

Many SMEs have paper or rubberstamp boards (Gabrielsson, 2007), boards that exist just to meet the legal requirements or formally approve what already has been decided to do. However, boards can play an important role in the value creation of a firm (Huse, 2008), which is usually the main purpose of a corporation (Huse, 2005). Small firms even experience increasing external pressure to activate their boards for value creation (Corbetta and Salvato, 2004; Nordqvist and Melin, 2002). But this implies a board that has to the power and independence to take action and assert power. This is the definition of Gabrielsson (2007) of an empowered board. Because of this possible value creation, it is therefore interesting to investigate what contributes to this activity level of a board in these SMEs, so to get insights in the antecedents of board empowerment. Since most small independent companies are family businesses, and most family businesses are also small (Johannisson and Huse, 2000), we focus on family SMEs.

Current literature has described a lot of board characteristics that may be good predictors of this board empowerment. There are however also other factors that influence board empowerment. A certain part of research already investigated the relationship between certain contingencies and one or more board characteristics which are possible indicators of board empowerment. But except for the study from Huse and Zattoni (2008), these studies develop their propositions based on existing theory (Lynall et al. 2003), and/or are empirical studies investigating whether there are significant relations (Fiegener, 2005; Gabrielsson, 2007). To get a more comprehensive insight into the why and how of the antecedents of board capability, an in-depth qualitative study is necessary.

The case we selected was founded by two former colleagues who started a company that produced the same product as the company they previously worked for. The last even injected 40% of the capital, together with another company that supplied 20% of the necessary capital. This thus makes a very peculiar situation regarding the external financiers of the company. Since CEO characteristics and external stakeholders are contingencies that are regularly investigated with regard to board capability, this case can be seen as a unique chance to get an insights into how these contingencies influence and maybe interact with regard to the board activities.

By investigating the antecedents of board capability in family firms, this study makes a vital contribution to existing literature on family firms. Based on our data, we suggest that the direct link that is often made between contingencies and board capability or one of the predictors of board capability, in fact should include certain mediating and moderating effects. We found for example that the governance needs the firm perceived were mediating the relationship between contingencies and empowerment, and that an interplay between institutional forces and the CEO were moderating this mediating effect. These mediating and moderating effects could be an explanation why some results in current research about the links between certain contingencies and board capability seem contradictory or illogical.