the exchange of social capital. The results of this study indicated that it was not enough for directors to belong to certain networks. These relationships must be maintained and sustained and therefore they had to build their relational social capital. The relational dimension required time and history of interaction to flourish. The categories for relational social capital are investing time, close working ties, and structural holes. Relational social capital contributes to a director’s governance work by enabling the exchange of resources and for the most part, directors in this sample were able to build relational social capital with their fellow board members and other people outside that immediate working relationship.

The sources of social capital, such as norms of enforceable trust, emerged as broader cultural constructs (rules, norms, and practices) linked to fields of play **(cognitive social capital).** While accrued social capital may empower directors in ways that are considered

organisationally and personally beneficial, they may also reinforce persistent inequalities or detract from collective efforts in a manner perceived to be socially negative. The shared goals, board dynamics, informal networks and Likeability were used to facilitate the achievement of a common frame of reference and therefore form the attributes of the cognitive form of social capital. Impressions of likability facilitated directors' decisions in building relationships with others. Likability is often regarded as one of the two core factors that drive social judgments (Bourdieu, 1986).

Directors found that by doing their job well, they could elicit trust and likeability from other directors or other people in their social circles. Doing the job well and proving oneself to others was especially important for those directors who have recently joined the board they were serving on. It was also found that directors elicited trust and likeability from others by finding someone on the board that could help them gain a foothold with others alongside being able to address an existing challenge that 'they' may be having was important in generating trust. Aligning one's goals to the collective's proved important for directors when establishing connections with others – for example, many directors stressed the importance for one if joining the team knows what the directors' work is and knows how to do that work and make a contribution to the team. This made it a lot easier for one to be accepted in such a network of directors.

6.3. Generalisability

The findings of this thesis could be generalisable to a limited extent. First, while this study is exploratory, the researcher believes that it adds relevant and timely insights into the softer side of corporate governance: the behavioural factors that encourage or impede effective governance, especially in developing countries in which regulatory functions and capital markets may be weak. It is the first study as far as the researcher knows that examines how directors build and mobilise social networks in the context of corporate governance. Prior studies in corporate governance have focused more narrowly on board structures, and the existence of governance frameworks and guidelines (Brownbridge, 1996; Bategeka and Okumu, 2010; Wanyama Simeon, Burton Bruce and Helliar Christine, 2013, 2013) and have largely ignored the outcomes related to relationships (Judge,2010; Hambrick et al.,2008; Eesetal.,2009).

Furthermore, this study is novel in its use of Nahapiet and Ghoshal's (1998) social capital model to explore corporate governance's softer aspects. This approach allows researchers to

identify the cognitive, structural and relational issues that either support or impede good corporate governance (Hambrick et al., 2008; Ees et al., 2009). This study contributes to social capital literature and corporate governance literature.

Moreover, the theoretical explanations of the implications of directors' networks for corporate governance are also important in any context, given their critical consequences for corporate governance mechanisms. Surprisingly, previous studies of director networks have been driven mainly by neo-classical, economics-based theories (Fama and Jensen, 1983; Huse, 2005; Johnson et al., 1996). Sociological concepts have rarely been appropriated but are vital for a broader understanding of directors' networks and their implications for corporate governance mechanisms (Uddin and Choudhury, 2008; Subramaniam et al., 2013). This study fills this gap by drawing on the Bourdieusian notion of social capital. It has highlighted the need to study social capital as a power resource. Partuclarly, it is critical to map networks of directors and identify influential actors. Thus identifying directors networks reveals their connections, power and associations with multiple boards. In particular, this enables researchers to question the effectiveness of directors and the motive behind their networking activities (Borgatti et al., 2013). Additionally, there may be a need to address power structures regarding gender diversity on boards which are also prevalent in other economies. The banks considered in this study had a majority of male directors compared to females.

