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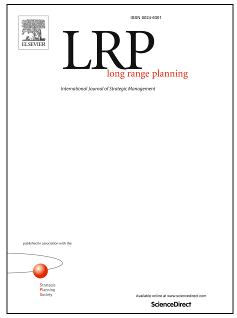

Strategic planning committees on U.S. public company boards: Axiomatic or paradoxical?

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Author Statement

The contributions of the authors are as follows:

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STRATEGIC PLANNING COMMITTEES ON U.S. PUBLIC COMPANY BOARDS: AXIOMATIC OR PARADOXICAL?

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STRATEGIC PLANNING COMMITTEES ON U.S. PUBLIC COMPANY BOARDS: AXIOMATIC OR PARADOXICAL?

Abstract

This study examined the strategic planning process used in U.S. public company boardrooms, with a particular focus on companies that used board-level Strategic Planning Committees (SPCs) as opposed to those that engaged the full board in strategic planning oversight (which we call "strategic planning overall" or "SPO" firms). Based on interviews with 8 SPC members and 12 directors from SPO firms, we found a number of similarities in SPC and SPO processes, as well as a number of key differences. Overall, it is clear that there often can be a fundamental tension between management and directors with respect to the responsibility for strategic planning. There also can be significant information asymmetries arising from agency theoretic assumptions requiring board independence and arms-length interactions. Organizational scope may, within limits, constrain these assumptions. Such conditions increase both resource and information processing demands on the board, creating a need for greater formality in the board's strategic planning processes. These demands increase the need for paradoxical approaches that can accommodate greater flexibility in board-management interactions. The paradox lies in the board's ability to simultaneously meet and balance agency theoretic, resource dependence based and information processing demands. The contrasting organizational logics that are in play result in paradoxes that influence whether and in what form a board-level SPC should be constituted. The evidence suggests that constituting and structuring SPCs to embrace more collaborative interactions between the board and management could be helpful in dealing with the contrasting requirements and tensions that arise in certain firms. Embracing paradoxes and modifying governance approaches to include collaborative interactions with management may also help in ensuring that the board's strategic planning processes are equipped to deal with the challenges that confront the organization. Ultimately, individual company directors will need to determine whether and in what form a board-level SPC would add value to their governance structure and processes. Our interview-based evidence suggests that firm size and director experience are important considerations in the choice of how the board should oversee strategy.

Keywords: Agency theory; Information processing theory; Resource dependence theory; Strategic Planning Committees; Paradoxical approaches.

STRATEGIC PLANNING COMMITTEES ON U.S. PUBLIC COMPANY BOARDS: AXIOMATIC OR PARADOXICAL?

Introduction

Because of the board's distance from daily operations, information asymmetries between the board and management, and the need for board independence, many scholars have traditionally proposed a limited role for the board in strategy development (Conger et al., 2001; Hendry and Kiel, 2004; Pugliese et al., 2009). In contrast, others have argued that boards have a legal responsibility for strategy (Coffee, 2005; Harrison, 1987) and should actively contribute to strategy development (Andrews, 1980; Carpenter and Westphal, 2001; Goodstein et al., 1994). Such arguments become especially important in determining whether strategic planning is handled by the whole board or whether it is largely entrusted to a board Strategic Planning Committee (SPC)[1] constituted for this purpose. The objective of our study is to examine board strategic planning processes, including the reasons behind the formation of board SPCs, based on semi-structured interviews with 20 directors who are involved in board strategic planning processes.

Our motivation comes from the following considerations. First, while there has been a voluminous amount of prior work sustained from very early days on strategic planning activities of firms at the management level (Grant, 2003; Lorange, 1993; Mintzberg, 1993; Pearce et al., 1987; Veliyath, 1992; Veliyath and Shortell, 1993), ours is the first study on strategic planning processes conducted by board-level SPCs. Second, we are able to engage with and integrate prior work that has characterized board functions in terms of resource dependence theory (Hillman and Dalziel, 2003; Hillman et al., 2008; Pfeffer, 1972). In doing so we are able to tease out examples of how boards are

[1] All of the companies in our study had strategic planning processes at the management level.

able to fulfill their functions of providing advice and counsel, as well as resource provision (op. cit.). Additionally, we intend to provide insights into how board SPCs enable boards to deal with the information processing demands imposed on them by changing circumstances (Egelhoff, 1991; Sanders and Carpenter, 1998; Smith et al., 1991; Tushman and Nadler, 1978).

Board-level SPCs have been viewed as an anomalous and duplicative practice for two reasons (Harrison, 1987; Wommack, 1979). First, there is potential for duplication of efforts between the board-level SPC and management-level strategic planning committees. Second, strategic planning is considered to be primarily a management function, with the board having only oversight responsibility. Moreover, unlike in the case of board audit, nominating, and compensation committees, which generally are mandated, there is no statutory requirement requiring the establishment of SPCs at the board level in U.S. public companies. Therefore, there have to be reasons beyond a mandate compelling some boards to form such an SPC.

We propose that boards of directors face expectations based on prescriptions in agency theory (i.e., monitoring, oversight and incentive alignment), resource dependence theory (i.e., providing and enhancing organizational access to external resources) and information processing theory (i.e., coping with and dealing with information overload). The tensions among these disparate requirements can cause contrasting and sometimes conflicting institutional logics to emerge.[2] Once established, institutional logics become dominant and are difficult to change (Pahnke et al., 2015). Multiple institutional logics

[2] Institutional logics evolve from prior assumptions, beliefs, practices, rules and values that represent content and provide meaning in organizations (Reay and Hinings, 2009; Thornton and Ocasio, 1999). Within organizations, they provide the guidelines for executive action.

(such as those prevalent in agency theory, resource dependence theory and information processing theory) can be concurrently accommodated, albeit temporarily and for short periods of time, such as during institutional transitions (op. cit.). Boards struggle with the need to deal with the tensions created by these contrasting requirements and the necessity of contending with multiple institutional logics during times of organizational changes and/or greater environmental uncertainty. Challenges are caused by organizational resource constraints and human cognitive limitations. Organizational decision-makers are limited in their ability to focus on more than a few issues at a time (Hambrick and Mason, 1984; March and Simon, 1958; Simon, 1997).

This paper proposes a paradoxical approach to governance as a novel approach to dealing with contrasting institutional logics, and the board's decision to form a board-level SPC as a solution to dealing with these contrasting logics in certain settings. The board-level SPC is one probable response representing the board members' desire to handle the paradoxical challenges facing them in their interactions with management and in dealing with multiple conflicting organizational logics. Thus, in some contexts, the board SPC can arguably better respond to the organization's need for innovation, flexibility, and responsiveness than the traditional full-board process.

