THE INDUCTION OF BOARD DIRECTORS: A CASE STUDY PERSPECTIVE

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Abstract

This paper gives an overview on the induction process for board members with a focus on the Italian context. First, considering the limited prior academic literature, we contribute to the understanding of the induction term. We propose a multilevel theoretical framework that synthesizes and integrates the poor and contrasting prior literature on the definition and the attendees of the program. We posit that the process is intended for all the appointed directors as it is tailored and specific of each company, due to the peculiar environment in which the firm operates. Second, we investigate how these programs are designed and how they can be beneficial for a company. Using a multiple case study on five Italian listed companies, we support the view that induction programs are a fundamental tool to assure that each director fully contributes with his own human and social capital to the board meetings in the shortest possible time, thus guaranteeing a positive impact on the value creation. Instead, in order to increase future directors' knowledge, pre-appointment preparation courses are particularly relevant.

Keywords: Corporate Governance, Induction, Board, Director, Case Study

1. INTRODUCTION

In today's context, there are several external variables driving companies to quickly adapt their strategies to the mutating environment and to find the most efficient and performing internal structures (Wernerfelt and Karnani, 1987; Courtney et al., 1997; Reeves and Deimler, 2013). In an environment characterized by a persisting risk presence, the goal of governance, which is to ensure that the firm operates with effectiveness and integrity in the interests of shareholders (Fama and Jensen, 1983; Keasey and Wright, 1993), is becoming increasingly critical and is requiring directors to play more and more an active role (Kiel and Nicholson, 2004).

The board of directors cannot just monitor top management work but it has to give its full contribution and be actively involved in the definition of corporate strategies (Garratt, 2005; Machold et al., 2011). Therefore, it becomes imperative to appoint very prepared directors and to constantly give them all the information about the business, operations and industry of the company, so that they can properly carry out their duties (Mallin, 2005).

In this regard, the Italian corporate governance Code (Borsa Italiana, 2015) invites companies to organize initiatives, identified by the term *Induction*, aimed at providing directors with adequate knowledge of the business sector in which the issuer operates, the business dynamics and their evolution, the principles of good risk management and the regulatory and self-regulatory framework.

The relevance of the issue is unassailable as the diffusion of the provision among corporate governance Codes of different countries (e.g. Italy, France, Spain, the UK) testifies.

Further, given the beneficial role of the directors for the company (Zahra and Pearce, 1989; Hillman and Dalziel, 2003), we noticed an aware concerning of companies on the matter as highlighted in their corporate governance annual reports. Analysing the 2014 Corporate Governance reports of the first 100 Italian listed companies for capitalisation, we found out a broad diffusion of these practices: 75% of companies declares to undergo induction programs and properly describes them. Almost all these companies comply with the Code principle and make disclosure about the issue (93%), with just few exceptions as in case of double listing. 80% of companies compliant with the corporate governance Code undertakes induction programs or organize off-board sessions comparable to induction. The remaining companies either give vague indications, not enough specific to be considered induction, or do not provide specific development programs for their directors, justifying it either with the recent IPO, the absence of new appointments or underlining directors already have the necessary skills and experience to exploit their role.

However, a systematic analysis of the literature shows a clear lack of consistent studies on this subject. The few papers on Induction programmes (Garratt, 2005; Brown, 2007; Long, 2008; Roy, 2008; Schwizer et al., 2011) just give some superficial pills on how these programs are organised and why they could be useful, without proposing any clear definition about what an Induction program is. Further, to the best of our knowledge, no paper clearly describes the process through which an

Induction program is carried out, highlighting clearly its benefits of these programs at firm level.

This article tries to fill the literature gaps, proposing a consistent definition of induction programs, analysing how these programs are designed and therefore beneficial for the company, focusing on Italian listed companies.

The paper proceeds as follows. In the next sections, the review of the literature is followed by our preliminary theoretical framework derived from the existing literature. We then describe our research methodology and present our main results. Finally, we conclude discussing the contributions and limitations of the paper, and present suggestions for further studies.

2. LITERATURE REVIEW

The board of directors is in charge of governing, directing and monitoring (Demb and Neubauer, 1992; Adams et al., 2011; Schwartz-Ziv and Weisbach, 2013). The board of directors generally performs in a collective way different tasks (Monks and Minow, 2004) such as providing information and counsel to managers; addressing corporate strategy; safeguarding the interests of shareholders and stakeholders, monitoring and controlling the actions of management; linking the corporation to the external environment and monitoring the compliance with applicable laws and regulations. Assuming "the primary role of board members is to guide the firm" (O'Neal and Thomas, 1995), the better the board performs its tasks, the better will be the benefit for the company and thus its performance (Forbes and Milliken, 1999).

In order to have an active role in the board, it is essential that directors are probit, equipped and appointed by virtue of their experience, skills and knowledge, and that they undertake appropriate training and development to keep them up to date with all relevant areas of the business and its operating environment (Mallin, 2005). In this regard, induction is intended to "provide directors with adequate knowledge of the business sector in which the issuer operates, the business dynamics and their evolution, the principles of good risk management as well as the regulatory and self-regulatory framework" (Borsa Italiana, 2015).

Despite the widespread implementation of induction programs, a proper and validated definition of the term *Induction* referred to board directors has still not been provided. The Latin etymology of the term signifies "to lead into, bring in, introduce, conduct". From its etymological derivation, "it is a process that guides someone to a certain path" (Gherardi and Perotta, 2010). Further, it is defined as "the formal act or process of placing" (Dictionary Merriam-Webster Collegiate) or "introducing someone into a new job, position, organization, government office, etc". (Dictionary Oxford English).

Considering the main phases of the process, the discussion on Induction spread non-homogeneously on different points. A first point is the identification of the proper advocate of such programs at corporate level. Garratt (2005) and Long (2008) identify the Chairman as responsible to encourage a proper Induction process and the company secretary as accountable for facilitating and tailoring induction programs for every board member.

Further, due to the primary idea of the program, the need for a proper support in learning and understanding its role for a first time appointed director is particularly trivial in order to get up as quickly as possible (Spencer Stuart, 2013).

Regarding the induction process, however, there is not any distinction for executive and non-executive directors (Kakabadse et al., 2001). In fact, the benefit for the latter is clearly related to the enhancement of the knowledge about company business and operations on which they lack with respect to their executive colleagues. The former instead can draw on these initiatives to enlarge their knowledge and skills in order to be more effective and constructive in taking strategic decisions, deepening the knowledge on boardroom norms and what is expected from them as directors (Garratt, 2005).

Moreover, when considering induction programs, companies and boards should think about the themes and arguments they need to focus on. First of all, a board induction programme should give information about the role of a director (Kakabadse et al., 2001 Matheson, 2007) and the difference between governance and management (Garratt, 2005; Spencer Stuart, 2013). Another relevant argument to enable directors to be effective in their role is the culture and mechanisms of the specific board they are appointed into and the main corporate governance principles and requirements (Jackson et al., 2003). Directors should also be informed about the financial situation and the business, in terms of system of operation, portfolio of investments and corporate strategies (Lorsch and Carter, 2004). Further, they should be acquainted with the industry, the main competitors, the international best practices and the major risks (Jackson et al., 2003; Lorsch and Carter, 2004; Long, 2008).

