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# Symbolism as practice: a practice theoretical understanding of audit committee practices in emerging market family companies

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## ABSTRACT

The paper advances the symbolism debate drawing on a family governance setting in an emerging economy. The paper extends the practice turn literature, focusing on how key actors skilfully manoeuvre organisational practices, rendering audit committee (AC) toothless or symbolic. Relying on qualitative data through face-to-face interviews with key actors and archival and documentary survey, the paper demonstrates symbolism surrounding the implementation of ACs in a context in which listed companies are run by family shareholders. Non-family AC members find themselves in a practice where practices are symbolically manipulated to signal compliance while causing minimal disruption to the power and control of owner families. The paper also provides a theoretical account of symbolism contributing to a relatively underdeveloped area of AC research. Drawing on Schatzki's (2006, p. 2010) notion of practice memory, the paper brings to the fore the skilled manoeuvres of actors rendering AC toothless. The paper will spawn further theoretical and empirical attempt to develop the practice turn in AC literature especially in family governance settings.

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## 1. Introduction

Over the last decade, best-practice audit committee (AC) recommendations, modelled on the Anglo-American tradition, have been disseminated in varieties of institutional settings, including family governance settings (OECD, 2015). Internationalisation, economic dependence and competition for global capital have intensified pressures to replace the traditional family governance systems with Anglo-American practices such as independent boards and committees, professional oversight, attention to shareholder value and transparency (Aguilera & Crespi-Cladera, 2016; Ahmed & Uddin, 2018). Nevertheless, this has brought governance challenges for family-controlled publicly listed companies, especially in emerging economies (Lien et al., 2016).

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Many studies have examined AC recommendations and their effectiveness in family or non-family publicly listed companies (Soobaroyen et al., 2019). A limited yet growing number of these studies have focused on AC practice contributing to a “practice turn” in the literature (Brennan & Kirwan, 2015; Compernelle & Richard, 2018; Whittington, 2011). Such development in the literature problematises the adoption of best-practice AC recommendations and the development of substantive vs symbolic practices (Soobaroyen et al., 2019; Tremblay & Gendron, 2011; Yildirim-Öktem & Üsdiken, 2010).

Prior studies have documented both substantive monitoring activities and symbolic rituals in AC practices (Beasley et al., 2009; Soobaroyen et al., 2019; Spira, 1999). However, research on the role of key actors in producing symbolic or substantive AC practices is still scarce. Some studies have demonstrated how key actors facilitate substantive AC practices, often going beyond regulatory expectations (Compernelle & Richard, 2018; Turley & Zaman, 2007). For instance, Compernelle and Richard (2018) demonstrated that the AC chair’s initiatives, such as asking probing questions, arranging informal meetings or interacting with managers and AC members outside official meetings, ensured effective AC practices. In contrast, studies have documented how CEOs control information flow to ACs and appoint friendly AC members to limit AC effectiveness and become symbolic (Lisic et al., 2016; Carcello et al., 2011).

The legitimisation role of symbolic rituals in AC has been noted in the literature (Beasley et al., 2009). However, studies taking a particular interest in the implementation of best practice AC recommendations view “symbolism”<sup>1</sup> as resistance limiting substantive practices (Tremblay & Gendron, 2011). Whilst these studies advance the symbolism vs substantive debate, the theoretical understanding of key actors’ role in AC practices needs further scrutiny (Brennan & Kirwan, 2015; Compernelle & Richard, 2018; Gendron, 2018). In particular, we would argue that previous studies do not seem to focus explicitly on what skills and resources key actors bring to bear to make ACs either substantive or symbolic. The paper fills this gap.

It is already well established in the corporate governance literature that reforms in family governance settings tend to produce ceremonial adoptions instead of the fundamental change desired by international agencies (Ahmed & Uddin, 2022, 2018; Kabbach de Castro et al., 2017; Sobhan, 2016; Yildirim-Öktem & Üsdiken, 2010). Drawing on Archer’s work on Reflexivity, Ahmed and Uddin (2022) provided an explanatory account of why family directors resist corporate governance reforms. However, how key actors, drawing on their skills and resources, turn the reforms such as AC best practice recommendations ineffective is not well studied. Thus, further empirical and theoretical scrutiny of the skills and resources of key actors in AC practices would provide better explanations for why, in certain settings, AC recommendations tend to produce symbolism resisting substantive AC practices. Thus, the paper poses the following questions. How do key actors render ACs symbolic or substantive? What skills and resources have the key actors brought to bear in this process?

This paper is well placed to address the above questions because it draws empirical illustrations from family-controlled listed companies in an emerging economy – Bangladesh.

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<sup>1</sup>Change is “symbolic” when the imposed legalistic rituals are performed to comply (in appearance) with the best practice recommendation – but actors’ “ways of thinking and doing are not transformed” (Tremblay & Gendron, 2011, p. 263; Meyer & Rowan, 1977). In such situations, an AC would work in a more symbolic or ceremonial than substantive way making reforms/recommendations meaningless or toothless.

Bangladeshi companies had to adopt ACs and other Anglo-American best practices under the corporate governance reforms prescribed and sponsored by development partners, notably the World Bank and the International Monetary Fund (IMF) (ADB, 2016; World Bank, 2009, 2015). Nevertheless, controlling families' dominance over boards and committees complicates the institutionalisation of ACs in family PLCs, especially in the context of underdeveloped institutional settings, culture and economic history (Aguilera & Crespi-Cladera, 2016; Ahmed & Uddin, 2022). The governance challenges, emerging tensions, power dynamics (Ahmed & Uddin, 2018; Siddiqui, 2010), traditional culture (Uddin & Choudhury, 2008) and socio-emotional wealth attachment (Gomez-Mejia et al., 2011) make the family-dominated ACs an interesting setting. These are reportedly salient in many other emerging economies, including Bangladesh (Ahmed & Uddin, 2018; Singh & Zammit, 2006; Tsui-Auch & Lee, 2003). Yet AC practices of family-controlled (but stock exchange listed) companies, contextualised in an emerging economy setting, remain neglected in the AC literature and often tend to be dismissed as lacking global relevance, whilst the opposite is true in the highly integrated globalised market economy (Family Firm Institute, 2017). Family-controlled companies have surprisingly incited little discussion in the AC literature, despite the reality of dispersed share ownership as "an exception rather than the rule around the world" (La Porta et al., 1999, p. 498).

The contributions of our paper to the AC literature are twofold. First, the paper contributes to the debate on substantive vs symbolic AC practices. The paper extends the practice turn literature, focusing on how key actors skilfully manoeuvre organisational practices, rendering ACs recommendations toothless/ineffective. Second, the paper provides a theoretical account of symbolism contributing to a relatively underdeveloped area of AC research. We argue that Schatzki's (2006, p. 2010) notion of practice memory was very apt to find different forms of rationality or intentionality and how they become meaningful to actors through their engagement in practice. They may remain tacit and embodied but have real implications for AC practices.

The paper proceeds in eight sections. Section 2 reviews the literature on AC practices and sets the context of our research. Schatzki's (2006, p. 2010) notion of practice memory and its pertinence to the study of AC are briefly sketched in section 3. Details of our research methodology in section 4 are followed by the presentation of the sociocultural context of governance. AC recommendations and AC practices are analysed in section 6. Sections 7 and 8 offer the theoretical discussion and some conclusions.

## 2. Symbolism, audit committee and family governance

The audit committee (AC) has attracted increasing attention worldwide in policy and research, particularly in the aftermath of the Enron and accounting scandals (e.g. the Sarbanes-Oxley Act of 2002 in the US). Researchers documented the practical limitations of these reforms (Lisic et al., 2016), the expectation gap (Beattie et al., 2014), and the struggle of AC members in the context of CEO powers (Bruynseels & Cardinaels, 2014). The AC recommendations and the development of substantive practice have also been examined in a limited but growing number of studies following the AC reforms in the Anglo-American framework (Compernelle & Richard, 2018; Soobaroyen et al., 2019; Spira, 1999). For instance, studies have revealed that the shared values, power, influence and resistance (Brennan & Kirwan, 2015; Tremblay & Gendron, 2011); role,

decision process, norms and meaning constructions (Beasley et al., 2009; Gendron, 2009; Gendron & Bédard, 2006) and interactions, formal and informal process (Salleh & Stewart, 2012; Sarens et al., 2013; Turley & Zaman, 2007) underpin AC practices. However, these studies examined typical Anglo-American best practices. They paid relatively scant attention to exploring how AC members deal with complex and evolving regulatory expectations, especially in family governance settings. We also find that the existing literature seems to focus on the actions or strategies of key actors in limiting or enhancing ACs. Our paper advances this line of inquiry, focusing not only actions or strategies of actors but also on the skills and resources they deploy in their attempts to underpin AC practices.