It is with a view to examining, understanding, and disentangling this quandary, that we investigated board strategic planning processes, with a primary focus on firms with board-level SPCs. In undertaking the study, we examined two types of boards, through conducting extensive interviews with directors serving on each type of board. The first group comprised 12 companies where the full board dealt with strategic planning issues (SPO firms). This group represents the normative practice more commonly observed on many boards. By contrast, in the second group of 8 companies, there were separate, formally constituted SPCs at the board level (SPC firms). We believe that a comparison between these two groups of companies can provide interesting insights into the seemingly paradoxical reasons why certain boards opt to form board SPCs, as well as the differences between SPC and SPO firms' approaches to strategic planning oversight. Specifically, we examined the following primary research questions:

1. How do SPC and SPO firms' strategy-related meeting processes differ?
2. What are the roles and responsibilities of the SPC and the board in strategy formulation and implementation? Do they overlap?
3. How do SPC and SPO firms' efforts to ensure the development of corporate strategy differ?
4. How do SPCs monitor and modify strategy, and how do SPCs interface with the board?
5. Why do companies form SPCs?

Overall, we seek to provide deep insight into the board's strategic planning oversight process, with a particular focus on the novel setting of firms with board-level SPCs. We use established governance theories as the foundation of our research, considering them as we developed the interview questions and evaluated the findings. Further, we also considered key patterns that emerged in the SPC findings and offer propositions based on the findings within the unique SPC firm setting. Our approach is consistent with Bansal (2013), who encourages a "circular flow" of deductive and inductive reasoning, as well as a focus on unconventional cases (in our instance, SPC firms, which complement the baseline condition of SPO firms). Further, Graebner et al.

(2012, 276) state, "…strategic organization is an eclectic domain that encompasses multiple theoretical approaches and levels of analysis, and that diversity can and should be reflected in the ways in which qualitative data are used." They also note (p. 277) that "…many studies do not fit a single mold or school of qualitative research." Finally, Graebner et al. (2012, 279) state, "…many process studies involve some component of theory-building. However, qualitative methods may be appropriate for examining processes even in areas of relatively mature theory." It is in the spirit of Bansal's (2013) and Graebner et al.'s (2012) suggestions that we employ our qualitative data somewhat differently for the baseline SPO firms and the novel SPC firms.

Based on the 20 interviews, we found: (1) SPC and SPO firms' strategy-related meeting processes seemingly appeared to overlap and be fairly similar on the surface. However, upon closer examination, the underlying tensions and paradoxes were discernible in the different responses provided by the directors in SPC and SPO firms. (2) Relative to SPO firms, SPC firms were more likely to emphasize the importance of understanding and participating in management's process of developing strategy, were more focused on being advisory and supportive of management, and were more likely to view their process for overseeing strategy development as optimal. (3) Full boards typically took the lead on monitoring the implementation and progress of strategy even in SPC firms, which is in conformity with the expectations of traditional agency theory. (4) Companies also tended to form SPCs for reasons related to board-management information flows (and reducing information asymmetries, as per information processing theory), company-specific strategic changes, and efforts to enhance strategic planning through greater utilization of board-level expertise.

In addition, we found that (a) SPC firms were more likely to have formal written policies about the role of each party in strategic planning, a clearer demarcation of roles and responsibilities reflecting agency theory prognostications; (b) having an SPC provided board-level focus on strategic planning and could result in higher quality plans (consistent with the survey findings of Henke, 2007), while the SPO firms cited the advantages of leveraging the talents of all of the board's directors in providing strategic oversight; and (c) SPC interviewees were more concerned with the SPC becoming too involved in strategy details, while SPO respondents were more concerned about the board being too uninvolved in strategy. Both of these concerns relate to the competing requirements between the agency theory requirements for board independence, objectivity and maintaining arms-length relationships with management (alluded to in the sentiments expressed by SPC respondents), and the resource dependence theory orientation of enabling greater board participation, cooperation, and engagement with management (evinced in the sentiments expressed by SPO respondents). In addition, they also tied in with the contrasting needs to find the right balance between oversight and delegation in the corporate governance process (Useem and Zelleke, 2006).

Overall, the SPC firms, with their smaller size and less experienced boards, appear to see significant value in forming an SPC to formalize strategic planning, help management through providing advice and counsel, and reduce informational burdens on the board members. By contrast, the SPO firms, with their greater firm size and more experienced boards, see value in having the full board oversee strategic planning and do not focus as much on helping management or addressing informational burdens. The SPC and SPO firms each responded to their situations and characteristics in ways that seemed to fit the organization's needs, and we call for additional, large-sample studies on the differences between SPC and SPO firms.

Our study makes the following contributions. First, to our knowledge, this paper is the first interview-based process study on board SPCs. There is a paucity of work on U.S. board processes in general, and previous work on other board committees (Beasley et al., 2009; Clune et al., 2014; Hermanson et al., 2012; Veliyath et al., 2016; Clune et al., 2019) has urged the conduct of more such board process studies. Our study serves to answer this call. Given that board SPCs are a more recent phenomenon than other committees, it is especially important to unravel the 'black box' of board SPC processes. Second, our study sheds some light on the debate regarding the role of the board in public companies' strategic planning (Coffee, 2005; Henke, 2007; Pugliese et al., 2009). We propose that given the realities of global competition and constant technological disruption, it behooves boards to recognize the effects of changed circumstances and move beyond solely agency theoretic assumptions towards embracing collaborative and collectivistic approaches. Our evidence supports the inference that board-level SPCs could be useful catalysts in certain settings in accomplishing such philosophical governance transitions.

The next section provides theoretical background, followed by presentation of our research method and findings. Finally, we provide the discussion and conclusion.

Theoretical Background

Agency theory

Under the agency perspective, the board and its constituent committees like the Audit Committee, Compensation Committee, Nominating and Governance Committee, (and more recently, the SPC) are charged with a fiduciary responsibility to ensure that decisions and actions taken by the firm's managers (i.e., the agents) are in accordance with and protect the interests of shareholders (i.e., the principals). In this capacity independent boards and their committees substantively monitor management and their actions. This monitoring ensures that management does not opportunistically favor and promote their self-interest over that of the principals (see Eisenhardt, 1989; Fama and Jensen, 1983; Jensen and Meckling, 1976). Literature suggests that a primary mechanism to mitigate agency problems would be to have an independent board of directors (Eisenhardt, 1989; Fama and Jensen, 1983; Jensen and Meckling, 1976). Under agency theory assumptions, the SPC's role would be to advise the larger board on strategic plans proposed by the company's management and oversee and monitor the management's corporate strategy development process, so that the board can fulfill its fiduciary responsibility to shareholders. The SPC would act as a liaison (and buffer) between the management and the board on corporate strategy development and implementation.