Finally, firms can differentiate and customize their induction programs opting for an internal program (organized by the company itself), an external program (usually offered by universities, leading authorities and other organizations) or a combination of both (Epstein and Roy, 2007; Long, 2008; Roy, 2008). Companies chose how to structure their programs considering what their directors need: while internal programs take into account industry-specific and company-specific challenges, external programs address topics such as compensation, codes compliance, directors roles and responsibilities and ensure a minimum level of financial literacy (Epstein and Roy, 2007).

3. RESEARCH AIM AND FRAMEWORK

Our research framework builds on the board capital theory and on the resource dependence theory.

3.1. Board Capital

The concept of Board Capital, combining the Human and the Relational Capital of the board of directors, was introduced by Hillman and Dalziel (2003).

Expertise, experience, knowledge, reputation, and skills of a person are defined as "Human Capital" by Becker (1964) and Coleman (1988). In the board context, Human Capital refers to directors' knowledge, abilities, and experiences gained through education, training, and experience in firms, boards, and industry contexts (Westphal and Fredrickson, 2001; Sturman et al., 2008). Further, international experience, specific industrial know-how, CEO experience, and financial know-how improve the external consideration of the Human Capital of a director (Volontè and Gantenbein, 2014).

Relational Capital, sometimes called even Social Capital, explicitly refers to "the sum of actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (Nahapiet and Ghoshal, 1998). It refers to the resources that one is able to access through social relations and networks, which form the basis for action (Adler and Kwon, 2002). White (1961, 1963) and Jacobs (1961) studied the Relational Capital embedded in social ties, discussing the role of a board directorate ties to external organizations.

The access to information channels is thus critical for the development of human and intellectual capital (Coleman, 1988; Nahapiet and Ghoshal, 1998). The source and the nature of social relations influence the types of information and advice that flow to specific networks and individuals, and this knowledge flow shapes the type of human capital that is developed and mobilized for action (Adler and Kwon, 2002; Fischer and Pollock, 2004).

3.2. Resource Dependence Theory

The resource dependence theory (Pfeffer, 1972; Pfeffer and Salancik, 1978) emphasizes the interdependence between organizations and entities in their external environment that control important resources (Hillman et al., 2007). Companies are part of open systems and are dependent upon external entities for survival; thus, the resulting uncertainties pose significant challenges and costs to the organizations (Pfeffer, 1972). Pfeffer and Salancik (1978) developed the idea that a firm can form links with elements of its external environment upon which it is strictly linked to reduce dependency and obtain resources.

Boards of directors are a primary linkage mechanism for connecting a firm with sources of external dependency and, in this way, reducing uncertainty (Hillman et al., 2000). A further important board functions is the provision of resources (Hillman and Dalziel, 2003). This function directly refers to the ability of the board members to bring resources to the firm, resources being "anything that could be thought of as a strength or weakness of a given firm" (Wernerfelt, 1984). In terms of provision of resources, four primary benefits can be provided by boards (Pfeffer and Salancik, 1978): advice and counsel; legitimacy; channels for communicating information between external organizations and the firm; and preferential access to commitments or support from important elements outside the firm.

Investigating the relation between boards and firm performance under the Resource Dependence logic (see Fig. 1), scholars stated that resources help to reduce dependency between the organization and external contingencies (Pfeffer and Salancik, 1978), diminish uncertainty for the firm (Pfeffer, 1972), lower transaction costs (Williamson, 1984), and ultimately aid in the survival of the firm (Singh et al., 1986). Thus, the board provision of resources is directly related to firm performance (Hillman and Dalziel, 2003).

3.3. Board Capital and Resource Dependence Theory

Studies of the firm level benefits of directors' Human and Relational Capital represent a rich and growing research stream (Boyd, 1990; Westphal, 1999; Carpenter and Westphal, 2001) and provide evidence of Pfeffer and Salancik's (1978) board of director linkage benefits. In fact, Board Capital has been positively associated with the provision of each of the four benefits discussed by Pfeffer and Salancik (1978), since the personal Human and Social Capital of each director provides positive resources to the company.

In particular, Hillman and Dalziel (2003) make a deep analysis of the studies that enforce a correlation between Board Capital and each fundamental resource introduced by Pfeffer and Salancik (1978).

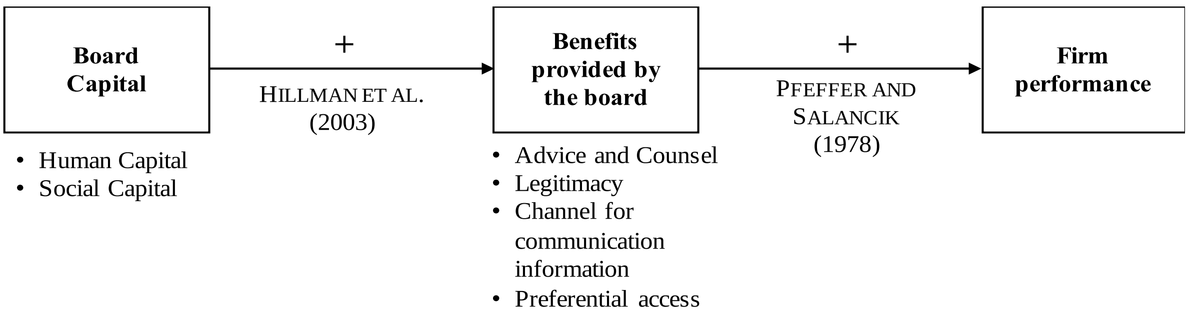
- *Board Capital & advice and counsel.* Boards are often composed of lawyers, financial representatives, top management of other firms, public affairs or marketing specialists, former government officials and community leaders, and other directors who bring important expertise, experience, and skills to facilitate advice and counsel (Baysinger and Butler, 1985; Gales and Kesner, 1994). For this reason, both insiders and outsiders on boards have important Human Capital that affects the provision of advice and counsel (Hillman and Dalziel, 2003). Regarding Social Capital, Carpenter and Westphal (2001) found that boards consisting of directors that are tied to strategically related organizations were able to provide better advices, which are positively related to firm performance (Westphal, 1999).
- *Board Capital & legitimancy.* Board Capital has been linked to the provision of firm legitimacy and reputation (Hambrick and D'Aveni, 1992; Daily and Schwenk, 1996). Pfeffer and Salancik (1978) note that "prestigious or legitimate persons or organizations represented on the focal organization's board provide confirmation to the rest of the world of the value and worth of the organization". Certo et al. (2001) found that more prestigious boards experienced better performance, e.g. less underpricing at their IPO, suggesting that the prestige of directors (Board Capital) can enhance the credibility and the performance of the firm they serve.
- *Board Capital & Channels for communicating information between external organizations and the firm.* As Hillman and Dalziel (2003) affirm, Board Capital provides channels of communication and conduits of information between the firm and external organizations, as it provides the firm with timely and valuable information and serves to reduce the transaction costs of dealing with uncertainties in the environment, thereby enhancing performance. For example Hillman et al. (1999) found that when directors established connections with the US

government, shareholder value was positively affected. Researchers have also found that executive directors external ties also facilitate access to strategic information and opportunities (Pieifer, 1991), enhance environmental scanning (Useem, 1984), and reveal information about the agendas and operations of other firms (Burt, 1983). Empirical evidence has shown that executives' external ties play a critical role in future strategy formulation and subsequent firm performance (Eisenhardt and Schoonhoven, 1996; Geletkanycz and Hambrick, 1997).