Secondly, the interview data confirms the existence of formal and informal structural connections among directors, but these structures do not always lead to a shared understanding or cognition of good governance. Most research on board social focuses on the positive outcomes of director networks, but in this research, it has been shown that this is not always the case. In addition, in recent years it has been recognised that the concept of social capital can itself have negative elements. While Portes (2000, p. 1) contends that it is "one of the most successful "exports" from sociology to other social sciences", Waldstrom and Svensen (2008) argue that there has been inadequate attention paid to the negative side of social capital. More specifically, they note that excessively strong ties within a group can threaten the collective good by leading to the development of in and out groups where certain groups are denied access to information or resources. The interview data provides some glimpses of this nature's potential problems, such as the existence of inner groups and the importance of powerful connections. For example, there is evidence of group-think towards discussions in board meetigns, which is reinforced by strong relational capital among

directors who are closely connected. Such observations provide empirical data from a governance perspective to inform the evolving debate on the darker aspects of social capital (Putnam, 2000).

6.4. Strengths and limitations of the study

This research has several strengths and limitations that need to be acknowledged.

6.4.1. Strengths

The first strength of this study is the choice of methods used. So far, the study's theoretical and empirical contributions have been understood in relation to the relevant fields of literature. However, they also need to be understood in terms of the researcher's epistemological and methodological choices.

As discussed in the methodology section of this thesis, social constructionism presupposes an independently existing social reality that cannot be reduced to a discreet set of observable events, but instead is multi-layered (empirical, actual and real), and governed by hidden structures and processes (Bhaskar, 1989). Using a social actor's existing knowledge and experience (empirical), the role of the researcher is to reveal the underlying, unseen laws and mechanisms (real) within the phenomenon of interest (Reed, 2009). This journey from empirical to real starts with the discovery of patterns of events that emerge from data followed by a description and, more importantly, an explanation of these patterns as the researcher seeks to discover deeper, underlying, generative mechanisms that create these events (Tsang and Kwan, 1999). In the current study the researcher was able to operationalise each of the social capital dimensions from directors' accounts of their experiences. Moreover, the researcher was able to identify constructs related to each dimension which represented the dimension's respective relevance to the process of building and using social capital.

Comparing and contrasting data from documents and across the interviews scripts within the sample enabled the researcher to discern underlying (unseen) mechanisms which helped explain the different levels of social capital for the directors. For example I was able to show the different affiliations that directors have, which can help explain power differentials and the mechanisms of influence that exist within the networks of directors in the Ugandan banks. The researcher was further able to show how directors belong to institutionalised networks that work to continuously benefit them in terms producing and reproducing their

capital. For example I identified certain privileged social clubs that majority of the directors belong to and can mobilise to benefit them.

In addition, in terms of extending Nahapiet and Ghoshal's (1998) social capital theory, the researcher's aim was to understand more clearly the interdependence of the three dimensions. In doing this, the researcher was also able to identify the relative importance of each dimension at different relationship levels (interrelatedness) and to demonstrate, in particular, that the usefulness of cognitive social, in the context of board of directors, was largely based on unseen concepts such as values and systems of meaning.

The aim in conducting this research was not to predict that social capital would contribute to corporate governance in all contexts or even to express causality between social capital and corporate governance practices. Instead, in taking a constructionist perspective, the researcher claims to have explained how and why social capital contributes to directors' corporate governance work in the context of banks in Uganda. In doing so, the researcher acknowledges that directors' accounts will be based on their perceptions of their reality (which may not reflect reality per se) and that they have added their own interpretation of these accounts in order to propose a level of theoretical meaning, which transcends individual meanings (Danermark et al, 2002). However, the researcher's interpretation was constructed through the use of well-respected methods of working with qualitative data. In addition, through the practice of reflexivity, the researcher was mindful of how their own assumptions and meanings might influence the research process and the steps that could be taken to prevent these undermining the validity of this research.

6.4.2. Limitations

There are several limitations to this study.

Firstly, the sample size was small, and it was not randomly selected. Although each member of the sample volunteered to participate in the study, prospective participants were nominated by people they associate with and who most likely share very similar traits; arguably, they were a small selection of the directors who do not represent directors in the whole banking sector in Uganda. The number of banks used in this study was small compared to the twenty-five commercial banks in Uganda when the research was conducted. However, the snowballing methods enabled the researcher to access high-status people in the banks who would have otherwise been difficult to access. Furthermore, the documents used in this thesis were incomplete. For example, data on asset quality and profitability

between 2004 and 2015 was missing from the Bank of Uganda's official website and the Financial stability reports and still is missing.