Under the agency theory perspective, generally the role of a board SPC would be to guide and shape board-level strategic planning processes in order to ensure that strategic plans developed in consultation between the board and management facilitated shareholder wealth preservation and maximization. Our summary of the expectations of SPCs as viewed from each of the three theoretical frameworks employed in our study are summarized in Table 1.

[Insert Table 1 here]

Resource dependence theory

Resource dependence theory describes the board's central role as enabling the firm's access to critical resources (Hillman and Dalziel, 2003; Pfeffer and Salancik, 1978; Hillman et al., 2008) that the organization needs to implement its strategy. Individual directors appointed to the board (and the SPC) are therefore expected to concern themselves with the firm's welfare and support the firm (Pfeffer and Salancik, 1978). Under this perspective, the primary benefits provided by boards are: (a) counsel and advice, (b) communication between the firm and external stakeholders, (c) enabling the firm to obtain preferential access to resources and support from external constituencies, and (d) providing legitimacy (Hillman et al., 2008; Pfeffer and Salancik, 1978). The board's human capital (i.e., skills, knowledge, and experience of its members) and network ties (i.e., social capital) enable the provision of these benefits (Hillman, et al., 2008; Pfeffer and Salancik, 1978). The resource provision role of the board enables the organization to reduce its dependence on the external environment (Pfeffer and Salancik, 1978), reduce firm uncertainty (Hillman and Dalziel, 2003; Pfeffer, 1972), reduce transaction costs (Hillman and Dalziel, 2003; Williamson, 1984) and facilitate firm survival (Hillman and Dalziel, 2003).

The board has also been proposed to provide the organization with insights, substantive knowledge and outside contacts that helps deal with complexity and strategic challenges (Hillman and Dalziel, 2003). Board members also help with the diffusion of innovation and the formulation of strategy (Hillman, et al., 2008). The knowledge, experience and social capital of boards' members can therefore also be viewed as organizational resources (Hillman and Dalziel, 2003). Thus, directors are often appointed based on their ability to satisfy the resource provision roles and their capacity to influence important external constituencies (Hillman, et al., 2008). Under the resource dependence perspective, the SPC would take the lead in board strategic planning processes, act as a communication channel between the board and management on such matters, and assist management in the development of strategic plans along with the making of other important strategic decisions (see Table 1).

Information processing theory

Information processing theory postulates that increasing organizational size, diversification, and geographic expansion serve to enhance organizational complexity (Egelhoff, 1991; Sanders and Carpenter, 1998; Tushman and Nadler, 1978). As firms grow and become more diversified, the volume of information that needs to be processed by the board increases (Henderson and Fredrickson, 1996). With increasing organizational scope, boards also have to deal with a great deal of information (Sanders and Carpenter, 1998). Increased organizational complexity and the resultant greater interdependencies between organizational subunits also complicate the board's task of monitoring top management (as per agency theory predicates), since the top management team now has greater knowledge of the firm's operations and markets than does the board (Sanders and Carpenter, 1998). In parallel, as the firm's external operating environment becomes more competitive and unpredictable, information processing demands on the board can escalate (Smith et al., 1991), taxing the board's ability to cope.[3] The board's inability to cope with this information processing overload and resultant complexity can increase information asymmetries between management and the board. This in turn

[3] The gathering of raw data, its transformation into information, along with the storage and communication of this information, together affect organizational information-processing requirements (Galbraith, 1974).

exacerbates agency conflicts. Organizations can cope with these challenges by reducing information processing needs through creating slack resources or by eliminating interdependencies between units through the creation of self-contained tasks. Mechanisms for managing interdependencies can also include formal mechanisms such as board structure and composition (Sanders and Carpenter, 1998). Constituting a board SPC is one such coordination mechanism that can help the board to cope with the increased information processing demands placed on it. Under information processing theory, the SPC's role in board strategic planning processes is to reduce the information processing demands on the board arising from its strategic planning responsibilities through taking over the responsibility for board-level strategic planning activities (see Table 1).

It is evident from Table 1 that the roles and expectations of the SPC would vary when viewed from the perspective of each of the three theories. While agency theory would emphasize the monitoring and shareholder wealth maximization imperatives, information processing theory would stress the need for the SPC to reduce information overload on the board and its individual members, thereby helping them to overcome their bounded rationality and cognitive limitations, and enabling them to make better decisions, both individually and collectively as a board. Finally, resource dependence theory would stress the resource provision role of the board, especially in the context of procuring external resources that are needed for strategy implementation.

Paradoxical approaches

As argued, agency theory, resource dependence theory and information processing theory acting in concert impose contrasting requirements on boards.

Therefore, board responses to these demands must simultaneously embrace tensions arising from the contrasting logics inherent in these theoretical precepts. Increased environmental complexity and uncertainty can create institutional challenges, sometimes necessitating the adoption and balancing of competing institutional logics (Greenwood et al., 2011; Reay and Hinings, 2009). By increasing complexity, incorporating multiple institutional logics (Pahnke et al., 2015) can strain the resources and the ability of organizations to adequately respond (Greenwood et al., 2011). Institutional complexity is enhanced both by the number of institutional logics that the organization has to deal with, along with the degree to which these logics are incompatible with each other (i.e., contested, competing or conflicting) (op. cit.). Boards' desires to cope and respond to these competing institutional logics has led to the recognition of the need for more nuanced *paradoxical* approaches to governance that combine and reconcile the tensions between the aforementioned contrasting and competing theoretical dictates (Andriopoulos and Lewis, 2009; Lado et al., 2008; Papachroni et al., 2015; Putnam et al., 2016; Schad et al., 2016; Smith and Lewis, 2011; Smith and Tushman, 2005; Sundaramurthy and Lewis, 2003).[4] Papachroni et. al. (2015) have proposed structural, contextual or temporal separations, as means of dealing with complexity and paradoxes. Structural separation could also include parallel structures as an alternative structural approach to spatial separation (Papachroni et al., 2016). Therefore, the constitution of an SPC (alongside the board) appears to fit into the realm of a structural response to dealing with complexity (op. cit.).

[4] A paradox is "contradictory yet interrelated elements that exist simultaneously and persist over time" (Smith and Lewis, 2011; p. 382).

On one hand, the traditional agency theoretic assumptions of goal conflict, distrust of management's self-serving behaviors and opportunism can define the board's interactions with management. Alternatively, resource dependence theory predicts that the board is able to provide counsel and advice, foster legitimacy, open up communication channels, enhance access to resources (Hillman and Dalziel, 2003), and necessitate goal alignment, trust, and collaboration with the management team. Finally, greater information processing demands necessitate greater information processing efficiency, managing and reducing interdependencies between organization subunits, and increasing the board's information processing capabilities (Egelhoff, 1991; Henderson and Frederickson, 1996). The pressure on boards to balance among agency theory, resource dependence theory and information processing theory requirements becomes more pressing with heightened environmental complexity, greater rates of change (Ramus et al., 2017) and increased organizational scope.