- *Board Capital & Preferential access to commitments or support from important elements outside the firm.* Board Capital can be helpful in acquiring resources from outside the firm, such as financial capital and influence with political bodies or other important stakeholders (Hillman and Dalziel, 2003). Directorate ties allow firms to secure critical resources, often on more favourable terms (Zald, 1969; D'Aveni, 1990; Boeker and Goodstein, 1991). Inviting relevant customers and/or suppliers to be represented on the board improves their commitment and involvement (Selznick, 1949; Baysinger and Butler, 1985; Hillman et al., 2001).

Moreover, some studies contend that the provision of resources, assumed by resource dependence theorists, is a function of Board Capital (Hillman and Dalziel, 2003). Hillman and Dalziel (2003), assume that each member has a unique human and social capital, namely a unique baggage of experience, expertise, skills and network on the basis of which he has been chosen by the company for the role of director. The union of the individual capital of every member, which forms the total capital of the board (i.e. the Board Capital), promotes during the board meeting the provision of those precious resources that, according to the Resource Dependence Theory, the board must bring to assure a positive impact on the firm performance (Pfeffer and Salancik, 1978).

Figure 1. Board Capital and Resource Dependence Theory scheme based on Hillman et al. (2003) and Pfeffer and Salancik (1978)



We deem Induction is an important additional element in this framework: every board director receives his appointment for his individual Human and Social Capital, on which he is expected to give his peculiar contribution. Thus, the critical aspect is bringing his own characteristics to the new environment and do that as quickly as possible. In fact, in providing his own Social and Human Capital to the board, he can face some informational obstacles, especially in a new company or in a new role. There are for sure some peculiarities of the new structure he does not know and needs to be informed of, perhaps trained about, that otherwise could prevent his full contribution.

Summing up, this study has three main objectives. First, to clearly identify what has to be called “induction” at board level. Second, from an exploratory view, we are interested in highlight relevant variables about the induction process. Third, we want to understand the benefits at firm level that such programs could have. Thus, our research questions are the following:

RQ1: How can be defined an induction program for board directors?

RQ2: How can an induction program be designed?

RQ3: How can be an induction program beneficial for a company?

4. METHODOLOGY

We conducted two studies to answer to our Research Questions. In Study 1, we work to clarify the meaning of the Induction term through a systematic literature review. In Study 2, we investigate induction programs structures and objectives through a multiple case study approach.

4.1. Study 1: Systematic Literature Review

Our paper aims at clarify the meaning of the Induction term. For this reason, we systematically review prior works on the topic. We search for “board”, “director” and either “induction” or “training” in Scopus database. We limit the analysis to English written papers, excluding those related to Medicine. We end up with 32 documents, some not related to our topic. Due to the limited evidence, we opted for enlarging our perimeter of analysis, considering even those papers which consider induction or training programs whose target is different than board directors (e.g. teachers, new employees). The motivation relies on the structure and scope of the programs which could be generally valid. We will build on these papers to propose a clearer definition of Induction program at board level.

Table 1. Search settings

Combination of Keywords	**(Induction OR Training OR Orientation) AND Board AND (Administrator OR Governance OR Directors OR Effectiveness)**
Database	Scopus
Subject area	No limitation
Search period	All years to Present (October 2015)

Figure 2. Search results

	# of papers
Induction	705.120
Board	4.380
Administrator	12
Papers of our interest	0
Governance	23
Papers of our interest	7
Directors	113
Excluding papers about Medicine, Immunology and Microbiology, Biochemistry, Genetics and Molecular Biology, Pharmacology, Toxicology and Pharmaceutics, Agricultural and Biological Sciences, Physics and Astronomy, Nursing, Agricultural and Biological Science, Chemistry	22
Papers of our interest	9
Papers of our interest not already founded in previous research	2
Effectiveness	414
Considering papers concerning Social Sciences, Business, Management and Accounting, Economics, Econometrics and Finance, Psychology	48
Papers of our interest	6
Papers of our interest not already founded in previous research	0
TOTAL PAPERS OF OUR INTEREST	**9**

	# of papers
Training	713.695
Board	22.960
Administrator	499
Considering papers concerning Social Sciences, Business, Management and Accounting, Economics, Econometrics and Finance	247
Papers of our interest	4
Governance	640
Considering papers concerning Business, Management and Accounting, Economics, Econometrics and Finance	138
Papers of our interest	17
Papers of our interest not already founded in previous research	14
Directors	2.385
Considering papers concerning Business, Management and Accounting, Economics, Econometrics and Finance	174
Papers of our interest	11
Papers of our interest not already founded in previous research	2
Effectiveness	4.190
Considering papers concerning Social Sciences, Business, Management and Accounting, Economics, Econometrics and Finance, Psychology.	286
Papers of our interest	11
Papers of our interest not already founded in previous research	2
TOTAL PAPERS OF OUR INTEREST	**22**

Figure 2. Search results (Continued)

	# of papers
Orientation	519.103
Board	6.576
Administrator	87
Papers of our interest	2
Governance	512
Considering papers concerning Business, Management and Accounting, Economics, Econometrics and Finance	327
Papers of our interest	3
Papers of our interest not already founded in previous research	0
Directors	380
Considering papers concerning Business, Management and Accounting, Economics, Econometrics and Finance	237
Papers of our interest	2
Papers of our interest not already founded in previous research	0
Effectiveness	644
Considering papers concerning Business, Management and Accounting, Economics, Econometrics and Finance	211
Papers of our interest	3
Papers of our interest not already founded in previous research	1
TOTAL PAPERS OF OUR INTEREST	**3**

4.2. Study 2: Case study

Further, our research should contribute to the understanding on how an induction program is designed and how it can be beneficial for a company. Due to the non-extensive and incomplete literature, we used exploratory holistic multiple case study. Exploratory case study methodology seems appropriate as we focus on a relatively new and under-investigated area in prior research (Yin, 2003; Sneller and Langendijk, 2007). Further, we opted for multiple case studies to improve external validity and help guard against observer bias (Luzzini et al., 2014). The unit of analysis for this study is the induction program.

We collected data for this study from both documentation and interviews. For this, we carefully prepared a case study database to facilitate later researchers (Yin, 1994) and replication (Gibbert et al., 2008). We considered different types of data sources to mitigate possible informant bias and to acquire a broader point of view (Yin, 2003). Further, for each topic, we triangulated archival data and interviews to ensure reliability to our accounts (Yin, 2003).