It is established in the literature that family-controlled (but stock exchange-listed) companies, mainly noticeable in emerging Asian economies, come with different norms and expectations. Governance in these companies is often control-based and relational and operates through numerous formal and informal structures and mechanisms, such as specialised advisory committees or protocols (Tsui-Auch & Lee, 2003). For example, South Korean and Singapore companies are embedded in closely knit networks forged by family and personal ties, in which insiders (family and friends) are trusted, and outsiders are distrusted (Tsui-Auch & Lee, 2003). Often companies grow, taking advantage of a close relationship between business, government, and banks instead of relying on the capital market (Singh & Zammit, 2006). Business families, even when they have a non-controlling stake (less than 50% of share ownership), still manage to maintain absolute control over the listed companies across generations by reserving the board and senior management positions for clans and trusted cronies (Ahmed & Uddin, 2022; Uddin & Choudhury, 2008).

The predominance of fundamentally control-based governance (in emerging economies, including Bangladesh), as opposed to market-based models (common in the USA and UK), is linked to their institutional development and social and economic histories (Tsui-Auch & Lee, 2003). Underdeveloped capital markets, weak property rights and inefficient contracting mechanisms often led founders to rely on family and social relations to grow wealth/business (Dinh & Calabrò, 2019). Often the families or clan groups with considerable vested private benefits of control dominate polities (Ahmed & Uddin, 2018; Tsui-Auch & Lee, 2003). Such dominance eventually concentrates wealth and opportunities in the hands of controlling families and complicates governance choices and reforms (Kabbach de Castro et al., 2017; Singh & Zammit, 2006).

Nevertheless, the policy and academic debates to date tended to locate the origin of governance issues in family companies to conflicts of (economic) interests between family and non-family shareholders (Young et al., 2008). This has led to increased attention to mitigating such conflicts through adopting dispersed shareholder-based Anglo-American governance in family companies. The implicit assumption of uniformity and enduring fit of governance mechanisms remain controversial in the literature (Avina-Vazquez & Uddin, 2016). In the words of Young et al. (2008, p. 199): “[their] corporate governance structures often resemble those of [developed economies] in form but not in substance.” For example, Selekler-Goksen and Yildirim-Öktem (2009) observes pseudo-professional facades in Turkish family-listed companies in response to the institutional pressures to professionalise their boards and committees. Ahmed and Uddin (2022) found that family directors deployed various resistance strategies, such as coordinated lobbies and counter-narratives preventing board reforms. They intensively studied

key actors' deep economic and non-economic concerns to understand these resistance strategies to board reforms. Our paper aims to extend this literature by capturing the skilled manoeuvring of actors to limit the substantive changes to AC practices.

Theoretically, a wide range of perspectives is used, including institutional theory (Beasley et al., 2009), Latour's notion of trials of strength (Tremblay & Gendron, 2011) and Schutz's phenomenology of the social world (Gendron & Bédard, 2006), to mention just a few that theorise a different aspect of AC practices including symbolic or substantive practices. While we do not deny the benefits of exploiting the above social theories, existing explanations have provided limited focus on AC members' skilled organisational manoeuvring, particularly what (skills/resources) enable such manoeuvres and how they negotiate emerging tensions in this process.

While previous studies recognised the importance of actors' power in shaping practices (Ahmed & Uddin, 2022; Compornolle & Richard, 2018), we argue that an exploration of intentionality and the skilled organisational manoeuvring inscribed into practices complicating the implementation of regulations has received less attention. In a situated context, exerting power may not make sense to certain actors despite having the power. The intentionality of actions (what makes sense to say and do) become meaningful to actors through their engagement in practice. The existing theoretical efforts, such as the concept of "reflexivity" (Ahmed & Uddin, 2022), approach the interests, constructions, and personal attributes as an entry point to explain actors' agency (actions). Diverting from this, we intend to focus on practice. Inspired by Schatzki's (2006, p. 2010) practice thinking, we argue that practices can bring dimension and give meaning to actors' interests, constructions, and shaping actions in situated settings. Focusing on practices is useful to uncover the negotiation of inherent tensions and evolving expectations and the courses of action enacting symbolic practices.

Extending this line of argument theoretically, this paper draws on Schatzki's (2006, p. 2010) notion of practice memory. It adopts context-based research to explore how AC members skilfully adapt and translate the best-practice AC recommendations in Bangladeshi family-controlled listed companies. Below we outline the theoretical framework.

### 3. The theory of practice memory

We rely on Schatzki's (2002, p. 2006, 2010) notion of "practice memory" to shed light on symbolism in AC practices. Among the contemporary theories of practice, Schatzki's "practice memory" is a relatively recent addition to the accounting literature (Ahrens & Ferry, 2018). The utility of his theory for our study comes from his interest in the evolution of practice through practice memory. Schatzki (2006) views practice memory as the persistence of structures of practices from the past into the present by way of rules, practical understandings (skills and know-how in performing the actions in practice) and teleo-affective structures (purposes, goals and emotions that underpin and govern performance). Actors in practice may have distinct interests, but the persistent structural elements hold the actions of these multiple actors together in practice. These elements are embodied capacities in practice memory and produce normativity (Schatzki, 2002).

For Schatzki, practice is defined by normativity, not by regularity. The normativity of practice means a sense of acceptability necessary for an action to count as an instance of a particular practice. This normativity – acceptability of what can be said and done – exists

through the practice's "teleoaffective structure" – the goal-oriented reasons for actions to enjoin common ends and the associated emotions and feelings: how things matter (Schatzki, 1996, p. 123). These are shared, normative forms of guidance that are more tacit: knowing through participation what is correct and acceptable behaviour (Schatzki, 1996, p. 101). By shaping "how things matter" (Schatzki, 2002, p. 52), teleological ends shape practical intelligibility (also known as action intelligibility), what makes "sense" to do. Individuals do what, from their practical intelligibility, makes sense for them to do, even though it may have no explicit reference to what is rational, normatively prescribed or scientifically correct (Schatzki, 2002, p. 75). In this study, the dominance of founding families on company ownership and management means the "common end" of directors is to maintain family control and the associated sentiment or feelings surrounding family legacy, values and culture. Theoretically, actors in AC practice are likely to have a normative understanding of "which ends should be pursued, which projects, tasks, and actions carried out for that end" (Schatzki, 1996, p. 101) and how that matter. Thus, teleological ends embodied in past practice memories govern present practice by defining how a practice is carried out and thought about. Thus, practice memory is articulated as a telos of a practice that encapsulates the practice's past, present, and future dimensions as it happens.

Following Schatzki (2006, p. 1869), practice memory in our study is instantiated as a kind of knowledge that AC members know through their engagement in practices – what is acceptable – and this is the persistence of the organisation's structure from the past into "now" along with "actions, thoughts, experiences, abilities and readiness". AC members acquire such knowledge by interacting with others before, during and after performances, contributing to revised knowledge/understanding about how practices could be performed in the future. Through this "knowing-in-practice" (Gheradi, 2009), practice knowledge is learned through participation and understood as dynamic, collective and distributed actions: a socially constructed expertise. In performing a practice, actors perpetuate the practice, but always in the context of judging how to adapt and modify it to circumstances /adapt the practice to meet the normative ends or goals in the situated contexts. For example, an AC chair can introduce variation into the performance of the AC meeting based on their previous professional experience in the same role or similar practices carried out in other contexts. They may have material interests in being sceptical and asking probing questions in AC meetings to protect the rights of minority shareholders, but whether they will do that depends on their intelligibility shaped by engagement in practice. Only by knowing the practice as it happens can the actors' agency (actions, interests or motivations) be approached.