In addition, as organizational scope increases, boards are also required to accommodate the additional tensions of exercising control along with collaboration (Sundaramurthy and Lewis, 2003), and providing more oversight versus greater delegation (Useem and Zelleke, 2006) in their interactions with management. Moreover, boards have to confront the more fundamental paradox concerning the philosophical assumptions underlying their interactions with management (i.e., degrees of trust versus distrust, goal conflict versus goal congruence, the assumptions regarding managements' self-seeking behaviors versus self-actualizing behaviors) that they choose to act on. Many of the negative assumptions are based on agency theory prognostications. Underpinning these differences are whether the board chooses to subscribe predominantly to the predicates of agency theory for greater monitoring of management (Eisenhardt, 1989; Fama and Jensen, 1983; Jensen and Meckling, 1976), the prognostications of resource dependence theory for greater contributions by collaborating with management (Hillman and Dalziel, 2003; Hillman, et al., 2008; Pfeffer and Salancik, 1978), the demands for increased information processing capabilities in order to reduce information asymmetries with management (Egelhoff, 1991; Sanders and Carpenter, 1998; Tushman and Nadler, 1978), or perhaps more realistically, a blend and balance among all these three theoretical premises (Egelhoff, 1991; Eisenhardt, 1989; Galbraith, 1974; Hillman and Dalziel, 2003).

Agency theory traditionally adopts a narrow perspective encapsulating very circumscribed models of man (Davis et al., 1997; Le Breton-Miller and Miller, 2009), which may become extremely constraining in dynamic competitive situations, and which may limit the range of strategic options available to boards to ensure organizational adaptation and survival (Donaldson, 1990; Corbetta and Salvato, 2004). Therefore, agency assumptions must be tempered with counter-balancing, cooperative perspectives on board-management relationships (Boivie et al., 2012; Davis et al., 1997; Le Breton-Miller and Miller, 2009).

Not all organizational actors act out of simple self-interest. Some of them are motivated by higher-order considerations such as generosity and the desire to serve others (op. cit.). A shift to a more collaborative orientation in board-management interactions can consequently positively affect a range of organizational outcomes (Le Breton-Miller and Miller, 2009). For example, in contrast to agency theory, resource dependence theory (along with more humanistic approaches) advocate that boards cultivate alternative governance contexts that encourage more collaborative behaviors by managers and that directors become partnering in their interactions with management (Boivie et al., 2012; Davis et al., 2010; Davis et al., 1997; Fox and Hamilton, 1994). These behavioral viewpoints largely dispense with agency theoretic visualizations of organizational actors as solely being opportunistic, self-serving, economic utility maximizers.

As a result, board-management interactions would move from an agency theoretic basis of distrust (and conflict) to one of greater goal congruence, mutual trust and partnership. Instead of relying on optimal contracts and external markets for control as mechanisms to curb agents' opportunistic behaviors (as agency theory suggests), directors will shift towards building trust, fostering social ties, and pursuing mutually-beneficial interactions with management. By adopting this cooperative orientation, boards also would benefit through reducing their monitoring costs over management. Overall, the emphasis would shift from the minimization of potential agency costs to one of maximization of potential performance outcomes (Corbetta and Salvato, 2004).

Board-level SPCs

We suggest that the formation of an SPC presages the board's desire to shift the institutional logic away from agency theory control to a more cooperative orientation in their interactions with management (based on resource dependence and more humanistic theories). Operating solely under traditional agency theoretic assumptions may be limiting in ensuring that strategic planning processes enable organizational adaptation and survival. Successfully managing these tensions and paradoxical contradictions between agency theory and the need for cooperation helps the board to adopt alternative, enriching perspectives to strategy formulation and implementation that could improve organizational outcomes to the satisfaction of multiple stakeholder groups

(Sundaramurthy and Lewis, 2003). As a consequence, the board's role as a monitor of management's activities, as envisioned by agency theory, would be enlarged and supplanted by its emergent role as a resource provider and collaborator-participant with the firm's management team. Contingent factors such as the firm's size and individual director characteristics may play important roles in the board's preference for monitoring versus cooperation.

Methods

The study was based on semi-structured interviews conducted with 20 U.S. public company board members. Twelve of these directors dealt with strategic planning on their respective full boards (SPO firms) in the absence of a board SPC, while 8 directors served on an SPCs (SPC firms). The interviewees were identified and contacted through professional contacts of the authors or by "cold calling" firms with an SPC.

Prior to the interviews, we developed a 13-page interview script for the SPO interviews and a separate 19-page interview script for the SPC interviews. Our interview scripts included a cover sheet, opening comments and instructions, demographic questions, and then significant white space for interviewer notes. After the demographic and other opening questions, the SPO script posed 44 total questions over approximately 10.5 pages (average of 4.2 questions per page, and some were not open-ended discussion questions); the SPC script posed 52 total questions about the strategic planning oversight process over 16 pages (average of 3.25 questions per page, and some were not open-ended discussion questions).

These interview scripts were developed after we examined several public company strategic planning charters and related company disclosures. We also consulted with practitioners and monitored current developments related to board strategic planning activities, and reviewed the extant literature to identify the relevant issues related to board strategic planning processes that were areas of concern. Comments on the drafts of both interview scripts were obtained from colleagues, and the scripts were iteratively modified based on the reviewers' input and suggestions.

The majority of the interviews (17) were conducted by phone, and three interviews were conducted in person. The interviews were conducted between February 2012 and April 2013. The interviews ranged from 93 minutes to 149 minutes each, with a mean of 115 minutes. The interviewees responded to the specific questions in the script, but also provided open-ended comments related to their board's experience.

The interviews were conducted primarily by one of the authors with the help of a professional transcriptionist (or another author in a few cases) who took lengthy notes during the interview; this approach encouraged candor (the interviewee was not being audio recorded, but the process still resulted in accurate capturing of the responses). The transcribed notes were merged into two data files, one comprising the 12 SPO interview responses (which was 206 pages in length), and the second file comprising the eight SPC member interview responses (which was 67 pages in length). The raw data were then analyzed, interpreted, and organized into topical sections by one author who consulted with the other authors as needed on a number of items.

Findings

The interviewees and their companies (Table 2)

Table 2 presents information on the interviewees and their companies. The interviewees were primarily older males, consistent with the typical profile of U.S. public company directors, although the SPO directors (mean age of 70.4 years) were somewhat older than the SPC directors (mean age of 57.8 years). The SPO directors also had more board experience (mean of 32.6 board-years) than the SPC directors (mean of 18 board-years). There was a similar relation for tenure with the focal board, with means of 5.6 years (SPC firms) versus 9 years (SPO firms).