4.2.1 Case Selection

We considered several factors in selecting the cases. Following Yin (2003) recommendations, due to different corporate governance recommendations in different countries, we focus on a single country, namely Italy. In Italy, board Induction is advised by the corporate governance Code. As the recommendations of the Code are mainly intended to listed companies, we selected companies belonging to a stock index, namely FTSE All Share. We focus on companies whose listing and headquarters were in the same country as the Stock Exchange can ask for additional disclosure than the country of origin.

We opted for an information-oriented selection (Flyvbjerg, 2006), basing our initial choice on preliminary readings of all the Italian listed companies annual reports and/or corporate governance reports. Fifteen companies were initially identified and invited to participate in the study (Wu and Pagell, 2011) according to their disclosed induction practices, companies which can be considered the leaders when it comes to induction. Unfortunately, ten companies either did not answered or had no time. The five companies we studied show some similarities but even differences. In particular, the companies have a similar size as they are large and listed companies which ensures the presence of an induction plan, are Italian companies both in terms of country of origin and of listing, and disclosed a high maturity towards corporate governance. Their belonging to different industries can show that the peculiarities and specific contents of each induction programs are related to the specific business of the company; however, the aim and scope and the company effort are shared in any industry. Finally, all the companies have designed and organized an induction program but not all have an ongoing induction program in place, which can give more evidence to our research questions.

Table 2. Sample characteristics

	Case V	Case W	Case X	Case Y	Case Z
Industry	Consumer services	Consumer services	Public services	Oil & Gas	Finance
Stock index	FTSE ALL	FTSE MIB	FTSE MIB	FTSE MIB	FTSE MIB
Year of listing	2015	1997	1999	1995	1994
Revenues range	50 to 100 €m	1 to 5 €bn	50 to 100 €bn	50 to 100 €bn	500 €m to 1€bn
CG system	Italian	Italian	Italian	Italian	Two tier
# board members (of which independent)	7 (2)	13 (8)	9 (6)	9 (7)	18+5 (16+1)
Induction	Yes	Yes	Yes	Yes	Yes

4.2.2 Data Collection

For what concerns archival data, we began by analysing publicly available information from the annual report and the corporate governance report. Further, we consider companies' web sites, as well as articles from major economic journals and information from the Web. We opted for an extensive archival data for several reasons. First, the information provided historical insight on the process. Second, the documents are official reports and therefore express the formal consideration of the company on the issue. Third, the articles give timely and update information about the evolutionary process, and an in-depth analysis and perspective by most relevant questioners.

In addition to the analysis of the documents, we conducted several semi-structured interviews (see Appendix A) with executives of the companies we selected, after the study of preliminary readings, to complement the official documents and to obtain extensive coverage of the topics. Our key informants are responsible for the definition of policies and procedures related to corporate governance, thus involved in the organization and the definition of board induction programs. In addition, because of their role, they know the regulations strains affecting board of director.

For the definition of semi-structured interview, we followed Runeson and Höst (2008): we initially prepared the questions but the distinctive order was decided in relation to the development of the conversation, checking that the different major point were discussed.

We conducted most interviews on-site but in two cases via phone. The length of each interview ranged between 40 and 60 minutes. We recorded and analysed the audio files providing a transcript of each in its original language. We opted not to translate it from the original language to English to avoid any changes of the sense of the original text.

Table 3. Interview details

	Case V	Case W	Case X	Case Y	Case Z
Date	October 14th, 2015	October 9th, 2015	September 24th, 2015	October 6th, 2015	October 16th, 2015
Starting time	15:30	15:00	17:30	10:00	14:30
Duration	40 min	60 min	60 min	60 min	40 min
Mode	On site	Phone call	Phone call	On site	On site
Role	Head of investor relations and strategic planning	Group corporate & regulatory affairs director	Head of corporate affairs	Corporate governance rules and system senior VP (I1) and education & training VP (I2)	Head of corporate affairs
Informant Gender	F	M	M	F	M

4.2.3 Data Coding

Data were coded, abstracting the most relevant themes from the data (Kreiner et al., 2015), using typical content analysis procedures (Diesing, 1972; Taylor and Bogdan, 1984; Lincoln and Guba, 1985; Strauss, 1987) after each interview took place. We coded all data from interviews into a number of categories we grounded on our previous literature review and considering the Mintzberg model (1976), thus helping to focus attention on certain data that could produce compelling analytic conclusions (Yin, 2003). We began with in-vivo codes utilizing the language of our informants. From the first-order coding, the scheme evolved by considering the Mintzberg model (1976). We further considered all the main results emerged during our literature review. The final coding structure is reported in Appendix B.

Data coding was conducted by each of us, following Yan and Gray (1994) indications. First, we jointly developed the coding scheme and used it to analyse a case. Then, we divided the coding of the remaining interviews, with one of us coding the data while the others acted as an independent auditor (Lincoln and Guba, 1985) to ensure consistency and trustworthiness of our analytical procedures. Auditing consisted of verifying both the process (the steps followed by the coder) and the product of data coding (the tables derived from the interview data).

5. RESULTS

In this section we present the main results of our two studies, namely the systematic literature review and the case study to answer to our research questions.

5.1. A definition of Induction

Due to the limited evidence we found in prior literature about a definition of induction, we opted for a systematic literature review, considering the same process in different fields, namely staff and teacher induction.

In the context of human resource literature, staff induction is depicted as "any arrangement made to familiarize the new employee with the organization, safety rules, general conditions of employment, and the work of the section or department in which they are employed" (Skeats, 1991) and "the process of familiarizing new employees with whatever is necessary for them to feel at home and to understand and perform their duties efficiently" (St John, 1980).

In this context, often the term socialization is related to the induction one. Socialization focuses on how newcomers adjust to their new surroundings and learn the behaviors, attitudes, and skills necessary to fulfil their new roles and functions effectively as members of an organization (Van Maanen, 1976; Fisher, 1986), thus representing the social and cognitive process a new employee goes through when he faces a new work experience. Instead, staff induction appears as the instrument used from an organizational perspective to guide the process of socialization. According to Van Maanen and Schein (1979) staff induction is a program which seeks to govern the newcomer's socialization in a way that he will become a fully functional member of the organization quickly. Birnholtz et al. (2007) highlight that staff induction practices govern unconsciously or deliberately organizational socialization and together, they can be perceived as core mechanisms of the way in which firms introduce newcomers into the organization. Consequently, Bauer et al. (1998) identify staff induction and socialization important mechanisms for both organizations and newcomers. On one side, organizations continuously need new employees for their sustainability and for organizational growth in particular. On the other, employees need to reduce complexity when they enter into a new organization in order to be able to contribute to organizational activities.

Considering teachers' induction, a lively debate includes it among different drivers to increase students achievements. Teacher induction is a comprehensive, coherent and sustained professional development process organized by a school district to train, support and retain new teachers and seamlessly progresses them into a lifelong learning program (Wong, 2004). In other word, the process is important, but it has also to be followed by a lifelong professional development program to keep new teachers improving and increasing their effectiveness.

Considering the evidence so far, we consider board induction as a structured process of introduction of directors into the boardroom and into the context of the company, with the aim to give fundamental information to play their role actively in the shortest possible time.