Secondly, the researcher's position posed as a limitation for this thesis in the collection and analysis of data. I, as the researcher, believe that my positionality — understood here as my identity and life experiences - influenced the way directors viewed me, particularly during the interview sessions. I argue that the way that directors responded to me as a young female researcher with no banking experience influenced the kind of information they provided me with. Even though it would be difficult to establish this empirically, it is my suggestion that directors could have responded differently to a Ugandan, 50-year-old, middle class, male academic than to me as a Ugandan, young but not quite their age, a female research student. It is possible that participants in this study withheld some information regarding their work and social networks. For example when I asked some directors if they had other board seats outside their respective banks, they said they did but they did not tell me which organisations these were. However, it is worth mentioning that being Ugandan made it a lot easier for the directors to express themselves without language barriers.

Still, my positionality was not only significant to the way directors viewed me and responded to me. It worked the other way around as well, namely my positionality was significant to the way I viewed directors. In particular, the conclusions I formed, the questions I asked and the interpretations I then made were all informed by my background and experience which sometimes rendered me an insider, sometimes an outsider and sometimes both in relation to the director-participants. The way positionality played out in the course of this study and I suspect of any other studies was extremely complicated and it was not easy to spell out the exact way it influences the result. One of the most complicated ways positionality came into play was concerning my social class background. Having a middle-class background with my mother educated to university level and having middle-class jobs (specifically in the commercial banks) would make me an insider given the status of my mother and outsider in the sense that I have no experience at all in the banking sector. Nevertheless, my bond with my mother and the exposure I had to both her lifestyle and her life stories gave me some insights into middle-class bankers/people's experiences in general. Even though these insights were far from being similar to the ones I would acquire if I had a banking background myself, they did indeed render me aware of certain issues related to middle-class directors and informed my responses to them.

Thirdly, there were some limitations to the research in terms of location of the researcher. The data used in this research was collected from directors in Ugandan banks who reside in Uganda whereas I, the researcher live in the UK. Firstly, this posed time constraints where I travelled to Uganda and collected the data in a limited time frame. This posed some limitations in terms of sample size for this study.

Foruthly, because the findings in this study are all from directors who reside in Uganda from Ugandan banks, their interpretations are context-specific, and it is difficult to generalise the findings to other contexts. Moreover, the evidence is based on participants' perceptions and may not reflect actual practices or others' perceptions. However, the data collected provided several consistent themes, which could allow researchers to explore future areas. Interestingly, in terms of time, this study took place when the directors in the Uganda banking sector were under scrutiny from the government and the public. It was when Crane Bank Uganda was under seizure for being undercapitalised. Its board of directors was complicit in the irregular shareholdings, overseeing the preparation and presentation of false and misleading financial statements, misrepresented the bank's performance, and so much more.

Lastly, the application of social capital theory must be regarded as exploratory and some of the classifications are too general. For example, all relationships in this study are regarded as social capital, there is not enough data to provide a distinction between different relationship categories and bank categories in terms of their social capital. Finally, Nahapiet and Ghoshal's (1998) social capital model is only one of several conceptualisations of the theory and other approaches that may add further insights to the analysis fo social capital (Waldstrom and Svensen, 2008). Specifically for analysing power and inequalities prevalent in social networks, other perspectives such as Bourdieu (1986) would be better suited to explore this issue fully. For example, the difference between foreign and local banks provides a need to study the power strucures of the direrctors in these respective categories. The use of network analysis methods that visualise the connections between boards of directors who sit on foreign bank subsidiaries in Uganda and those that sit on their parent companies abroad would have presented a better picture of the the size of the network of connections that directors are able to mobilise, together with a better understanding of the volume of capital (economic, cultural and symbolic) possessed in those networks.