Seen through the lens of "practice memory", AC practice (be it substantive or symbolic) is a collective achievement that is conditioned by the normativity of an overall sense of actions with learned and shared purposes, emotions and know-how that make it possible to carry out an array of activities in a desirable manner. Actors (family directors, independent AC, or ex-officio members) come to inhabit the "practice world" through their engagement in practice: they learn what it makes sense to do, which becomes inseparable from them in carrying out the actions in practice. Tracing practice memory requires us to study the present sayings and doings that refer to the prevailing teleoaffective structure, rules and practical understandings and how AC members, family and non-family, make sense of AC practice. Following Ahrens and Ferry (2018, p. 15), we aim to observe, for example, conversations, governance codes, policy guidelines, agenda

and minutes of meetings, and training, as well as references to rules, precedent, know-how and understandings, that seek to engender interactions through which normativity can be espoused, for example, by assisting in determining appropriate rules, ends and emotions, and uses of practical skills for specific situations.

Drawing on the above theoretical narratives, this paper approaches how actors skillfully manoeuvre to enact their desired (symbolic) AC practices. We believe that examining key actors' skills or know-how and abilities (practical understanding), their experiences with the rules and their determination to achieve common goals (teleoaffective structures) will enable us to shed light on symbolism in AC practices.

#### 4. Research methodology

Our methodological choice reflects the deep epistemological bases of Schatzki's (2006, p. 2010) practice thinking. Qualitative data was collected through face-to-face interviews and archival and documentary surveys. We studied the ACs of the eight largest (in terms of total asset value) public limited companies listed on the Dhaka Stock Exchange (DSE). These companies, with an average of 37% of equity ownership concentrated in the hands of the founders' families, belong to three large business groups in Bangladesh and are mainly run by second or third-generation heirs (many of whom are Western-educated) and trusted managers.

In total, 27 semi-structured interviews were conducted by the first researcher in two rounds. All the interviewees were directly involved in the AC practice. Between February and August 2013, 21 interviews were conducted with four family directors/AC members, one founder-chairman, five independent AC members/chairs, six senior non-family managers, two external auditors, and three regulators. These interviews took place within a year of the mandatory compliance requirement when some of the companies were in an early stage of AC formation, and the AC members had had only one or two AC meetings. To generate more data, the second round of interviews was conducted with two AC chairs, three senior non-family managers and one regulator from June to August 2016. The interviews were supplemented by clarifications/telephone calls and continued review of the research field, literature, and other data sources until September 2018.

Interviews were semi-structured to discern the respondents' interactions and experiences through a free flow of discussion while permitting additional open responses beyond the initial questions (McNulty et al., 2013). While participant observation would have been helpful (Spira, 1999), we were not granted access. Interviews lasted for an average length of one hour. The interviews with family directors were lengthy, lasting between one and two hours, and additionally focused on their career paths and life trajectories. Interview access was negotiated through the researcher's contacts and subsequent snowballing. A list of interviews with anonymised details of the interviewees is presented in Table 1.

We sought to gain the confidence of the interviewees by conducting the interviews at their workplaces with full anonymity and confidentiality. All interviews were in Bangla and (except for two) were recorded, translated, and transcribed in English verbatim immediately after the interview. To tackle the translation bias and improve reliability, interviewees were provided with the option to verify the translated interview transcripts. In addition, the second researcher independently reviewed a sample of transcripts. Both



**Table 1.** Interviewee profile and characteristics of interviews.

<b>Panel A: Family directors/owners/managers</b>					
Interview	Role in AC	Other position and family relation	Company	Duration	No.pages
INT 01	AC member	CEO; Son of founder group chairman	BGB C1	72 min	30
INT 02	AC member	Executive Director and Acting Company Secretary; Daughter of group chairman	BGA C1	81 min	27
INT 03	AC member	Additional MD; Son of vice chairman	BGC C2	56 min	15
INT 04	AC member	Finance Director; Daughter of group chairman	BGC C1	115 min	54
INT 05	N/A	Chairman and founder of group A	BGA C1	52 min	19
<b>Panel B: Non-family independent AC members/chairs</b>					
Interview	Role in AC	Other position and qualifications	Company	Duration	No.pages
INT 06 <sup>2</sup>	AC chair	ID <sup>1</sup> ; Professor of Economics	BGA C2	76 min	23
INT 07	AC chair	ID; Retired stock exchange official	BGA C3	63 min	28
INT 08 <sup>2</sup>	AC chair	ID; Ex-regulatory official and academic	BGB C1	47 min	10
INT 09	AC chair	ID; Professor of Accounting	BGC C3	63 min	29
INT 10	AC member	ID; Industrialist	BGA C2	71 min	31
INT 11	AC member	ID; Group advisor	BGA C3	46 min	18
INT 12	AC member	ID; Retired government official	BGC C2	51 min	24
<b>Panel C: Non-family senior managers</b>					
Interview	Role in AC	Other position in company	Company	Duration	No.pages
INT 13	Ex-officio in AC	CFO	BGB C2	68 min	21
INT 14	Ex-officio in AC	CEO	BGC C3	50 min	8
INT 15	Ex-officio in AC	Head of internal audit	BGB C2	33 min	5
INT 16 <sup>2</sup>	Ex-officio in AC	General Manager, Head of Internal Audit & Compliance	BGC C1	27 min	4
INT 17	Secretary in AC	Financial Controller & Company Secretary	BGC C1	78 min	29
INT 18 <sup>2</sup>	Secretary in AC	Head of Finance & Acting Secretary	BGC C2	65 min	21
INT 19 <sup>2</sup>	Secretary in AC	Controller and Company Secretary	BGA C2	21 min	2
INT 20	AC member	CEO	BGA C1	33 min	8
INT 21	AC member	General manager, group advisor/ CEO of another listed company of the group	BGB C2	57 min	20
<b>Panel D: External auditors</b>					
Interview	Relation with AC		Company	Duration	No.pages
INT 22	External auditor		BGA C1	20 min	1
INT 23	External auditor		BGC C1	32 min	2
<b>Panel E: Regulatory body</b>					
Interview	Relation with AC	Position in the institution		Duration	No.pages
INT 24 <sup>3</sup>	Regulator	Senior official of the BSEC		30 min	2
INT 25 <sup>2,3</sup>	Regulator	Senior official of the BSEC		52 min	12
INT 26	Regulator	Senior official of the BSEC		75 min	20
INT 27	Regulator	Senior official of the BSEC		35 min	2
<b>Total</b>				<b>24 h 48m</b>	<b>465</b>

<sup>1</sup>Independent Director<sup>2</sup>Interviews conducted in 2016.<sup>3</sup>Interviews not recorded, but written notes were taken during the interviews.

researchers are native Bengali speakers. Additionally, the transcripts were revisited to address any factual inaccuracies complemented by other sources of evidence, such as annual reports and regulations. The interviewees were contacted to seek clarity in case of inconsistency.

The interviews were preceded by extensive desk research of the existing literature and an archival and documentary study on business families' historical and socio-political legacy and their governance structures. This helped to develop the interview protocol comprising a set of open questions (for different panels of interviewees), starting with demographic information on the interviewees. Questions were asked on their role and experience in the AC/business, career paths, engagement/interaction with the AC, changes in AC rules/regulations/practices, evolving regulatory expectations, family values/beliefs/traditions about AC/corporate governance, family directors' motivation for continuity/change over generations and so on. This protocol was flexibly used as a guide while probing participants on issues emerging during the interviews. AC members' narratives/experiential accounts were useful in capturing the enactment of practice in its complexity, tensions, and contradictions. Informal notes were taken while listening to the recordings to make sense of what had been said and to revisit the researcher's understanding of AC practice. This led the protocol to be revised iteratively based on emerging evidence/notes, thus improving the validity of interview evidence.