We found support for our definition. Prior research consider board induction with a similar meaning, but not explicitly defining it. For Jackson et al. (2003) it is increasingly considered essential to undergo an induction process for newly appointed executive and non-executive directors. Ingley and Van der Walt (2003) consider crucial the induction phase following the appointment to integrate the new director into the board. Long (2008) states that an effective induction is essential for new board members.

Further, we noticed that different expressions or terms are used to indicate the same board induction process, creating ambiguities. Roberts and Connors (1998) state that, once the ideal board member is identified, the organization needs to provide orientation and training to ensure adequate preparation for the board members and to address the changing organizational environment. Brown (2007) too, uses the world orientation to indicate the process that provides basic guidance for new members. Inglis and Dooley (2003) highlight the need of a process that could facilitate the integration of new board members into the culture and performance expectations of the board, indicating mentoring as an instrument that can facilitate this process.

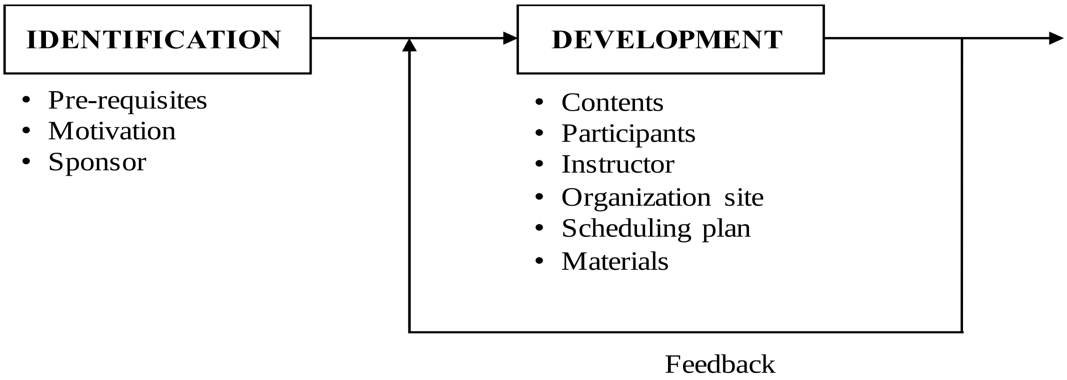
At the same time, we noticed even similar words used with different meaning. Board development consists of regular board development programs, board instructions, and board evaluations to increase board involvement (Demb and Neubauer, 1992; Lorsch, 1995; Conger et al., 1998). Under this view, board induction is just a part of the board development process, which has a wider purpose and application. Continuous improvement is particularly related to research on teachers which evidences the importance of the constant increase of knowledge during the life of a teacher. Training, education (Roy, 2008; Kakabadse and Van den Berghe, 2013) and updating (Coulson-Thomas, 2008) indicate regular and continuous sessions arranged for all the directors to build, refresh and maintain their competencies and knowledge in a variety of relevant areas. According to Long (2008), induction is meant to new board's member, while re-induction is a program for already appointed directors until they are part of the board. Existing board members who go through a re-induction program during their tenure will have a different approach, perspective and level of enquiry from those who have never attended a board meeting (Long, 2008).

Further, we complement our findings from a review of the academic literature with some elements showed by our cases. As a confirmation of the broad definition of the term induction and the light consensus about its meaning, we noticed that companies uses the term with a similar meaning to the one we indicated, i.e. a process directed to all the directors. In Case Y the informant described the induction session as composed of intensive courses provided right after the appointment of the directors in the board, which gives a general understanding of valuable information and content of the new environment. On-going training initiatives are instead organized later, also on the requests of the directors, to deepen, detail, and have a practical validation of some complex or unclear issues. Further, no mandatory presence is required in such initiatives, even if they experienced a broad and significant participation (e.g. Case X).

5.2. The design of induction programs

To describe the main results of our case study, we based on the decision process configuration as proposed by Mintzberg et al. (1976). We adapted the model to the induction process, as described in Figure 3. It starts from the identification of the need, which requires the decision marker (here identified as the sponsor) to recognize the stimuli (motivation), considering some form of diagnosis (pre-requisites). The development phase considers the "set of activities that leads to the development of one or more solutions to the elaboration of an opportunity" (Mintzberg et al., 1976). We detailed it including the definition of the contents, the participants, the instructor, the site, the scheduling plan and the material. Finally, feedbacks from participants are both a valuation issue and an incentive for subsequent induction programs. We present our results, directly linking with the scheme.

Figure 3. The induction process. Adapted from Mintzberg (1976)



Pre-requisites. A focal point that emerged from the interviews was that not only each board member but also the board as an entity should definitely have some pre-requisites in terms of previous competences, experiences, knowledge and skills in management, finance, compliance and audit, international view. Further, these pre-requisites can change over time in relation to the external and internal environment. As an example, the informant of case Y said “There is an upstream pre-requisite i.e. the mix of competences of the board members is a mix, in relation to business, governance, administration and finance, a mix that reflects the need of the company in that moment”[8]. Informant of company W and Z elaborated about the essential need of an excellent understanding of governance and regulatory aspects, even supported by the attendance to preparational courses. Company V and Y highlighted that at the same time the entire board needs to have some pre-requisites in terms of presence of a good balance of business, governance, administration and finance expertise to represent the contingent requirements of the company. The identification of such balance could be even suggested by the former Nomination Committee, as company Y grabbed from the board review.

Sponsor. According to our findings, the primary sponsor of such program is the Chairman of the company or both the Chairmen of the Management and Supervisory boards as in company Z, which is under a dualistic governance system, even as a consequence of the recommendation of the corporate governance Code (e.g. Case X). Case X and Y also mentioned the actual CEO. In case Y was reported the CEO showed guidelines about the optimal induction which resulted in the involvement of any first line. However, the informant of case X described the proactiveness of the CEO more in terms of presence during meetings and answers to specific questions than as real commitment.

Motivation. Cases showed that the design and the implementation of an induction program has its roots on the willing to give an overview (case W) and to improve the knowledge of each director (case X) of the business, the organization, the management system of the company, and of the company itself and its group and to shrink the transient state to an effective contribution (case V). On this, the informant of case V reported that “You have to take important strategic decisions without having, in some cases, the basis to perform a value added valuation”[9]. Further, it makes it reasonable an easier access to a better understanding of the company regularity (case V and Y). However, a strong push was the inclusion of a specific provision in the corporate governance code, not necessarily the Italian one, or the presence of a member with a previous experience in foreign countries, where the theme was earlier faced. It could be that, in line with the literature (e.g. MacNeil and Li, 2006), the idea that the market will penalise non-compliance companies, except if there is a justification to it, could hold even in this case. Further, companies could just follow those which are widely recognised as best practices.

Additional different motivations were reported. First, the substantial renewal or cooptation appointment of directors. In case X for example, 7 out of 9 members were renewed at the end of the fiscal year, even because of the partial State ownership of the company; in case Y only one member out of 13 was the *trait d’union* with the previous board. Company W reported the same concern, even if they renewed only 4 out of 13 members. The result was that only a limited number of directors had a good knowledge of the company, either from inside (e.g. the new CEO, former top manager of the company in case X or the general manager in case Y) or for the participation in the previous directorship in case of confirmed board members.