Moreover, some directors in this study alluded to the existence of differences in accessing and building social capital between mael and female directors. In line with this the the general structure of boards of directors in Ugandan banks is comprised of more male directors than female. There is another potential for studying power structures regarding the the gendered nature of social capital prevelant in Ugandan banking which can be better studied using Bourdieu's (1986) class theory. The use of managerial approaches does allow this level of analsyis and therefore presented a limitation for this study and an opportunity for further research.

This section has discussed the study's strengths and limitations. The following section discusses the theoretical and practical implications of the study.

6.5. Study Implications

There are several theoretical and practical implications for this study. These will be discussed here.

6.5.1. Theoretical implications

With the Bourdieus' Theory of Practice, this study has contributed to a promising theoretical perspective to social capital studies that extends the conceptualisation of networks and their social influence to the field of corporate governance. The study provides a framework that allows an analysis of ties and their implications on practices at a group level. The following advantages arise from this approach:

First, Bourdieu's notion of social capital is a very powerful narrative for understanding the motivation, tendencies and trajectories of networks of relationships. Directors' networks and the durability of these networks are clearly understood from powerful actors' motivations derived from material, cultural and symbolic exchanges. The researcher finds that, by having boards in different companies, board members put themselves in a better position to maintain and enhance their status in the field of corporate governance. Board directorships offer them a channel to interact with other board members who are well-connected and popular. Furthermore, other networks outside of board directorships, such as memberships in professional associations and social club memberships, provide directors with further incentives to institutionalise their networks and gain future rewards both for the banks and their individual purposes.

When contrasted with managerialist perspectives of social capital used in this study, certain theoretical implications arise. Firstly, Nahapiet and Ghoshal's (1998) social capital theory

is very narrow because it focuses on resources, group membership, and networks and therefore does not allow the level of analysis needed to fully understand social capital in its entirety as proposed in Bourdieu (1986). One could argue that Nahapiet and Ghoshal view social capital is a universal explanation for patterns of development (in line with Coleman's view of social capital). These patterns are understood in terms of varying levels of norms of trust and reciprocity, cohesion and solidarity, or other aspects that lead to collective action in groups and communities (in particular, the exchange of knowledge). Nahapiet and Ghoshal (1998) emphasise reciprocity transactions and value introjection and are interested in studying social capital from a social organisation perspective. On the other hand, Bourdieu views social capital as an explanation for uneven patterns in the accumulation of power, prestige, and other forms of inequality and recognising the importance of context (Bourdieu, 1988; 1977). For Bourdieu, social capital is an investment that individuals make in their networks of relationships with the expectation of some kind of future return (Moore 2000; Lin 2001; Portes 1998).

For example, in this study, directors utilised their friendship network to obtain a job, access close social clubs, and obtain legitimation on the board within the banks. As a resource, social capital, economic, symbolic, and cultural capital can be converted interchangeably from one to another form of capital (Bourdieu 1983). For instance, directors can convert symbolic capital into economic capital by way of corporate endorsements, or they may convert symbolic into social capital when they use their position of power to persuade someone to hire a relative for a job. Thus, Bourdieu emphasises enforceable trust and bounded rationality – a level of analysis that is not reached in Nahapiet and Ghoshal's theoretical approach. Importantly, the focus of Bourdieu on social capital as an explanation for the distribution of power and privilege between individuals is non-existent in (Coleman, 1988a; Putnam, 1995a; Nahapiet and Ghoshal, 1998).

Second, this study has opened space for further research, especially using social capital to understand the power and interests of networks and the actors within them. The research provides an insight into social capital as a power resource in its various forms. It has shown how social actors use social relationships to maintain their positions in society and reproduce power although not to the extent it would have been fully studied in a Bourdieusean approach. It particularly highlights that directors' networks were frequently created to exploit strategic alliances and to share resources across the network. For example, networks may generate direct power or influence that yield group or private benefits of control to a

director or informational advantages that may benefit the banks. This finding contributes to social capital theory by showing that power positions are determined in relation to other actors and that social capital is a power resource in networks where actors struggle to gain power positions. This perspective is not prevalent in Nahapiet and Ghoshal's (1998) analysis of social capital nor is it studied in mainstream managerial studies on board social capital.