[Insert Table 2 here]

The boards of directors of these companies averaged 9-10 members (across both samples), with the vast majority of directors being independent (over 80 percent). The companies reflected a wide range of industries, with the greatest concentration being in technology and financial services. Eleven of the companies were listed on NASDAQ, and seven were listed on the NYSE. The SPC firms were much smaller (median revenues of $273 million) than the SPO firms (median revenues of $1.45 billion).

The SPC firms had had a board SPC for a mean of nearly seven years (median of four years), with the interviewee serving on the committee for over three years on average.[5] SPCs had a mean of 3.5 members, with an average of 90 percent being independent directors. Six of the eight SPCs included only independent directors.

SPC and board meeting processes (Table 3)

Table 3 compares the meeting processes of SPC and SPO firms. Each group met to address strategy issues about five times per year on average. While it may appear that

[5] We also attempted to gather data on firm age, but it is somewhat limited by the nature of the some of the responses (e.g., ballpark estimates of firm age, or complexities in the response, such as a firm mergers or restructurings that produced a new firm). Subject to these limitations, it appears that the median SPC firm was 20-40 years old when the SPC was formed. It also does not appear that the SPC firms are younger than the SPO firms.

the SPO firms spent more total time on strategy, the SPC firms also addressed some strategy issues in their firms' full board meetings, which is not captured in Table 3.

[Insert Table 3 here]

The composition of management personnel who attended SPC meetings or full board strategy sessions was somewhat similar across the SPC and SPO groups, with the CEO playing a key role. In SPO firms, there also appeared to be a prominent role for the CFO and General Counsel. Overall, the fewer participants at SPCs' meetings may have allowed for a more focused discussion. Executive sessions (i.e., without management present) were much more common in the SPO firms, but SPC firms also likely went to executive sessions when the full board met (we did not capture meeting processes of the full board for SPC firms). Finally, the total out-of-meeting time spent on strategic issues was fairly similar for SPC and SPO firms.

SPC and board purpose with respect to strategy (Table 4)

Table 4 provides information on the purpose and specific responsibilities of the SPC or board with respect to strategy. For the SPC firms, common responses on the SPC's purpose included supporting or helping management with strategy issues, monitoring the strategic development process, and/or serving in a liaison role between management and the board with respect to strategy issues. In addition, the interviewees mentioned helping to define the strategy and indicated that the SPC analyzed and made recommendations on strategic opportunities. The SPC's role in helping and supporting management to deal with strategy issues is clearly representative of cooperative approaches that are consonant with resource dependence theory. It also exemplifies the role of the board in providing necessary resources, as per resource dependence theory.

Across the SPC firms there was demonstrable evidence of attempting to maintain a balance of control and cooperation (i.e., agency theory and the alternative resource dependence approaches) in their reported purpose and specific responsibilities (Sundaramurthy and Lewis, 2003). Representative examples (from Table 4) relate to agency theory orientations (overseeing the strategic development process; monitoring and tracking progress of corporate strategy; acting as buffer to the board), as well as cooperative interactions such as supporting or helping management with strategy issues; helping the board in understanding the strategic plan, or serving as a liaison between the board and management (an information processing theory requirement intended to channel and regulate the volume of information flows between the board and management); ensuring that the strategy formulation process is robust and that the impact of economic and other external forces on the organization is properly assessed; laying out a road-map for the company's future growth. The resource dependence role of directors and the board in providing additional resources in strategy formulation is also clearly evident in these latter actions.

It is significant that the SPC's role became more prominent when economic and external forces were posing challenges to the organization (this issue is addressed further in the section below on why SPCs are formed). As we have argued earlier, it is when environmental challenges become greater that boards become more cognizant of the need to adopt more information processing and resource dependence orientations in their dealings with management.

Coping with, and responding to, the contrasting and competing institutional logics, can pose complex and demanding institutional challenges necessitating novel forms of responses (Greenwood et al., 2011; Sundaramurthy and Lewis, 2003). The board SPC can help to bridge this theoretical and paradigmatic divide through its structural configuration, as well as through adopting committee processes that ensure cooperation between directors and management.

The SPC's liaison role with the board is of particular interest (also see Table 6 and related discussion below for greater detail). The board faces the challenges of dealing with the increased volume of information that it is required to process (i.e., in addition to managing complexity). The unfamiliarity and sheer volume of the information provided to the board could overwhelm the board and create information asymmetries that could (under normal circumstances) be exploited by management, thereby exacerbating agency conflicts and increasing concomitant costs (Fama and Jensen, 1983). The SPC could help other board members to deal with these information asymmetries (and also help to reduce information processing requirements) through becoming more educated about and conversant with strategic planning processes (Henke, 2007). Through reducing information asymmetries (and information processing requirements) between the board and management, the SPC could marginalize the scope for managerial self-serving, opportunistic behaviors and consequent agency conflicts between the board and the management team (op. cit.). However, the SPC's role goes beyond being merely a communicator and information disseminator. Through its constitution as a board committee responsible to the board and through its processes (i.e., becoming more inclusive, supportive, collaborative), the SPC cooperates more with management in shaping and interpreting the information for board as well as for management purposes, thereby possibly engendering collectivistic and organizationally-beneficial outcomes.

Through greater partnering with management in the development of ideas for the plan, SPC members could engage with management, and enable them to pursue collectivistic outcomes. Moreover, to the extent that the SPC could engender more collaboration and participation between the board and management in the strategic planning process, the SPC could help the board to institute a paradoxical approach to governance (in addition to reducing the board's overt monitoring costs). One interviewee described how the SPC could bring focus and relieve the board as the company grew:

> *In early stage small companies, the board as a whole can fulfill strategy oversight. The SPC becomes more relevant as the company grows, and with increasing number of mergers and acquisitions. The advantage in having an SPC is that particular people [on the SPC] can be tasked with specific strategy-related activities/things. By contrast, on a full board, other agenda items may squeeze out strategy-related items. Therefore, some strategic issues may not be taken up and discussed on full boards. An SPC ensures that strategy items are taken up and discussed.*

Through combining agency theory as well as more cooperative (resource dependence) perspectives, SPCs also ensure that the strategic plans brought forth to the board by management are of higher quality. A higher quality strategic plan is a both an agency theory based as well as a resource dependence theory predicated organizationally-beneficial outcome. One interviewee stated:

> *The SPC allows a process such that by the time the board gets the plan, it will be a better product.*

Another said:

> *Our committee [SPC] involvement results in a well-articulated document that is presented to the board. Also, it [management's strategic plan] is more likely to succeed since the SPC has conveyed board thinking to management early on in the process.*

The involvement of the SPC in ensuring a superior planning process that results in a well-articulated document is another organizationally beneficial outcome. Overall, the tenor of responses from SPC interviewees suggested that while the company management had the operational responsibility for formulating the plans, the SPC's role was to check for accuracy, consistency, and quality of the plans, and to ensure that management had broadly considered all the possibilities and options before the plan was presented to the full board for deliberation. Through collaborating with management, interacting with the management as partners and promoting a collaborative and participative plan formulation process, the SPC ensured a more optimal outcome in terms of a better plan.