Second, the presence of a significant number of independent directors. For example, company W has 60% of independent directors, even if the major shareholder counts for more than half of the capital. This leads to a higher relevance of governance issues but asking for more understanding of the business. Further, company W reported the case of a tailored accelerated induction program directed to a coopted member due to the resignation of her predecessor. In such case, the program was aimed at aligning her knowledge with those of the remaining directors.

8 Translation from Italian. The original sentence was “c’è quasi un pre-requisito a monte, cioè che il mix delle competenze espresse dal consiglio sia un mix, e quando dico mix mi riferisco a competenze di business, di governance, di amministrazione e finanza; un mix di competenze che rispecchi l’esigenza di quel momento contingente dell’azienda” and “L’induction deve adattarsi al tipo di consiglio”.

9 Translation from Italian. The original sentence was “Si prendono scelte strategiche importanti senza che si abbia, in alcuni casi, la base per effettuare una valutazione a valore aggiunto”.

Third, companies reported they prepare a detailed plan for the following year in terms of induction sessions. However, the explicit request from some board members is deemed as a serious trigger for an enhancement of the understanding of specific disciplines, such as management of related party transactions (Case W) and is therefore included in the program (Case Z). In this regards, informant of case W explicated that "the director says – I do not feel enough prepared on these themes, give me an induction"[10].

Participants. Cases show that induction programs are intended in a collegial way to both board directors and statutory auditors (or to the management and the supervisory board members in case of a two-tier governance system). In contrast with Long et al. (2005) cases show that the relevance of the program is not only limited to non-executives directors. Further, all the directors, even those already attending such board, were invited to the program (e.g. Case Y). However, an informant (case X) supposed that there could be a case in which it should address only a portion of directors in case specific topics are of restrict interest. With the same idea, participants were even free to not join the induction program (case X).

Companies Y and Z extended induction program even to those directors appointed by the company to serve in the board of its subsidiaries when the company is accustomed to nominate its managers. Reporting that "the invite is for both boards and some selected employees"[11], in Company Z invited even the head or top managers of a division in such sessions where the topic was specifically interesting for them.

Contents. All the cases show that the aim of induction is giving the basic information that a director, not only a new appointed one, should know about the company. In this sense, business related topics are deemed as more relevant. Company X focused the program on both organizational structure, staff and operation topics. In particular, they detailed on the functioning of the grid, on the Administration, Finance and Control function and on the Human Resources and Organization function. This choice was driven by the structural reorganization of the company which adopted a matrix, business-oriented model and whose major change were shared with directors. Further, they focused on regulation, which is a vivid matter for utility companies, and on business specificities such as generation, infrastructure, and renewable energies. Finally, company X recognises among the activities of the induction program the formative worth of the illustration and sharing of the strategic plan by the CEO and top managers.

Company Y covered also compliance and governance issues, including the role of the board, of directors and statutory auditors, its requirements and charges and the governance structure of the company.

Company W included a special focus on American customers peculiarities, illustrating the management process, the subsidiary history, the historical and actual numbers, and the regulation and introducing the top management of the subsidiary. Further, for its peculiar family ownership and the relevant issue of related parties, a session was devoted to the regulation and the specificities of the condition of the company with the support of an external specialized studio.

Company Z opted for a focus on legal and accounting while company X devoted a session to the individual analysis of international peer companies.

Moreover, company X included an induction session devoted to corporate social responsibility as part of a program sponsored by the United Nations, linking it to the company strategic plan and to the company strategy.

We noticed that some of these topics were faced in a local perspective. In fact, in some cases (e.g. regulation for company X) the informant revealed that, as the discussion during the board meetings is mainly centred on the national context, it seemed more relevant to tailored on it the specific induction session.

Instructor. The induction program could be designed and/or implemented by internal members (e.g. C-level of the company) or external companies (e.g. training companies) or professionals (e.g. experts of a given topic). Considering our cases, we noticed that companies primarily went for internal design and implementation. In this way, managers of the company such as direct reports of the CEO (Case X) or managers of a foreign subsidiary (Case W) are involved on sessions devoted to their business area, granting more effectiveness. Further, they are clearer and better than anyone else in describing what they do, giving the possibility to the directors to be personally in touch with the company staff (Case Y). As an example, the company secretary of company Y directly hold a session on governance affairs and the CEO of the company illustrated the business areas. In this regard, informant of company X stated "it is clear that the business cannot be illustrated by anyone which is not an internal member of the company"[12].

Even in companies which opted for an internal design, some external professionals led a session on non directly business related issues e.g. regulation, accounting, corporate social responsibility or to peculiar issue of a company e.g. related parties in company W. This is the case of company X and Y for the session devoted to corporate social responsibility. In this case, the choice is supported by the mastery of the topic by the educator and the sponsorship of a sovereign entity, namely United Nations. Informants of case Y highlighted that the role of an external speaker is closer to the one of an enabler of the board discussion about a topic. Company W availed itself of the support of an external studio to discuss the related parties issue.

Organization site. Companies reported the program was developed in the board meeting room (case X), around a table (case Y) or even with on-site visits (case Y and W). Company Y and W in fact consider part of the induction program making the board meeting in an abroad site of the company or in a relevant place for the company e.g. African

10 Translation from Italian. The original sentence was "Il consigliere stesso ti dice – su questi temi io non mi sento sufficientemente preparato, fammi l'induction".

11 Translation from Italian. The original sentence was "L'invito è rivolto ad entrambi, i board quindi 18+5 e come vi dicevo alcuni dipendenti".

12 Translation from Italian. The original sentence was "è chiaro che il business non può spiegarlo nessun altro se non chi è interno all'azienda di X".

region for Y and the US points of sales and the main subsidiary headquarter for company W. In fact, the visit of the directors of a strategic Region for the company Y or of a particularly innovative laboratory which is fundamental for the company competitive advantage is recognised as essential for their correct understanding of the business and of the company. Company W answered to the need of better understanding of the overseas business and operations, which count for more than half of W revenues and which showed different behaviour and need of customers.

Scheduling plan. The length of the program varies within companies. Company X opted for four induction sessions of about two hours in the afternoon downline of the board of directors meeting, and an annual session of two or three days upline of the strategic plan. Company Y decided to assemble directors and statutory auditors for a full immersion of an entire weekend, of which an entire day devoted to business description. Such concentration permit a good initial overview of the company but required further session on specific issues to deepen the concepts, especially for a complex and worldwide exposed company. Company Z instead opted for a year-based program, with monthly meetings.

Material. In company Y the attendees receive in advance the slides and the material the speaker will present during the session. Further, some glossaries on abbreviations and guides to the company documents are prepared ad-hoc and available for attendees through devoted apps on tablets.

Feedback. Both company X and company W reported positive feedbacks of the attendees to their program. Further, the program were on-going improved and updated considering the feedback of the attendees and according to specific in-depth requests from participants emerged during the annual board review.