In addition, to better understand the origins and consequences of AC reforms and the responses of family owners, we analysed numerous documentary and archival materials, including websites, media reports and documentation relating to the AC (e.g. agendas and minutes, terms of reference, review reports, other AC reports, etc.), mostly handed out during the interviews. Some of the family directors interviewed shared with us confidential company documents (such as internal codes of conduct) and personal documents (such as the unpublished autobiography of one founder). These data sources were used to trace the firm-specific AC reform/implementation agenda, evolving expectations/tensions and practices. We have also reviewed a range of published reports, research and policy papers of donors (such as the World Bank and the IMF), regulatory bodies and civil society institutions, and unpublished reports from various bodies, such as probe reports on the stock market collapse. This last source particularly aids in understanding rules and broader social, cultural, and material arrangements. [Table 2](#) provides detailed information on the family companies and the data sources.

We followed the data analysis approach of Ahrens and Ferry (2018). This involved tracing the practice memory concerning elements of practices: rules, understandings and teleoaffective structures. This led us to focus on statements about the rules and long-established goals of control-based governance, their affective dispositions, and re-enactments of past practical understandings of how to make decisions, interpret rules, arrange meetings, prepare reports and ensure accountability to shareholders. In our account, we seek to show how those statements and narratives were practice memory in the sense that they comprise elements of practices. Also, it was important to consider the sociocultural context of family governance and related beliefs, legacies and emotions as these pervaded the past practice organisation. Through abductive reasoning, that is, by moving back and forth between empirics and theory and this process, we develop the theoretical narratives around AC practices.

The authenticity of evidence is deeply inscribed into Schazki's methodology, which encompasses actors' actions and entwinement in situated settings. To improve internal validity and reliability, we resorted to the triangulation of evidence from different data sources. Side by side, we reviewed the consistency between the data sources, the data

**Table 2.** Description of family firms and data sources.

Company; Industry; Generation in management	Archival data	Documentary data	Interviews		
			No.	Interviewee	Position in company
BGA C1; Ceramics; First, second and third	<ul style="list-style-type: none"> <li>• Company webpage</li> <li>• Newspaper/magazine reports (7)</li> <li>• Videos published by company (16)</li> <li>• Autobiography of the group founder</li> <li>• TV interviews/ talk shows with family owners of business group A (7)</li> </ul>	<ul style="list-style-type: none"> <li>• Agenda and minutes of AC meetings</li> <li>• Terms of reference for AC</li> <li>• Review reports</li> <li>• Articles of association</li> </ul>	4	<ul style="list-style-type: none"> <li>• AC member</li> <li>• Secretary in AC</li> <li>• External auditor</li> <li>• Group Chairman</li> </ul>	<ul style="list-style-type: none"> <li>• CEO</li> <li>• Executive Director and Acting Company Secretary</li> <li>• N/A</li> <li>• Board Chairman</li> </ul>
BGA C2; Food and Allied; First and second	<ul style="list-style-type: none"> <li>• Company webpage</li> <li>• Newspaper/magazine reports (5)</li> <li>• Videos published by company (9)</li> </ul>	<ul style="list-style-type: none"> <li>• Agenda and minutes of AC meetings</li> <li>• Terms of reference for AC</li> </ul>	3	<ul style="list-style-type: none"> <li>• AC chair</li> <li>• AC member</li> <li>• Secretary in AC</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director on Board</li> <li>• Independent Director on Board</li> <li>• Controller and Company Secretary</li> </ul>
BGA C3; Textile; First and second	<ul style="list-style-type: none"> <li>• Company webpage</li> <li>• Newspaper/magazine reports (6)</li> <li>• Videos published by company (9)</li> </ul>	<ul style="list-style-type: none"> <li>• Agenda and minutes of AC meetings</li> <li>• Terms of reference for AC</li> </ul>	2	<ul style="list-style-type: none"> <li>• AC chair</li> <li>• AC member</li> <li>• AC chair</li> <li>• AC member</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director on Board</li> <li>• Independent Director on Board</li> <li>• Independent Director on Board</li> <li>• CEO</li> </ul>
BGB C1; First and second; Food and Allied	<ul style="list-style-type: none"> <li>• Company webpage</li> <li>• Newspaper/magazine reports (13)</li> <li>• Videos published by company (17)</li> <li>• Documentary on the group B (1)</li> <li>• TV interviews/ talk shows with family owners of business group B (13)</li> </ul>	<ul style="list-style-type: none"> <li>• Agenda and minutes of AC meetings</li> <li>• Terms of reference for AC</li> <li>• Review reports</li> <li>• Group code of conduct</li> </ul>	2		
BGB C2; First and second; Cement	<ul style="list-style-type: none"> <li>• Company webpage</li> <li>• Newspaper/magazine reports (8)</li> <li>• Videos published by company (6)</li> </ul>	<ul style="list-style-type: none"> <li>• Agenda and minutes of AC meetings</li> <li>• Review reports</li> <li>• Group code of conduct</li> </ul>	3	<ul style="list-style-type: none"> <li>• Ex-officio in AC</li> <li>• Ex-officio in AC</li> <li>• AC member</li> </ul>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• Head of Internal Audit</li> <li>• General Manager and Group Advisor</li> </ul>

BGC C1; First and second; Fuel and Power	<ul style="list-style-type: none"> <li>• Company webpage</li> <li>• Newspaper/magazine reports (11)</li> <li>• Videos published by company (9)</li> <li>• Documentary on business group C (1)</li> <li>• TV interviews/ talk shows with family owners of group C (9)</li> </ul>	<ul style="list-style-type: none"> <li>• Agenda and minutes of AC meetings</li> <li>• Memorandum and articles of association</li> </ul>	4	<ul style="list-style-type: none"> <li>• AC member</li> <li>• Ex-officio in AC</li> <li>• Secretary in AC</li> <li>• External auditor</li> </ul>	<ul style="list-style-type: none"> <li>• Finance director</li> <li>• General Manager, Head of Internal Audit &amp; Compliance</li> <li>• Financial Controller &amp; Company Secretary</li> <li>• N/A</li> </ul>
BGC C2; Textiles; First and second	<ul style="list-style-type: none"> <li>• Company webpage</li> <li>• Newspaper/magazine reports (5)</li> <li>• Videos published by company (10)</li> </ul>	<ul style="list-style-type: none"> <li>• Agenda and minutes of AC meetings</li> <li>• Ethical code of conduct for directors and managers</li> </ul>	3	<ul style="list-style-type: none"> <li>• AC member</li> <li>• AC member</li> <li>• Secretary in AC</li> </ul>	<ul style="list-style-type: none"> <li>• Additional Managing Director</li> <li>• Independent Director on Board</li> <li>• Head of Finance and Acting Company Secretary</li> </ul>
BGC C3; Services and Real Estate; First and second	<ul style="list-style-type: none"> <li>• Company webpage</li> <li>• Newspaper/magazine reports (11)</li> <li>• Videos published by company (14)</li> </ul>	<ul style="list-style-type: none"> <li>• Agenda and minutes of AC meetings</li> </ul>	2	<ul style="list-style-type: none"> <li>• AC chair</li> <li>• Ex-officio in AC</li> <li>• Senior officials</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director on Board</li> <li>• CEO</li> <li>• N/A</li> </ul>
The BSEC (Capital market regulatory authority)	<ul style="list-style-type: none"> <li>• Official webpage</li> <li>• Press releases and reports</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Governance Code</li> </ul>	4		

codes/themes, and the theoretical interpretations. To test the validity of the interpretation, the second researcher reviewed coded transcripts for counterevidence, and we reached a consensus based on discussions. This contributed to increased sensitivity and openness to meanings within the data.

## 5. Family companies in Bangladesh: the sociocultural context and traditions of corporate governance

To better understand the broader contextual origin of organisational memories, we delve deeper into the sociocultural context and tradition of family-control-based governance that pervaded the companies studied. Such governance tradition is linked to the ownership structure and the broader socio-cultural, institutional, and economic history (Ahmed & Uddin, 2018). About 74% of Bangladesh's publicly traded stock exchange-listed companies have emerged from family-owned business groups (Nahid et al., 2019). Under this type of ownership, commonly known as the “pyramidal” structure, the parent/holding company of the group (owned by the founder's family) has affiliated companies diversified in multiple industries, some of which are listed in the exchanges to raise capital from shareholders. The controlling stake of business families in the listed companies gets intensified by direct share ownership and indirect cross-shareholdings through the complex “pyramidal” ownership (Singh & Zammit, 2006; Sobhan & Werner, 2003; Tsui-Auch & Lee, 2003).<sup>2</sup> It is estimated that around 90% of the 200 largest (in total asset value) listed companies in Bangladesh are family-controlled (PwC, 2018).