Moreover, the board as the top level of corporate governance, constitutes a highly valuable reference point for the analysis of power since it functions as a field of power in the organisation. In this study, the board members act according to their own habitus and capital (social, economic, cultural and symbolic) configuration that is shaped, for example, by the Ugandan political, social, economic structure they stem from. One can see that while using strategies to maintain or reproduce their power positons, the board members must keep the interest of the banks as a field in view to not endanger the power position of the banks within which they serve. It is to be highlighted here again that this analysis has not been expounded fully to show how aspects of culture and structure come to exist in the first place, thereby masking the importance of long historical processes of inequality and oppression (Fine, 1999).

Third, Bourdieu's theory indicates that social capital has to be constructed in terms of its content as meaning. In contrast, Nahapiet and Ghoshal's (1998) use of the notion of social capital relies almost entirely upon distinction by extrapolation from physical notions of capital. Whilst explicitly seeking to generalise beyond the physical, to distinguish social from economic and even human capital, their conceptual framework primarily remains tied to an understanding of the social as the informational or other cultural externalities between individuals. Accordingly, a network such as board groups, for example, is the favoured non-individualistic example of social capital although this begs the question within this perspective of how a network is created and how and why individuals participate within it. The result is to generate an abstract theory of social capital which focuses on the logistics of networks, at greater or lesser levels of formality (Granovetter, 1992; Burt, 2000; Nahapiet and Ghoshal, 2000b).

In summary, this thesis has been informed by Bourdieu to study social capital using Nahapiet and Ghoshal's (1998) three dimensional model of social capital. The implications for theory are that all aspects (Field, habitus and capital in its various forms) of the Bourdieusian approach would have to be addressed entirely rather than separately because it is an approach

where all elements are inter-connected. For example, the idea that social capital is not separate from other forms of capital cannot be separated from Bourdieu's Habitus and Field concept. This study's challenge has been how to account for this developing, enacted whole and the synergies of its holistic complexity without reducing explorations to its parts. The researcher concludes that it impossible to fully explore social capital from a Bourdieusian perspective when using the managerialist views on social capital.

6.5.2. Practical Implications

This study has empirically examined the dimensions and indicators of social capital that can be used to understand corporate governance. With this knowledge, implications for current practice can be identified. By incorporating the findings from this study with the insights from the social capital and board of directors' literature, this study will help practitioners to clarify and predict social capital processes associated with directors' behaviours in governance. The study has examined the different categories and items of social capital dimensions that can act as a reference point. Moreover, the study identifies factors that foster and hinder directors' behaviour in governance.

This study provides a foundation for a deeper understanding of the cosy relationship between directors and other key actors in their networks, and their influence on corporate governance practices in Uganda. For example, it would interesting to understand the dynamic of the relationships that directors have with regulators, how they are mobilised and their effect on corporate governance. Directors in this study mentioned the need to stay close to regulators because of their role in supervision. And as one director said close ties with regulators makes it easy for directors to negotiate for pardons. This relationship could have practical implications for example if regulators due to their close ties with directors overlook their supervision duties of the banks.

Furthermore, understanding directors' networks through social capital could be an effective tool for policy makers to see their reforms in action. Identifying out directors' links could offer policy makers opportunities to visualise how directors are connected to different companies, how they share social institutions and the implications these may have on corporate governance, and to understand the workloads of directors in carrying out the monitoring tasks expected of them.

6.6. Recommendations for further research

Firstly, as mentioned, the study has opened space for further research, especially using Bourdieu social capital perspective to understand the power and interests of networks and the actors within them. First, it would be useful to examine cross-cultural differences in networks of directors. Uganda may share many similarities with other emerging economies, such as a lack of well-developed legislative institutions, weak capital markets, poverty and corruption. Nevertheless, differences between emerging and poorer countries are equally notable, such as levels of corruption and poverty, stages of development, historical and colonial legacies and cultural orientations. Previous studies have suggested that corporate governance reforms and implementation vary very greatly between countries (La Porta et al., 2000). More importantly, an approach that captures a larger number of case studies in Uganda and other poorer emerging countries especially in Africa could be applied to generate fuller insights into networks and actors in the corporate governance field given the differences and similarities noted above.