[Insert Table 4 here]

By contrast, in SPO firms, the most common responses on the primary role of the board was to help management with strategic issues by critiquing and challenging management. While this reflected a mix of helping and monitoring management, the more adversarial nature of the process was intrinsically agency theoretic in its underpinnings. Another common response relating to the role of the board was to provide overall oversight of the strategic planning process. Three SPO interviewees mentioned the board's role in suggesting changes to strategy and helping management to make those changes. These cases seemingly represented more isolated instances where the board collaborated with management in these SPO companies. However, the configuration, situation and processes in the SPO firms were primarily agency theoretic in their orientation and premises. Consequently, they were not as conducive to engendering collaborative behaviors between the board and management. By contrast, the SPC enabled a more dynamic balance of the paradoxical tensions between the simultaneous needs for control and collaboration (Sundaramurthy and Lewis, 2003), representing a tension between agency and resource dependence theory assumptions.

The SPO interviewees in this study often emphasized that philosophically it was management (and not the board) that was primarily responsible for strategy development, with some board input, as one interviewee described:

> *… I would say their [management's] part is done sort of independently, but they keep us informed in case there are any major objections. They don't interfere with us when developing our thoughts, either…Management is not totally responsible for the plan. The board is responsible for putting their ideas in there.*

It appears from this quote that both management as well as the board worked on the development of corporate strategies somewhat independently, albeit with differing emphases and perspectives. This represented more of an arms-length orientation based on agency theory requirements, as suggested earlier. The board's role was primarily to set the strategic context and thereby help management to formulate strategy (Stiles, 2001), but not to actually formulate it. This again reflected an agency theoretic orientation involving a very clear demarcation of responsibilities between the board and management with regard to strategic planning.

Overall, with the exception of the SPC's buffer role between management and the full board, the purpose of the SPC and full board with respect to strategy primarily related to helping management with advice and counsel (a resource dependence theory provision), monitoring management (an agency theory orientation), and making specific suggestions about the strategy and needed changes. Arguably, the SPC also helped the board to better manage the paradoxical tensions that arose between those collaborative demands and agency theory predicates.

In terms of specific SPC responsibilities, over half (57 percent) of the SPC's time was focused on ensuring the development of corporate strategy (an advice and counsel function based on resource dependence theory consideration), followed by monitoring and tracking progress of strategy implementation (25 percent) (an agency theory requirement) and engaging in processes to alter the strategy (10 percent).[6] Altering strategy could also be a combination of both the agency theory and resource dependence theory roles, depending on when in the planning cycle this occurred. Ensuring the development of corporate strategy at the beginning of the planning cycle involved maintaining an open, inclusive, collaborative and cooperative relationship with the management team (a resource dependence theory predicate), while monitoring and tracking progress during or after plan implementation represented more of an arms-length agency theoretic control orientation. Changes in strategy occurring mid-stream or during implementation would also conform more to the monitoring role. The conflict inherent in the contrasting institutional logics (Greenwood et al., 2011) arising from employing these two alternative approaches simultaneously represents a paradox of governance. This leads us to our first proposition:[7]

P1. The use of an SPC can enable boards to better manage the paradoxical conflicting requirements for both control and cooperation in their relationships with management, and the resulting competing institutional logics that arise from this paradox.

Ensuring the development of corporate strategy (Table 5)

The board fulfills its responsibility in ensuring the development of corporate strategy at different stages, including in setting the strategic context (McNulty and Pettigrew, 1999; Ravasi and Zattoni, 2006; Stiles, 2001). Trying to establish contextual diversity at the board level through collaborating with management also can serve as a mechanism for dealing with complexity and paradoxes (Papachroni et al., 2015). Table 5

[6] Only a small portion of the SPC's time was spent communicating with the board (6 percent).
[7] As noted in the Introduction, we develop our propositions focusing on the unique SPC setting, with the SPO group serving as an implicit baseline.

presents a summary of SPC and SPO firms' efforts to ensure the development of corporate strategy. The first row of the table reveals that in both SPC and SPO firms, both management and the directors participated in the development and refinement of corporate strategy. However, the process was much more collaborative (rather than sequential) in the case of SPC firms. In seven (out of eight) SPC firms, the SPC encouraged, drove or facilitated the process of strategy formulation by management. They ensured that management either developed strategy, or got management to focus on identifying opportunities and then investigating the potential in those opportunities (see Table 5). It is evident that the board SPC considered management to be their partners, and that the SPC cooperated with and supported management in the development of corporate strategy. All these actions represent the 'providing advice and counsel' imperatives described in resource dependence theory (Hillman and Dalziel, 2003; Hillman et al., 2008). One SPC interviewee stated:

> *We [the SPC] only work with management on plans that they feel they can execute. While the SPC's role is advisory and supportive on developing the plan, it is monitoring and oversight with respect to tracking the plan's implementation.*

More participative and closely collaborative interactions between the SPC members and management would be advocated by resource dependence theory, but dissuaded by agency theory prognostications. The SPC's collaborative role extended to encouraging management, offering specific ideas about the strategy, attending strategic planning meetings and providing feedback and oversight. In six of the eight SPC firms, both the SPC and management (i.e., CEO) developed ideas for the strategic plan. The breadth and depth of involvement by the SPC in formulating strategy were more representative of resource dependence theory orientations. By contrast, in SPO firms, the full board typically received strategic planning information from management, provided feedback, and ultimately approved the plan, often after revision, reflecting an arms-length process characterized by a demarcation of roles and responsibilities. In all likelihood, the back and forth nature of the process increased information processing requirements on the board. One SPO interviewee stated:

> *The management develops the strategic plan and the board heavily influences, but we as a board do not see our job as developing it but to critique it in a professional way.*

[Insert Table 5 here]

In both SPC and SPO firms, both management and directors had input into the development of corporate strategy. However, as we mentioned earlier, in the case of SPC firms (compared to SPO firms), the SPC was much more involved in all phases (i.e., formulation, implementation and monitoring) of the planning process, which suggested a more collaborative and participative approach (Sundaramurthy and Lewis, 2003) that was characteristic of resource dependence theory orientations.