Nevertheless, family-controlled companies do not necessarily indicate that a family owns the majority shares. Minority (i.e. less than 50% share ownership) stake of business families in the listed companies is quite salient in Bangladesh (Sobhan & Werner, 2003). However, these business families have full control over the companies by reserving the board and management positions and taking advantage of dispersed shareholders (Ahmed & Uddin, 2018).

The dominance of family companies in the stock market is linked to the donor-prescribed privatisation programmes of the 1980s and 90s (Uddin & Hopper, 2003). However, raising capital through the stock market was never very common, partly because of the owners' reservations about the dilution of control (Ahmed & Uddin, 2022). To prevent the dilution of control while listed on the stock exchange, wealthy business families wield considerable economic, social, and political power, allowing them to play with capital market rules and regulations (Siddiqui, 2010). This was evident in governance scandals/corruptions and stock market collapses involving coordinated shams by politically influential business families and regulatory officials (Reuters, 2011; The Daily Star, 2011).

General shareholders (often holding the majority ownership) find themselves in the position of non-controlling owners whose material interest seemingly only lies in making quick money through short-term trading based on speculation of share prices,

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<sup>2</sup>The sponsors/ owner directors of listed Bangladeshi companies do not have dual-class shares with special voting or ownership rights. Since 2015, the companies must disclose the shareholding position of sponsors/ founders and shareholders who hold 10% or more shares. All sponsors and directors must jointly have a minimum of 30% shares of the paid-up capital of their company (BSEC, 2011).

widely called “gambling” (The Economist, 2011). These shareholders have confidence in founding business families and often invest in the shares of companies based on family names. According to one director, family leadership is “exactly what [...] shareholders want.” Justifying the legal requirement of the minimum 30% shareholding jointly by sponsors and directors, one ex-official of the Securities and Exchange Commission argued that violation of this might “drive small-scale investors (shareholders) to lose interest in the companies.”

Nevertheless, the capital market in Bangladesh has grown over the years. Unlike South Korea, Taiwan and some other Asian countries, where competition for global capital, internationalisation and global shareholder activism following the Asian financial crisis have fostered rapid reforms in governance and ownership structures, Bangladeshi family PLCs had to adopt ACs and other Anglo-American best practices mainly under the governance reforms prescribed and sponsored by donor agencies, notably the World Bank, and the Asian Development Bank (ADB) (ADB, 2016; World Bank, 2009, 2015). In the early 1990s, these agencies pressured the government to bring accountability and transparency into the private sector to promote capital market-led economic growth (World Bank, 1993, 2003). Notably, the 1996 stock market collapse, loan scams and corruption involving family companies provided justifications for reforms to curb family power over the companies through adopting AC and other Anglo-American best practices.

The joint initiative of the World Bank and the IMF on Reports on the Observance of Standards and Codes (ROSC) raised concerns about insider trading, related party transactions, and the integrity of financial reporting and audits in the family companies (World Bank, 2003). Independent and professional oversight of financial reporting and audits via AC was a key measure for protecting non-controlling shareholders’ rights, thus building investor confidence and mobilising the capital market. In 2006, the Bangladesh Securities and Exchange Commission (BSEC) issued the first Corporate Governance Code, which required AC in all listed companies on a “comply or explain” basis (BSEC, 2006). In the second round of ROSC, the provision on AC was reported to be “moderately implemented” in the listed family companies (World Bank, 2009). Amidst the continued reform pressures, the BSEC has revised the Code from time to time, making AC mandatory since 2012 (BSEC, 2012). A new Code was issued in 2018, but the provisions on ACs remain the same. Nevertheless, the reform initiatives were seemingly marred by tension, mainly stemming from the powerful family owners’ unwillingness to lose their tight grip on control of the listed companies (Ahmed & Uddin, 2018).

Until today, families or groups with considerable vested private benefits of control dominate politics, taking advantage of underdeveloped capital markets, weak property rights, inefficient contracting mechanisms, etc. There is considerable recent literature demonstrating the overwhelming prevalence of family- and clan-based institutions in emerging economies (not just Bangladesh) with implications for corporate governance practices (Lien et al., 2016; Uddin et al., 2017). Nevertheless, these institutional features did not prevent donor agencies from prescribing and sponsoring Anglo-American reforms in emerging economies, including Bangladesh.

The tradition of “keeping all in families” is deep-seated in the socio-cultural history of Bangladesh. Such sociocultural traditions conditioning strong family sentiment

surrounding family control over listed companies is also documented in prior studies (Ahmed & Uddin, 2022; Uddin & Choudhury, 2008). Our fieldwork and previous studies have demonstrated that corporate boards often take the chairman, chief executive officer (CEO) and other directors from the controlling families (Ahmed & Uddin, 2018). Family owners occupying multiple positions with different incentives and interests, including being in the AC, complicate corporate governance. Often business decisions are reached informally within the circle, the family and trusted managers. Companies are run as “family entities”, and family stewardships prevail in various forms. All the companies studied in this paper have inside grooming facilities for heirs and managers in addition to the succession plan and other protocols<sup>3</sup> to manage their control. As such, the sentiment or aspiration for family control is deeply entrenched. This makes accounts, internal control and auditing sensitive or secretive functions. As a general practice, these fall under the authority of the executive committee (EC), the top management committee. This committee is typically composed of active family director(s) and trusted members of the senior management team. During interviews, family directors justified their reliance on family and clans on belongingness, trust and commitment. One founder-chairman asserted:

Our family name is enmeshed with the success of this group. Employees are an extended family; without their commitment, this group would not grow.

The company’s undue control of a minority group – family owners – has influenced accounts, reporting and audits. For instance, Khan et al. (2015) noted that family companies choose lower-quality auditors and pay significantly lower audit fees than non-family companies. Previous research has also found that accounts departments and audits are subject to the control interests of high-ups (Reaz & Arun, 2006; Uddin & Choudhury, 2008; World Bank, 2009).

Given the conditions presented above, (non-family) AC members are familiar with how “the family rules” over the listed companies, even with a minority share ownership (Uddin & Choudhury, 2008). The question has been raised of to whom they should be accountable practically. Is it general shareholders? Regulators? Family owners? Whatever issues around family governance have, we find, prompted the regulators and donors to tighten up the AC, as explained below.

## 6. AC recommendations and practices

The following sections seek to show how the sociocultural tradition and context of family governance pervaded the past practice organisation (Schatzki, 2006) of family companies and actors’ efforts at reshaping practices in certain ways. We focus the presentation of our empirical findings on examples of how regulatory changes were implemented while resonating with the normative ends of actions and practice memory that underpinned AC and other governance practices within the family companies. We structure the section in two parts. First, we present the AC recommendations and regulatory expectations. This elaborates on the expected practices of ACs. Second, we analyse how AC

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<sup>3</sup>For example, companies A and C have a Shares Redemption Fund to buy back any shares that family members want to liquidate.

recommendations were implemented. This enables us to reflect on how key actors played an important role in the AC practices and what skills and resources are employed in this process.

### **6.1. AC recommendations**

For AC practice, rules consist of AC recommendations in the Corporate Governance Code (BSEC, 2012, 2018). These explicit rules conveying regulatory expectations constitute an essential element of practice. A key regulatory concern for forming ACs was to curb the private benefits of controls in listed companies to make their governance transparent, accountable and comparable with international best practices. As will be seen below, the regulatory expectations subscribe to Anglo-American governance principles of transparency, shareholder accountability, independence and professional competence.

The Code contains provisions for the AC to have at least three members with at least one independent director. The committee is recommended for protecting shareholders' interests through its independent and professional oversight of the integrity of financial reporting, internal control/risk management and auditing. To make the AC professional and accountable to shareholders, independent directors are given a more prominent role in the ACs. To strengthen monitoring and oversight of financial reporting and audit, the AC must be chaired by an independent director with professional competence in accounting and finance, and several reporting requirements are included. Transparency and accountability of the AC, involving reporting to directors and shareholders, form an important element of the Code. For example, the AC is specifically required to report in advance of the annual shareholders' meeting that it is satisfied with the independence and competence of the external auditor. The AC is empowered to independently review management letters and/or letters about any internal control weakness issued by the external auditors and make recommendations to the board on conflicts of interest between management and the auditors, risk management and so on, with a provision for it to report to the regulator in the case where management unreasonably ignores any of its recommendations. The duties and authority of AC members are to be defined by the board through written terms of reference.