Second, this study has covered a more general and wider scale of networks. While this has provided foundation knowledge of the directors' networks in Uganda and their influence of corporate governance, the relative effects of different kinds of links on outcomes should be explored deeply, for example, role-related networks, the political networks, regulatory networks, old school boy networks and various other informal networks. This may require focusing on one category or two as opposed to generalising all them into the umbrella of networks because all these may influence corporate govenrnace and the overall transparency and accountability of company affairs. As previous studies have indicated, we need to gain a better understanding of the role played in corporate governance failures by director networks with political affiliations, especially in emerging economies (Uddin and Choudhury, 2008). These areas, though important, remain under-investigated and under-theorised.

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8. APPENDICES

(1) Participant recruitment letter

Faculty of Business,
University of Greenwich,
Old Royal Naval College,
20 Park Row,
London SE10 9LS.

Ns807@greenwich.ac.uk

PARTICIPANT RECRUITMENT LETTER

Dear **X**,

I was forwarded your details by X (personal contact) who felt that you may be interested in this research.

I am a PhD research student based at the University of Greenwich, London. My aim is to explore the effect of social capital on directors' ability to govern Uganda banks. Very little of the existing body of research or evidence on this subject has come from the actual experiences of the individuals who work in your position and even less from the African context. Therefore, I hope to overcome this gap by talking with and interviewing individuals who work in your position, about their perceptions of social relationships (referred to in this study as social capital) and they affect their ability to govern Uganda banks.

My reason for contacting you is that I am looking and hoping for an opportunity to meet with and interview you regarding your thoughts on this subject and your experiences of social capital. Any input you may have would be greatly appreciated and would be highly beneficial for informing wider debate and more research on this topic.

I will follow up this letter with a phone call a week from this date in order to introduce myself further and to give you an opportunity to ask me any questions you may have. Additionally, I can further discuss my aims and intentions for this study and provide you with more details of what your involvement in the study would entail.

I would welcome any feedback or thoughts you may have. Please feel free to contact me by email or phone at your convenience if you wish to express your interest or disinterest in being involved in this research.

Yours sincerely,
Stella Nalwanga

MBA International Business, BA (Hons) Law and Business
PhD Candidate
Faculty of Business

(2) Participant information sheet

Research Project Title: The effect of social relationships on Boards of Directors' ability to Govern Uganda Banks

I am undertaking a research project as part of my studies for a PhD Degree in Accounting and Finance at the University of Greenwich under the supervision of Dr Lesley Catchpowle and Dr Patricia Ntozi-Obwale.

Objectives of the research project:

This research explores the influence of social relationships (through the lens of social capital) on directors' ability to govern Uganda banks. Social capital refers to the networks together with shared norms, values and understandings that facilitate co-operation among people. Networks can include real-world links between groups or individuals. For example, networks of friends, networks with other organisations, networks of work colleagues. Shared norms, values and understandings include such features that bond similar people and bridge diverse people – these may include reciprocity, respect, communication, trust, and goals. The effect of social capital lies in the flow of resources (such as information), influence, and solidarity it makes available to people embedded in social relationships.

Previous research has overlooked the experiences of boards of directors and the relational processes underlying their work, consequently, information gained from this research will be used to build on the existing theory of social capital and boards of directors and make some recommendations for best practice for the use of social capital. Moreover, it will offer insights into the experiences of boards of directors in the Uganda banking industry. Therefore, the primary research question is; what is the impact of social capital on directors' ability to govern Uganda banks?

What participants will be asked to do:

During the interview I would like to ask questions about what your work is like, how and what type of decisions you make on a regular basis, the aspects of your social relationships (referred to in this research as social capital) which help inform your governance duties and how your perceptions of social relationships, such as norms of trust, reciprocity, embeddedness, may affect your governance work. The interview will take approximately 60 minutes and will be conducted on a one-to-one basis at a location convenient to you.

