

This article examines why a private family SME with several governance needs, works with a paper or rubber-stamp board and how this firm then manages its governance needs. Based on an in-depth case study, we suggest that the explanation for this apparent paradox might be found in the fact that board empowerment is determined by the governance needs of the firm. And since these governance needs can also be managed by alternative governance mechanisms, there may be no need for that family SME to have an empowered board. Our results also suggest that institutional effects play a very important role in the way the firm deals with its governance needs, and thus also in the empowerment of the board in the firm. These institutional effects however can only exist to the extent that the CEO allows this to happen.