### **6.2. AC in practice: the rise of symbolism**

Symbolism appears to be the name of the game in ACs. It is not surprising that the companies are treated as family fiefdoms in weak institutional settings. Nevertheless, how the symbolic practices appear to take shape is interesting and important. We find that the key actors (family directors) adopt deliberate strategies to keep the reforms at bay. This starts with regulators negotiating change with powerful family owners/directors. At this stage, family owners adopt strategies to influence the strict provisions imposed by the regulator, such as the tenure of independent AC members and family representation in the board/committees. The aim is to weaken the regulatory bite. We identified three deliberate strategies enacted by family directors to shape symbolic practices that diminish the value of accountability to general shareholders. These included: the endogenisation and codification of AC rules, organising short and controlled AC meetings and orchestrating counter-narratives regarding the role of AC and the AC chairperson.



### 6.2.1. *Endogenisation and codification of AC rules*

Family AC members directly involved in management and board are uniquely positioned to “rework” rules and regulations. Family members deployed their managerial skills and technical know-how to rework rules and regulations. This rework involved contesting and changing the AC rules formulated by regulators and reinterpreting them when implementing them at the firm level. Observing that independent directorship is increasingly becoming confined within a circle of elites, regulators introduced new regulations on the tenure of directorship and the number of posts (three at a time) directors can hold in ACs and boards (BSEC, 2014). Regulators believed this would force the companies to look for independent personnel beyond their circles. However, the lobby of wealthy business elites continued. Two strong associations, Bangladesh Association of Banks (BAB) and Bangladesh Association of Publicly Listed Companies (BAPLC) have been lobbying<sup>4</sup> to change the tenure of directors, arguing it would deprive the owners of their “right to wealth”. Despite long-standing pressure from the World Bank, IMF and other international bodies to curb family dominance<sup>5</sup> in corporate boards and committees, regulators have recently approved legislative amendments<sup>6</sup> doubling the number of directors on a board from a single family and extending the tenure of shareholding directors (The Daily Star, 2017). Family members use networking skills, such as lobbying with regulators to make amendments acceptable to them.

Family owners’ experience enabled them to recognise the potential threat to control, which eventually led them to use these skills to weaken the imposed AC regulations by various means, such as developing a confidential code of conduct. Family owners codify endogenous rules and routines surrounding the scope of AC operation, meetings, paperwork, accountability, and incentive structures to limit the imposed regulatory changes. As discussed below, the power of ACs to intervene to protect the interests of non-controlling shareholders (who often hold the majority stake) is systematically curbed by such internal codification of rules and routines.

For instance, the terms of reference are unclear enough in defining AC members’ roles, authority, and responsibilities. Our examination of some of these documents suggests that the duty assigned to the independent AC members is often not backed up with related authority, such as the power to call a meeting in the absence of management. In one company, the internal code of conduct strictly restricts its internal control division from any form of disclosure or reporting to any insider or outsider, including the AC members, without the consent of the CEO (who is the elder son of the founder and group chairman).

The executive directors interviewed construe AC requirements as “overlapping the oversight role of the executive committee to some extent” and an “unnecessary regulatory burden”. The following finance director (family connected and sitting on the executive

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<sup>4</sup>The BAB also demanded amendments to the legal definition of family, arguing that if a person is elderly and fully independent or has a separate business, they should not be counted as a family (Dhaka Tribune, 2017). Under the present law, “family” means spouse, parents, siblings, children, and any dependent on the sponsor director.

<sup>5</sup>Regulatory changes were brought in in 2013, limiting share-holding directors’ tenure (six years) and the number of directors from the same family (two). The 2013 amendments were in line with the advice of the IMF and followed international best practices (The Daily Star, 2017).

<sup>6</sup>The move came at a time when there were widespread allegations of loan scams and irregularities against directors of listed banking companies (The Daily Star, 2017).

committee) justified the executive committee's intervention in typical areas where AC engagement is required:

Internal control, auditor appointment and remuneration and similar oversights are continued to be handled by the executive committee. Concerning the regulatory demand of independent monitoring [over financial reporting and audit] by AC, our experience is that executive committee operation does not constrain AC from doing its job, but rather complements.

Auditor appointment and remuneration, among other matters, are usually decided with the consent of the family owners through the executive committee process. The following remark of one company secretary affirmed this:

External audit hardly comes to the AC's attention. Our CEO [who attends AC meetings] is well informed and deals with the AC members.

### ***6.2.2. Short, ritualistic and controlled AC meetings***

The AC practices, in general, are centred on the AC meetings. As a usual practice, meetings are regularly called, and members get a meeting pack (which contains an agenda and interim financial reports) either before or during the session. Nevertheless, family directors' concern for confidentiality, absolute control over key decisions and operational convenience turned the more substantive aspects of meetings into mere rituals. The ritualistic conduct of meetings is echoed in the following comment of one AC chair (a university professor):

For each meeting, there are some more or less common agenda ... you will find that the minutes are consistent over time. Accounts and reporting are shrouded in secrecy.

Ad hoc or informal AC interaction in the absence of "insiders" never occurs. Instead, meetings are scheduled based on members' availability and convenience. This company secretary's remark signifies his anxiety for the convenience of "busy" AC members:

We make sure all the papers are ready to sign in one go.

In addition, the meetings are kept short, preferably lasting no more than one hour. Confirming that the meeting's agenda and timetable are entirely set by internal management, one CFO and AC member comments:

Our CEO in charge of the EC [executive committee] deals typically with internal and external audit-related matters, and he sits in AC. Formally, these issues are never discussed in AC meetings. Quarterly AC meeting agendas are prepared in line with the guidelines, and subsequently, minutes are maintained. We are reporting full compliance.

One AC chairperson commented:

I am sitting on three boards. I have never found my colleagues discussing issues like internal control weakness, risk assessment, etc., in AC meetings.

One independent AC member articulated the challenge of monitoring powerful insiders as "the puzzle of who monitors whom". Independent AC members talked about the conflicts of interest resulting from the overlap of ownership, management and

directorship, making their monitoring role unclear. Regarding the challenge of monitoring powerful insiders, one AC chairperson opined:

ACs are toothless tigers. I have been the lone outsider in the AC [meeting] surrounded by insiders. Legally our authority and responsibilities are left to the discretion of the insiders we are supposed to monitor. Not to mention the conflict of interests. I once raised concerns over the management's decision relating to the capitalisation of borrowing costs. Being nominated by the institutional investor, I was in a strong position to convey my observations and recommendations. None of those was approved.

The head of internal control characterised the AC as a “paper committee”:

Internal control, audit and similar other governance mechanisms will not provide an additional cushion in protecting non-controlling shareholders' interests with such powerless paper committees.

“Toothless tiger” and “puppet committee” are the commonly used metaphors. According to one AC chairperson (a former stock exchange official):

It's not a wonder that ACs are turned into ceremonial practices. Using sheer dominance on the board, family shareholders can serve their interests no matter how independent, and professional board committees are. Compulsory AC requirement was first introduced for banks, and my experience says they [indicating family directors] are running the show even better for years. It's complicated until there is a change in the corporate culture and controlling mindset of business families.

Rituals of ACs reporting to directors, shareholders and regulators are also duly followed. A typical AC report to the board of directors, known as a review report, contains the ratio analysis of the financial performance and AC members' satisfaction with the adequacy of internal control, financial reporting and audit. The review reports hardly ever contain information about operational risk or weakness in financial integrity, and constructive guidance remained far beyond imagination. Company secretaries confirm that these review reports and other papers (requiring AC approval) are usually prepared in advance under the informal direction of the CEO or assigned EC member.