(3) Participants

Bank code name	Type of Bank	Participant code name	Gender	Age range	Role	Years with bank
Bank 1	Foreign bank	Uriel	Male	35-40	Chief Operating Officer	3
Bank 1	Foreign bank	Dylan	Male	35-40	Executive director	2
Bank 1	Foreign bank	Editta	Female	45-60	Chief Risk Officer	2
Bank 1	Foreign bank	Jacob	Male	45-60	Executive director	9
Bank 1	Foreign bank	Imogen	Female	45-60	Executive director	1
Bank 1	Foreign bank	Matthew	Male	45-60	Non-executive director	4
Bank 2	Foreign bank	Willis	Male	45-60	Executive director	7
Bank 2	Foreign bank	Mary	Female	45-57	Executive director	7
Bank 2	Foreign bank	Job	Male	45-57	chairman	4
Bank 2	Foreign bank	Willard	Male	45-57	Executive director	2
Bank 2	Foreign bank	Mark	Male	35-47	Chief Executive Officer	0
Bank 2	Foreign bank	Rodney	Male	45-60	Chairman	6

Bank 3	Foreign bank	Mataba	Male	45-57	Chief Executive Officer	4
Bank 3	Foreign bank	Malcom	Male	35-47	Executive director	2
Bank 3	Foreign bank	Mali	Male	45-60	Non-executive director	1
Bank 3	Foreign bank	Arthur	Male	35-47	Non-executive director	2
Bank 4	Local bank	Mekos	Male	45-60	Non- Executive	3
Bank 4	Local bank	Paul	Male	45-60	Non - Executive	5
Bank 4	Local bank	Bob	Male	45-60	Executive director	4
Bank 4	Local bank	Carolyn	Female	35-40	Executive director	1
Bank 4	Local bank	Abel	Male	45-60	Chairman	4
Bank 5	Local bank	Gail	Male	40-56	Chairman	10
Bank 5	Local bank	Harriet	Female	45-60	Non-executive director	1
Bank 5	Local bank	Simon	Male	45-60	Non-executive director	1
Bank 5	Local bank	Tim	Male	40-56	Executive director	5
Bank 5	Local bank	Tony	Male	35-47	Chief Executive Officer	4
Bank 6	Local bank	Ottis	Male	45-60	Executive director	6
Bank 6	Local bank	Marcus	Male	40-56	Chief Executive director	4
Bank 6	Local bank	Johnny	Male	45-60	Chairman	4
Bank 6	Local bank	Samuel	Male	40-56	Executive director	5

(4) Interview protocol

1 (a). Can you give me a description of your educational background and work experience?	6. What can you tell me about your relationshi with other directors outside the boardroom an workplace in general? • Do you meet up with other directors outside of work? what do you do at the meetups? Where do you go? How ofte do you meet up with them? How do yo maintain your relationship with other directors?
1 (b). Your role in the bank - how long in that position – how long in the previous position, how long with the bank and how long in banking overall.	7. what else can you tell me about your social life? • Do you belong to any clubs? • Are there other directors that you kno who also belong to this club? • What is the purpose of this club? how you become a member?
2. Describe your understanding of governance as a director in a bank.	8. How do you leverage your relationships from the groups you belong to? What resources can you get for your relationships? How can you us these resources toward your governance dutie What do you have to do to get access to these resources?
3. Tell me about your experience as a director? • When did you decide you wanted to be a director? • How do you get along with the other directors? • What contributions do you bring to the board as a director? • How are meetings conducted? • What is the decision-making process of your board? • How is the relational dynamic among the directors on that board?	9. How have the people within your networks influenced your behaviour?
3. Do you serve on any other boards of other banks or non-bank organisations? • What can you tell about this experience? • How did you get to have a seat on that board? • What are some of the barriers you have experienced when joining a new team?	10. would you consider your fellow board members as friends or acquaintances? • What are some of the characters you admire from the other directors?
4. Who are the key decision-makers in the banking industry? What is your connection with these people; how well do you know them; how much contact with them have you had over the last say 1-7years; what sort of contact has this been?	11. What can you tell me about the role your status plays in your governance and life in general?