We also asked about the importance of the SPC or the full board understanding management's process for setting strategy. SPC members typically believed that it was important for the SPC to understand management's process (6 firms), while the SPO directors believed that it was only moderately important for the board to understand management's process (mean of 3.2 on a scale from 1 = not important to 5 = very important). It appeared that SPC interviewees were more likely to believe that it was important to understand management's strategy-setting process, reflecting their greater commitment and cooperation with management. One SPC interviewee stated:

> *The SPC ensures that the process is both top-down as well as bottom-up. Strategic plans cannot be imposed top-down by board. Needs buy-in by people*

who implement it.… The plan cannot be imposed from the top, it needs to be a top-down and bottom-up process to get the buy-in of the people and to be successfully implemented.

This quote emphasized the need for the buy-in of people who were responsible for implementing the plan. It reflected a collaborative resource dependence theory orientation. Additionally, through combining both top-down as well as bottom-up characteristics, the process characteristics described resembled those of a three-cycle strategic planning process that has been described in the prior planning literature (Lorange, 1993; Vancil and Lorange, 1975), as well as in managing the resource allocation process literature (Bower, 1986). Such a three-cycle, back and forth process also increases the information processing requirements for the board.

Another SPC interviewee stated:

The SPC needs to understand what went into the strategic plan brought forward by management, the process by which management put the strategic plan together. After all, the company's resources are being deployed in the plan.

Overall, the comments could reflect the imperative on the part of SPC firms to adopt more of a resource dependence theory orientation that promotes collaboration with and supports management both philosophically, as well as through the provision of critical planning-related resources (a resource dependence theory imperative). These resources would specifically include providing expertise and advice to the board, as well as assisting with strategy and strategic decisions (Carpenter and Westphal, 2001; Hillman et al., 2008; Judge and Zeithaml, 1992). This leads to our second proposition:

P2. The use of an SPC can better equip the board to handle the resource dependence roles of providing expertise and advice to management, and also assist in formulating strategy.

Regarding the SPC's or board's role in ensuring the development of corporate strategy, both SPC and SPO interviewees indicated that the role was both "advisory and supportive" as well as "monitoring and oversight." This was indicative of the tension and necessary balance between resource dependence and agency theory orientations that we discussed earlier (Anderson et al., 2007). Once again, we detect the existence of multiple competing institutional logics that increased complexity and the challenges associated with responding to them (Greenwood et al., 2011), resulting in a paradox. While the question format varied between the SPC and SPO groups, it appeared that SPC interviewees placed more emphasis on being advisory and supportive (a resource dependence theory orientation that all eight interviewees cited).

One limitation placed on trying to go beyond being advisory and supportive roles was that sometimes the SPC may not have the expertise (or resources) necessary to play a major role in strategic planning, including monitoring the process, as one SPC interviewee described:

> *There are not enough non-management members on the SPC who have a good enough understanding of the potential opportunity set to provide greater than advisory…support.*

However, this expertise could be developed over time with the continued involvement and collaboration of both the SPC and management in the planning process. It is the management team that had responsibility to formulate the company's strategic plan, primarily because the knowledge and expertise to conduct strategic planning was resident in the management team. However, sometimes the management team was unaware in advance of the board's thinking and their likely reaction to certain ideas and proposals. In such instances the SPC's job was to ensure that the management team was alerted to and made aware of the board's likely reaction, as described by an SPC interviewee:

> *The SPC is aware (management is not) of the mindset of the board. Since the SPC knows the mindset of the board, they can act as a buffer between the board and management. Management needs to be cautioned about taking that plan forward before the board ('risky, may blow-up').*

One interviewee explained that monitoring was a challenge:

> *…it is not realistic to monitor the CEO who has more detailed industry knowledge than independent SPC directors.*

Likewise, the demarcation between the role of the board (i.e., advisory and supportive) compared with the operational role of management in the development of strategic plans was exemplified by the following comment:

> *Yes, we're not going to cross that line. I've told the President, there is an imaginary line when directors go so far, but management can't cross that line either. Sometimes they will creep and kick over that line and we will just kick back. It's touchy. I will push back hard.*

Once again, this clear demarcation of areas of responsibilities was more representative of an agency theoretic interpretation of the role of the board versus that of management.

The final element in Table 5 is the interviewees' perceptions of whether the SPC or board process for overseeing the development of corporate strategy was optimal. Six of the eight SPC interviewees viewed the process as being optimal, versus only three of the 11 SPO interviewees who responded to the question. An SPC interviewee stated:

> *The SPC is a critical player that ensures acceptance of presented ideas by the board. The board has a limited time to spend on strategic planning issues. Therefore, the SPC during their offline meetings determines what to present to the board. Thus, the management has greater guidance on what will be presented to the board. Also, insights on which areas the board will want more information on (and which ones less). Risk factors are considered.*

In contrast, SPO respondents had very different perspectives when questioned about their perceptions of whether the process was optimal. One stated:

> *There are improvements that could be made. My preference would be that the management would take more preliminary input from the board. That they might invite a board member to come, not to dominate at all the conversation but to bring perhaps a different perspective that they don't get stuck. I think that's an improvement that can be made, but you walk a fine line. You don't want to take away from them, but you also want to help them. Our management team is more conservative in practice than our board wants them to be.*

It appears from the above remark that the board and management had arms-length (and maybe conflicting) expectations and relationships. Another SPO respondent indicated:

> *It was and is a work in process. I don't consider it to be optimal. By saying that I can't tell you exactly what I think is optimal. Optimal is one that is better than we have right now. It is one of those "I'll know it when I see it" type situations. If nothing else the assumptions the first couple of times around were simply unrealistic. I think management is getting more realistic. That is better. But beyond that I really can't say much.*

Overall, it appeared that the SPC interviewees were much more positive about their process than were the SPO interviewees, suggesting that the resource dependence and partnering roles played by SPCs were perceived to be more beneficial in dealing with the multiple, contradictory challenges that boards were confronted with (Sundaramurthy and Lewis, 2003).

In summary, Table 5 revealed three key differences between SPC and SPO firms:

- SPC firms were more likely to emphasize the importance of understanding management's process in developing strategy.
- SPC firms in our sample were universally focused on being advisory and supportive towards management in their process for developing corporate

strategy, once again reflecting a greater resource dependence theory orientation than SPO firms.

- SPC interviewees were more likely to view their process for overseeing strategy development as optimal. In addition to being more appropriate for dealing with the strategic challenges facing the organization, collaborative approaches and behaviors were also perceived as being more self-fulfilling, thus resulting in more favorable impressions.