### ***6.2.3. Orchestrating counter-narratives: the role of AC and the AC chairperson***

Family AC members also construct various counter-narratives to delegitimise the role of ACs. Narratives such as “independent members as outsiders” against “entrepreneurial spirit” and “unnecessary burden” have changed the way the ACs are expected to operate. The changing regime of AC oversight and monitoring is an obstacle for family members running a business. Accounts, financial reporting, and audits persist as sensitive areas as far as controlling owners are concerned. For them, AC oversight, if not properly handled, may lead to “incompetent external intervention for inner financial matters”, which is detrimental to the interests of all shareholders. One family director characterised this as an “erosion of entrepreneurial spirit”. For the family directors, direct ownership control over financial reporting and other areas made the oversight and monitoring role of the AC an “unnecessary regulatory burden”. One CEO holding a position on the AC opined:

Because companies are closely held, ownership monitoring of management and financial reporting works effectively beyond the AC.

ACs are usually composed of family directors with one or two independent members who are seen as “outsiders”. Independent positions on the AC, particularly the position of AC chairperson, are usually filled by competent persons with professional qualifications. To cope with the “influence of outsiders” – independent members – only friends are selected for the board. One founder-chairman was straightforward in outlining the AC appointment process:

We are forming the AC for compliance. We select those who will listen to us.

The independence of AC members is subject to only cursory checks, and shareholders do not have any participation in the appointment process. For family owners, known “outsiders” can be more trusted and competent, contribute better than totally unknown ones, bring resources to the firm (e.g. the ability to lobby), and foster credibility and investor confidence, particularly for companies seeking global patient capital.

Our examination of the brief resume of AC chairpersons indicates the trend of appointing social elites such as ex-bureaucrats and regulatory officers, senior bankers, university professors, retired army officers, renowned industrialists and civil society members. Existing studies have also documented the practice of recruiting socially and politically connected elites to corporate boards and committees (Bruynseels & Cardinaels, 2014). The uniqueness in our case is that they must be “friends” to the family directors. Moreover, perhaps as a consequence, AC members seemed to be buying the idea, as will be reflected later, that companies are the personal fiefdom of families.

AC members’ accountability and fiduciary duty to shareholders for overseeing the financial reporting and audit by exercising professional scepticism and asking probing questions is considered a substantive process for AC effectiveness (Gendron & Bédard, 2006). Existing research suggests a range of incentives such as economic interests and reputation loss for adherence to professional due diligence in protecting shareholders (Beasley et al., 2009). Such stimuli are not prioritised by independent AC members interviewed.

Interview evidence suggests that the legal consequence of failing to perform the responsibilities of an AC member has never been clear. All the AC chairs, who also sit on the board as independent directors, hold qualifying shares for directorship required by the Companies Act. But unlike executive directors, their duties and responsibilities are defined by the board of directors as per the Corporate Governance Code instead of the Act. This led some AC chairpersons to hold that they were only accountable to the board, not shareholders. However, some AC chairpersons opposed this view, arguing that they are legally required to report to shareholders and attend the annual general meeting.

Regarding economic interests, (non-family) AC members get only a lump sum meeting honorarium, which according to one AC chairperson, is “very negligible given the accountability assigned to us and the legal liability we bear in signing the company documents”. Interview evidence suggests that the meeting honorarium typically does not exceed Tk15,000 (equivalent to £150). According to the above AC chairperson, the Company Act technically places “a heavy burden” on independent board/committee members by requiring the same standard of fiduciary duties as those of a company director. One of our interviewees, a professor of accounting, shared a bitter experience in his previous position as AC chairperson in a company. In his words:

I got a letter from the BSEC that I have been fined. I almost forgot about my position. Thanks to my school friend, the CEO, I did not have to pay. He managed it; I do not know how. The legal action was due to the failure to report the interim (unaudited) financial results to the regulator.

It seems non-family AC members are not worried about litigation risk because their decisions and reviews are subject to board approval, and the board is accountable to the shareholders. Without fear of potential litigation risk and reputation impairment, the AC members are lax in discharging their responsibilities effectively (The *Financial Express*, 2016). Being a member of the “corporate elite club” confers prestige and networking. None of the AC chairpersons mentioned their economic interest in joining ACs; instead, they said prestige, recognition and belongingness. This is reflected in the following comment of an AC chairperson (a professor of accounting):

Economic interest or incentive is not material; after all, it is not my career. Being an academic in a business discipline, corporate exposure is rewarding.

The independent AC chairpersons interviewed exhibit a lack of enthusiasm for demanding ad hoc meetings, asking difficult questions or raising agenda items in the interest of shareholders. Prior research also documents independent directors sitting on boards and committees who “rarely serve as advocates for minority shareholders or provide an outsider’s assessment of the company” (Sobhan & Werner, 2003, p. 69). In the face of cosy relations, independent and professional AC members’ discomfort and unwillingness to play a substantive role are not surprising. They appear to play their part while causing minimal disruption to the control and power of owner families. Disputing, let alone rejecting, family management’s decisions are highly unlikely. In the words of another AC chairperson:

You will see big names [chairing the AC]. But who cares? I mean, it is their business; they know it inside out when they don’t feel the need [for the AC], who am I to make a difference!

As one regulator said:

No doubt that family members are hesitant to relinquish control. But it’s also the reality that independent AC members have a natural indulgence to become complacent, perhaps due to their lack of time, will or effort.

Some AC chairpersons’ comments suggest that “lack of time, will or effort” is an outcome of scrutiny and reflection over the broader socio-material context and their position therein. One AC chairperson interviewed questioned the integrity and resources of the regulatory institutions to undertake regulatory measures and enforce those free from political or other interference:

For instance, if AC does not approve certain decisions, insiders [family owners] are always in a position to approve that in the boardroom. Ideally, we can report to regulators and shareholders, bypassing the board. But there remains a big question about regulators’ will and/or capability.

Almost all of the AC chairpersons talked about structural problems, including regulatory loopholes (such as leaving the authority of the AC to be defined by the board and indemnity from a director’s due diligence requirement), weak or politicised regulatory institutions and lack of market discipline constraining the implementation of AC

recommendations. However, not all of them characterised the ACs as entirely dysfunctional. The following quote from an AC chairperson responding to the lead question of whether the ACs are dysfunctional (due to structural limitations raised by him) is a testament to this:

It would be too harsh to conclude that ACs in our local companies are dysfunctional. They are not meant to work like that, I mean, in the Western manner. Experienced owners are running the management. It's [AC] not all bad; at least transparency is improving.

Another AC chairperson:

CEO, CFO, the head of internal audit, and other executives are regularly invited to attend the AC meetings. ACs can play a beneficial role by providing a venue for discussions, bringing in a fresh perspective and ensuring a fair and equitable process. Unless owner families see value in it, it is difficult to change.

The findings suggest that substantive change is yet to occur. One retired BSEC official, echoing some of the AC chairpersons interviewed, cast doubt on the suitability of regulatory intervention. Box-ticking and meet-the-standards orientation are also evident in previous research (Sobhan, 2016). According to one senior BSEC official:

Raising the compliance bar is challenging for locally listed companies, particularly those not seeking global patient capital.

However, such views are in sharp contrast to those of the donor institutions insisting on the importance of regulatory intervention, particularly in the context of limited economic incentives, the lack of democratic institutions and civil remedy, and weak market discipline (OECD, 2015; World Bank, 2009, 2015). AC practices remain largely ceremonial, involving the rituals of hiring social elites, conducting routine meetings, reporting, and legitimising compliance.

## 7. Discussion: manoeuvring skills and practice memory

Drawing on Schatzki's (2006, p. 2010) notion of practice memory, we bring to the fore the skills/resources brought to bear by powerful actors in this process and thus answer the question. Practice memory – the “interactionally maintained” (Schatzki, 2006, p. 1869) capability of actors to adapt past sayings and doings to the present context – affords family AC members a significant resource for skilled manoeuvres.

We have noted that family owners employed their technical know-how to rework rules and regulations linked to their autonomous decision-making and controlling power within the companies. The recognition of the potential threat to family control eventually led them to use these skills to weaken the imposed AC regulations by various means, such as the development of a confidential code of conduct or administrative adjustment via EC, keeping incentives, authorities, and responsibilities vague, short meetings etc. We also see evidence of family owners using their networking skills to lobby with regulators to shape the regulations, including negotiating the legal definition of family and independence, tenure of independent AC members etc. Their social network helped them to comply with the regulations by absorbing “friendly” professional and independent members into their ACs. We have also identified how family owners, drawing on their networks and experience of being in the organisations, delegitimise imposed regulations

by deploying counter-narratives such as “independent members as outsiders” against “entrepreneurial spirit” and “unnecessary burden”.