5.3. The benefits of the induction process

Directors are often criticized for failing to meet their governance responsibilities in firms and to not have the level of knowledge necessary to efficiently exploit their role (Ladipo and Nestor, 2009; Levrau and Van den Berghe, 2009). Dealing with a wider variety of complex issues (Lee and Phan, 2000) and with growing responsibilities related to the strategic role of the board requires more information and engagement. Induction is therefore beneficial to be more effective in understanding the complexity of the business, the excessive dynamism and high riskiness of the markets.

Case V and W support this view. Giving the basic information a director should know about the company makes him more prepared and skilled on the different topics during the board discussion, more aware of his own responsibilities, have a timely and better understanding of the issue, and join a shared conscious decision (case W and V).

Even some indirect benefits of induction program emerged from cases. It favours team building (e.g. case Y) and mitigates the shock of being shot in a complex environment (e.g. case Y). For example, informant of case X reported that "this has eased the creation of a real team building"[13]. In fact, during these meetings, courses, and on-site visits, directors can stay together for a long time in a relaxed situation. Creating cohesion could be important during board's meeting to have insightful discussion and go deeper to the heart of the problem, without incomprehension (case X). Further, the decision to include in the induction session even those managers appointed as directors in the boards of the subsidiaries, creates a better link and alignment between the parent and the subsidiary companies. Finally, the presence of top managers of the company during the induction sessions, either as informants or as participants, foster the understanding of the business and of the future plans for the company.

6. DISCUSSION

From interviews and analysis of secondary data we found that companies have different definitions for induction, considering different and peculiar mechanisms. These main initiatives are:

i. experience in subsidiaries' boardrooms
ii. standard pre-appointment courses
iii. companies' structured programs for directors
iv. committees' participation
v. specific courses organized by external companies for directors

We consider two dimensions as more relevant to analyse companies' different approaches and understand the evidences collected, as Figure 4 illustrates. The first dimension is about the supplier of the programs, either internal, i.e. designed and organized by companies themselves, or external, i.e. planned by specialized organizations or associations. The second dimension considers whether the method of training is intended for figures not yet appointed in a board, but with the potential to be directors in the future (pre-appointment programs) or for directors (post-appointment programs). In each interaction we placed the five main practices emerged from interviews, on the basis of their peculiarities.

Data suggest that the experience in subsidiaries' boardrooms and standard pre-appointment courses are intended for people not already appointed in the board of the parent company. In addition, while the first is internal as the sponsor is the company itself, the second is external. These two practises have distinct aims: in the former case, the idea is to foster the abilities of colleagues for their new role, in the latter is to give some preliminary knowledge on non-company specific issues such as regulation and legal and to better clarify the responsibilities of being appointed.

Companies' structured programs for directors are internal post-appointment practices, and generally is what companies define as induction. Committee participation, which is restricted to board directors, is an internal way to train already appointed board members. Through the participation to committees, directors can better exploit their specific knowledge and deeply

13 Translation from Italian. The original sentence was "ecco questo ha agevolato la creazione di un vero e proprio spirito di squadra".

investigate the process of the company. Specific courses instead are organized by external experts for the directors of the company. This is the case of the Global Compact Board Programme of the United Nation, mentioned during the interviews, which aims at a better approach to corporate sustainability.

Figure 4. An analysis of the different initiatives companies undertake

	INTERNAL	EXTERNAL
PREPARATION Pre-appointment	Experience in subsiadiaries' boardrooms	Standard pre-appointment courses
INDUCTION Post-appointment	Company structured programs for directors	Specific courses organized by specialist for directors
	Committe partecipation	

Considering our main findings, we identify as induction programs those programs directed to appointed directors, while we classify as preparation programs the ones intended to high potential new board members. Pre-appointment instruments, although linked to this analysis for their relevance on the training of future directors, cannot be considered as induction instruments, since they are not intended for board members and are issued out of a board and company context. Providing some human and social capital to the participants (Westphal and Fredrickson, 2001; Hillman and Dalziel, 2003; Sturman et al., 2008), they give general knowledge about relevant topics and practical experience, making them more attractive for a future appointment and facilitating their chance of having a seat into a board. Further, they do not have the main peculiarity of being strictly linked to the needs of a specific boardroom.

Induction programs instead have the aim to enhance the board capital, fostering the human and social capital of the directors (Hillman and Dalziel, 2003) in order to better and fully exploit their potential, maximizing the quality and promptness of their contribution, enhancing the board effectiveness and the firm performance (Pfeffer, 1972; Pfeffer and Salancik, 1978). In line with Coulson-Thomas (1991), Long (2008) and Kakabadse and Van den Berghe (2013) we found that induction programs are powerful in guaranteeing board effectiveness by being more prepared about the topics under discussion and having a better understanding of the matters. A proper induction, in fact, promotes the construction of a framework of knowledge about the business, the strategic lines, the organizational framework, the industry and the regulation, peculiarities of the specific company, to foster debate and discussion among directors and to help the cohesion among the members of the board. It prepares directors to understand and discuss strategic topics, considering compliance and governance issues, and monitoring managers. In line with academic literature, informants see the board as designer and promoter of the strategy of the company, and monitor of its fulfilment and of the CEO conduct.

We implemented the strategic decision process model of Mintzberg et al. (1976) to the induction process. We found support that the induction process has several similarities with strategic process.

We noticed that the commitment on induction programs starts from the Chairman of the company, motivated both by the need of favouring a better knowledge of the environment even as a consequence of several cooptations, a significant renewal or independent members and compliance issues.

There are some main motivations to organize and undertake these programs. First, the influence of the presence of an explicit provision in the corporate governance codes, despite its non-mandatory compliance. Second, directors are often criticized for failing to meet their governance responsibilities in firms and to not have the level of knowledge necessary to efficiently exploit their role (Ladipo and Nestor, 2009; Levrau and Van den Berghe, 2009). Dealing with a wider variety of complex issues (Lee and Phan, 2000) and with growing responsibilities related to the strategic role of the board requires more information and engagement. They have to be effective in understanding the complexity of the business, the excessive dynamism and high riskiness of the markets.

Both directors and statutory auditors are invited to the induction sessions implemented, according to the illustrated content, both by internal and external companies or professionals which take place both in the boardroom and with on-site visits, either after the board meetings or in devoted days.

The results of our case study support the view of subsequent iterations only to improve the further implementation of the program.

Consequently, it is a process specific of each board and brings benefits only inside the boundaries of the company. It has to be structured considering firm's peculiarities and directors' characteristics; without these two ingredients, it would lose its meaning and its purpose. In this sense, it is not instrumental to the private benefit but to the business and cultural training and enhancement as directors in the interests of company shareholders. Data also suggest that directors themselves have often asked for deepening topics they either consider strategic or do not feel sufficiently prepared on. Further, frequent co-optation of directors as a consequence of resignations of appointed directors could result in a braking barrier to the deployment of the benefits of an induction program. Finally, pre- and post-appointment condition of a person has to be evaluated in consideration to a single company. In other words, a person benefits from induction in a company in which serves as director, with tailored benefits for such company.