Theoretically, as argued, practice is not just reduced to a mere collection of actions (sayings and doings) of multiple actors with diverse interests and subjectivities. Instead, practice consists of intertwined structural elements – practical understandings, rules and teleoaffective structures – that produce normativity, holding the activities of multiple actors together (Schatzki, 2002). In delineating our findings on symbolic practices, we could see how dominant family owners utilised their skills and creatively reworked the three structural elements of practice – rules, practical understandings and teleoaffective structures –inherent in the activities that make up AC practices. They do so by using their competence of *knowing the elements* of practice and thus constraining “*change from within*”.

Superficiality in AC practices is derived from the teleoaffective structure. This consists of configurations across multiple interlinked projects that enjoin the actions of family and non-family AC members to a common end, not explicitly expressed but implicitly construed. From the perspective of family owners, the end is to signal compliance while retaining family power and control. In adopting ACs, they appeal to shared objectives and ends of family control and skilfully connect those ends with particular socio-cultural traditions. To that end, they have projects (such as organised lobbying) to weaken the regulatory bite and limit the AC by manipulating material arrangements (such as vague terms of reference or controlled meetings) and discourses (such as “operational convenience” or “ownership monitoring working beyond formal mechanisms”). These projects are also made possible by utilising social relations, for example, by offering the AC positions to social elites.

Family AC members also creatively reworked other practice elements by giving them the teleoaffective imprint of family control. AC rules have explicit expectations of enhancing accountability to shareholders by making the governance of family companies transparent, accountable and comparable in line with international best practices. Family AC members seek to endogenise the imposed (or exogenous) rules by influencing some strictly codified provisions and associated expectations/interpretations that constrain their interests. They also opt for codifying endogenous rules and routines (such as the parallel development of internal codes that contradict regulatory spirit) to give exogenous AC rules the teleoaffective imprint of family control.

These further enable actors to manipulate the practical understandings. The know-how of what to do in AC meetings, when and how to report and other activities constituting AC practices are experienced, articulated and negotiated in the *sayings* (meanings, discourses) and *doings* (bodily actions) of practice. We show how monitoring and oversight roles and other regulatory expectations acquire intelligibility and meanings such as “erosion of entrepreneurial spirit”, “regulatory burden”, and “operational ineffectiveness”. Such meanings are constituted by and simultaneously constitute the material arrangements comprising various forms of AC reports, terms of reference, agendas, and minutes of AC meetings.

It is evident that the practice memory and its teleoaffective imprint of family control pervade in the context of limited economic incentives or civil remedy, a weak market discipline, lax regulation and regulatory loopholes. This fed into the personal intelligibility of actors and frames their know-how and learning, particularly the mindset of non-

family independent AC members on how meetings should be conducted, what can be said/done and so on, and override the rules-based practical understanding. These actors come to inhabit the “practice world” through their social and professional networks, education/training, and engagement in practice. They seemingly have a rule-based understanding of their role in protecting general shareholders’ interests. However, acting genuinely in that spirit did not make sense to them. They started to prioritise social belongingness, prestige, and networking opportunities, although their interest was not expected to be as such from the regulatory perspective. The purposive projects of these actors, such as becoming a member of the corporate elite club or causing minimal disruptions to power and control of owner families, have important implications for rendering the implementation of rules irrelevant in the regulatory spirit. Practice thus conditions or brings dimensions to actors’ interests, identities and actions. It shapes collective frames, meanings and mutual role expectations by mediating the interests and agenda of powerful actors. The role of non-family AC members in legitimising family interests/control is an interesting contrast to what has been expected from a regulatory perspective and observed in the literature (Compernelle & Richard, 2018; Salleh & Stewart, 2012). Some of them were “uncomfortable” but, in practice, endured family dominance in AC activities.

## 8. Conclusions

We wish to return to the questions in the introduction: How do key actors render AC symbolic or substantive? What skills and resources have the key actors brought to bear in this process? First, the findings suggest that substantive change is yet to occur. The regulatory expectations of enhancing accountability to shareholders via AC oversight are clear. Contrary to such expectations, powerful family owners dominate ACs. We find that the independent AC chairs demonstrated a lack of enthusiasm for demanding ad hoc meetings, asking difficult questions or raising agenda items in the interest of shareholders. Family directors/owners adopt strategies such as endogenisation and codification of AC rules, organising short and controlled AC meetings and orchestrating counter-narratives regarding the role of the AC and the AC chairperson to prevent the AC from operating effectively. Non-family AC members find themselves in a practice where practices are symbolically manipulated to signal compliance while causing minimal disruption to the power and control of owner families.

Second, we have empirically identified a range of practical skills employed by key actors (family directors), including experience, managerial decision-making skills, networking skills with elites and the ability to mobilise counter-narratives and sell them to AC chairs. Drawing on the skills and resources, family directors managed to keep the fundamental reforms at bay.

The paper has important contributions to the literature. First, our paper shows how key actors, drawing on their skills and resources, make the best practice AC recommendations meaningless, contributing to the practice turn literature (Ahmed & Uddin, 2022; Carcello et al., 2011; Compernelle & Richard, 2018; Tremblay & Gendron, 2011). Previous literature suggests that information flow to ACs and the appointment of friendly AC members to CEOs have contributed to ineffective or symbolic AC practices. The contribution of this paper lies in demonstrating the skilled organisational manoeuvring by



the key actors, i.e. family directors. Focusing on the skills and resources of key actors, our paper finds the significance of skilled organisational manoeuvres by which actors dynamically negotiate emerging tensions. In our case, these skilled manoeuvres limit the capacity of enacted AC recommendations and give rise to symbolism.

More broadly, we would also argue that symbolism or inability of ACs to operate effectively reflects the institutional context (such as family-controlled ownership structure, state-business nexus and weak democracy) (Ahmed & Uddin, 2022). The AC recommendations are based on dispersed ownership, a well-developed capital market and democratic and regulatory institutions. These imagined features are absent in most emerging economies (Uddin et al., 2017). The power of families has been underestimated, not only at the level of organisation but also at the state level.

Second, the paper addresses an important limitation of the existing theoretical accounts of symbolism in the AC literature. Notably, the paper provides a theoretical leg to understand the tacit and embodied forms of rationality or intentionality of actors inscribed into practices. The focus on practice memory shows how different forms of rationality or intentionality gain dimension and become meaningful through actors' engagement in practice. Powerful family owners, in pursuit of limiting change, strategically reworked the rules, understandings and teleoaffective structures and connected those with their interests. Practice memory – the “interactionally maintained” (Schatzki, 2006, p. 1869) capability to adapt past sayings and doings to the present context – affords them a significant resource in this process. In contrast, independent AC members fail to mobilise resources (alternative schemas, scripts, templates, and logics of action).

Practice memory mediated the interests and agendas of powerful parties. Seen this way, the role of key actors in producing symbolism is deeply inscribed in the teleological blueprints of organisational practice memories. The part of practice memory in institutional change is currently under-researched (Ahrens & Ferry, 2018), and we believe our work will spawn further attempts to develop the practice turn in AC literature towards a more critical direction (Gendron, 2018). Finally, although the paper focuses on family-dominated ACs in Bangladesh, the approach presented here offers promising theoretical and methodological options for researching corporate governance practices.

The paper has policy implications. Over the last decade, the OECD, the World Bank, and other international agencies have recognised other governance systems but have continuously propagated the Anglo-American systems, often without much reflection that these systems may be inappropriate in certain contexts. For example, necessary institutional mechanisms for the Anglo-American governance systems to work, such as a well-developed capital market and democratic and regulatory institutions, are absent in Bangladesh (Ahmed & Uddin, 2022). Additionally, policymakers need to pay more attention to the effects of family ownership on broader accountability and transparency. Thus, the paper suggests that ACs must be viewed more than simply as a technical exercise in pursuit of policy setting and implementation. The technical changes in ACs and governance have the potential to produce largely symbolic practices, as they did in our case.

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