Case studies revealed even that induction is a way to support the cohesion of directors in the boardroom. When group members are more attracted to one another, they have higher levels satisfaction (Katz and Kahn, 1978; Summers et al., 1988) and higher levels of commitment to the group

(Zaccaro and Dobbins, 1989). Cohesiveness plays a significant role inside the boardroom. Forbes and Milliken (1999) refer to board cohesiveness as the degree to which board members are attracted to each other and are motivated to stay on the board (Summers et al., 1988). It captures the affective dimension of members inclusion on the board and reflects the ability of the board to continue working together. Since boards are charged with complex, interactive tasks, the degree of interpersonal attraction among members is likely to influence the effectiveness with which such tasks are performed (Williams and O'Reilly, 1998), by promoting earlier and more extensive discussion of alternative scenarios (Hogg, 1996).

7. CONCLUSIONS AND FUTURE RESEARCH

The importance of effective boards is compelling as a way to limit market failures and corporate scandals (Daily and Dalton, 1994). The quality of appointed directors in terms of capabilities, skills, knowledge and network determines the board strategic (Pearce and Zahra, 1992) and monitoring effectiveness (Vafeas, 1999).

The aim of this research was to clearly identify what has to be called "induction" at board level, to give an overview on how an induction program is designed and how it can bring benefits at firm level.

First, our findings suggest that companies appoint directors on the basis of their personal characteristics and expertise; they expect them to have certain competences that assure they are capable enough to give precious contributions to boards' roles. In accordance with the theory, only the candidates with an adequate level of Human and Social Capital will be appointed.

However having this personal capital is not sufficient to assure that they will be effective board members. In fact, once appointed, directors need to receive the basic information about the particular new environment they will work in, otherwise there is the risk of not being active members and not fully using their human and social capital for companies' interests. Among the cases, induction is intended exactly as the instrument to give the fundamental information that clarifies the new context in which board members are going to operate in.

It is undeniable that this information is the focal point to guarantee the real comprehension of the topics discussed during boards' meetings and the engagement of all directors, assuring a fruitful discussion and the definition of successful solutions for the company, as the data collected in our case study clearly highlighted. Induction programs have the aim to enhance the board capital, fostering the human and social capital of the directors in order to better and fully exploit their potential, maximizing the quality and promptness of their contribution, enhancing the board effectiveness and the firm performance.

We propose a systematic categorization of the different approaches and understanding companies have when it comes to induction, identifying 3 possible ways through which induction can take place: companies' structured programs for directors; committee participation; and specific courses organized by external experts for the directors of the company.

While preparation courses have the goal to provide talented people with general knowledge about relevant topics and practical experience, making them more attractive for a future appointment, induction is meant to provide its directors with information of the firm and its environment, with tailored benefits for the company.

A proper induction promotes the construction of a framework of knowledge about the business, the strategic lines, the organizational framework, the industry and the regulation, peculiarities of the specific company. Cases showed that the commitment on induction programs starts from the Chairman of the company, motivated both by compliance issues and the need of favouring a better knowledge of the environment even as a consequence of several cooptations, a significant renewal or independent members. Both directors and statutory auditors are invited to the induction sessions implemented, according to the illustrated content, both by internal and external companies or professionals which take place both in the boardroom and with on-site visits, either after the board meetings or in devoted days.

For what we reported so far, the strict centrality of the company business leads to a company-customization. Further, the program has to be customized even considering the peculiarities of the director of the company and in particular their pre-requisites both at an individual and at a collegial level.

The findings of this Case Study provide evidence that the induction programs have significant impact on boardrooms effectiveness and, considering the link with the Resource Dependence Theory, it can have positive effect on the overall firm performance. The main benefits of such sessions are to foster debate and discussion among directors and to help the cohesion among the members of the board. In fact, it supports directors to understand and discuss strategic topics and monitoring managers. In line with academic literature, informants see the board as designer and promoter of the strategy of the company, and monitor of its fulfilment and of the executives conduct.

With this paper, we contribute to the understanding of the induction term, providing evidence of how an induction program is designed and how it can maximise the benefits provided by the board to the company.

This study has two significant practical implications. We deem policy makers to seriously consider the preparation of the directors. Considering our findings, we believe the presence of mandatory pre-appointment programs for newly appointed members at least in a listed company is compelling. Compliance and Regulation issues of listed companies require a serious understanding by each director, fostering the effectiveness of the capital market. As highlighted in the discussion of our main findings, induction programs cannot act as a substitute to fill the clear lacks in the preparation of the directors.

Further, cases showed some ambiguity surrounding the boundaries of an induction session. In case of presence of external experts as instructor, the separation with consultancy activities is not always clearly defined. Instead, in case of internal managers the likelihood of management-friendliness of directors increases, to the detriment of shareholders interests. Policy makers should consider the issue in a very straightforward way.

Future developments

This paper has been at attempt to deepen the knowledge in a research area in which prior literature is particularly scarce and peppered. For this reason, we are aware that there is a need to test the validity of our propositions, considering a statistically significant and enlarged sample. Second, we believe an effective way to deal with induction programs is related to the on-site observation of such programs. Further, we focused on listed companies for which the corporate governance code suggests the adoption of induction programs. It will be particularly interesting a comparative study with non-regulatory driven introduction of induction programs. Finally, we developed our case studies when such induction programs were already adopted by companies. A relevant future stream of research can be related to longitudinal studies and/or to the focus on the design and implementation process.

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Appendix A. Interview checklist

1) **Informant personal information**
   a) Role, previous experience
   b) Experience as a director
2) **Induction**
   a) Induction program: presence; reasons, sponsor, frequency and duration, structure, topics, internal/external speakers, compulsoriness (yes/no)
   b) Importance of the program, benefits perceived
   c) Drivers to explain the adoption, motivation to comply with the corporate governance code provision
   d) Feedback from directors

Appendix B. Coding

Codes	**Representative quotations**[14]	**Relation with the Mintzberg et al. (1976) model**
Pre-requisites	"To be effective, a board needs different expertise even from different industries"	Identification
Motivation	"The aim of the induction was to give an overview on the organization and the management system" "The induction helps you in defining were you are landed" "The input was years ago when this new recommendation of the Code [went out] "	
Sponsor	"A primary role in this field is taken by the Chairman … Together with the Chairman, a primary role was played by the CEO"	
Contents	"We started with business, then compliance and regulation"	Development
Participants	"Our peculiarity I think is the involvement of, in addition to board members, statutory auditors"	
Instructor	"The external consultant gives an overview and then we say – well, this is the general, we are here, we will do this and we are positioning in this way"	
Organization site	"We organized a board meeting in the US in the headquarters of a subsidiary … after this board meeting, there was an induction session …"	
Scheduling plan	"… for two entire days, I can tell you they were two weekend days, Saturday and Sunday"	
Materials	"For each induction, we give the material to study as well as additional documents we create which are guides on the main documents of the company"	
Feedback	"We will ask for feedbacks at the end of the year to understand how it went or if they prefer another way"	-

14 Translation from Italian.