The points mentioned in the first two bullets emphasized the SPC's role in enabling the board to shift away from an arms-length agency theoretic orientation to more of a 'hands-on' and cooperative approach based on trust and collaboration with management. The last point suggests that this shift might also be perceived as being beneficial. However, as alluded to earlier, the challenges of dealing with and adapting to these competing institutional logics are substantial, and the SPC could play a role in helping both the board as well as the management team to deal with them. This leads us to our third proposition:

P3. The use of an SPC can lead to heightened levels of satisfaction with, and greater perceived effectiveness of, the strategic planning process at the board level.

SPC monitoring and modifying strategy; SPC role with the board (Table 6)

The monitoring role of the board is traditionally an agency theoretic predicate. Table 6 provides insights into the role of the SPC in monitoring and modifying strategy, as well as the SPC's role with the board.[8] In six of the eight SPC firms, the board took the lead on monitoring the implementation and progress of strategy. Thus, it appeared that

[8] The SPO interviewees indicated that the board typically receives information from management in order to monitor progress on strategic plans.

the SPC generally deferred to the board once the strategy was set. Monitoring strategy implementation is typically an operational activity. But reflecting a more traditional agency theoretic type of involvement, the full board here was also closely involved with tracking implementation progress. In terms of modifying strategy, management typically initiated changes, and then the board-level responsibility for oversight was most commonly either held by the full board or shared between the SPC and full board.

Modifications of corporate strategy were typically necessary when external situations changed, when crises hit, or when the trend of ongoing results did not meet expectations. These are occasions when institutional logics may shift more abruptly and necessitate the balancing of competing logics involving a combination of agency and resource dependence approaches, representing extremely paradoxical situations. One SPC interviewee explained the SPC's role:

> *During board meetings most of the time is spent on tracking and reporting. The other two (stand-alone) SPC meetings relate to modification and development of corporate strategy.*

Another stated:

> *The SPC… needs to probe, question and determine if a change of direction is needed. If necessary [the SPC] helps to modify strategy.*

The events that necessitate a modification of corporate strategy could be driven by internal or exogenous factors. One interviewee acknowledged that external issues were more difficult to cope with:

> *…we train management to deal with internal issues. Fast growth can create ongoing need for management talent. External issues are more difficult to control and train for. When the modification is due to internal reasons, it is easier to make the change, but when it is external, control is a lot harder.*

The last statement indicate that the board's responses need to adapt quickly when faster rates of change in external environmental conditions necessitated faster (and more variegated) organizational responses. In many such instances, more of the know-how and expertise is resident with the management team and not necessarily with board members. Such adaptive responses could be better enabled by adopting collectivistic, inclusive approaches that included the board partnering with management. This leads to our fourth proposition:

P4. The SPC's role in strategic planning becomes more critical with higher rates of change in the external environment and with faster growth of the organization.

Regarding the SPC's interface with the board, five interviewees indicated that the SPC reported to the full board or kept the full board informed or updated, and three interviewees indicated that the SPC made recommendations to the board with respect to strategy, reflecting tenets of information processing theory. In seven of the eight SPC firms, the full board approved the strategy, while the SPC alone approved strategy in one firm.

[Insert Table 6 here]

Why SPCs are formed

We asked the SPC interviewees why their company had formed a board-level SPC. Six of the eight interviewees had direct knowledge of the reasons, and they provided the responses below. The first two quotes related to enhancing information flows (an information processing theory consideration) and reducing information asymmetries between the board and management (reflecting the limitations of an agency theory orientation), as well as providing better oversight of management (also an agency theory requirement):

> *Our board did not have enough information to assess the plans presented by management. Conversely, management did not have an idea about board thinking. The idea behind forming an SPC was to have a more robust plan based on which the board could make informed decisions.*

> *There were negotiations with the founder to set up the SPC to help oversee the new CEO, who was young…. Before that, the founder just did deals and then told the board. The board didn't know about things beforehand.*

The above comments also reflected the perceived recognition on the part of the board for the need to become more of a partner to management with regard to strategic planning. This was accomplished through engineering a shift away from agency theory prognostications to adopting a more collaborative orientation with management (Anderson et al., 2007; Sundaramurthy and Lewis, 2003). The next two quotes point to the company's expansion or repositioning making the formation of a board SPC appropriate:

> *The catalyst in forming the SPC was that we were a one-product company that went public and was adding new (multiple) products. We also had enough horsepower on the board to form the SPC. Also, our Lead Director wanted to have an SPC.*

> *The company had challenges with respect to the mix of businesses. The board realized that the company was vulnerable. The customers were concentrated and there was industry risk. We needed to reposition the company for new opportunities. Sought diversification in terms of "different baskets to put your eggs into." Like a portfolio theory approach to running a business. There was product risk, technology risk, and pricing risk. We realized we needed to reposition the company beyond its historical focus. So the SPC was formed as a mechanism to drive this process. That thinking was instrumental behind forming the SPC.*

These statements reflected the increases in both environmental and organizational complexity (i.e., more product lines) and greater perceived uncertainty as well as risk. This is in keeping with Proposition 4. Increases in the number and mix of businesses may have resulted in increased variations in product markets, technologies and customer needs. These factors could necessitate the adoption of contrasting or competing institutional logics (Greenwood et al., 2011; Sundaramurthy and Lewis, 2003) based on both agency as well as resource dependence theories. Contrasting institutional logics increase complexity, necessitating the adoption of paradoxical approaches and appropriate structural solutions (Papachroni et al., 2015, 2016). Additionally, increases in the number and mix of businesses may also increase information processing requirements for the board. This factor, along with the challenges posed by competing logics, may have strained the board's ability to fully respond and adapt (based on purely agency theoretic modes of interacting with management) and consequently led to the formation of SPCs in order to be able to more adequately and proactively respond to those challenges.

Finally, the next two quotes reflected efforts to enhance the quality of, and to formalize, the company's strategic planning process through the formation of an SPC:

> *…the company had gotten into a rut and business as usual without enough focus on processes to thoroughly investigate the universe of opportunities with the idea of developing a plan that made the most effective use of the company's resources. So, the SPC was formed to encourage a focus for management on developing a robust process for strategic planning and to monitor this progress. After about three years, the governance committee decided that the SPC was no longer needed because its mission had been accomplished.*

> *We had a conversation about what are the most important things we need to do. We talked about approving the budget and it being tied to a strategic plan. Questions were coming back with no's or blank faces, and we agreed the company should do strategic planning. Once we had the conversation people were bought in.*

Thus, it appeared that these company boards formed SPCs mainly for reasons related to facilitating board-management information flows (an information processing theory requirement), dealing with company-specific strategic changes, and making efforts to enhance strategic planning outcomes. There was a perceived need for more paradoxical approaches with regard to strategic planning processes, on the part of both the board as well as the management. This would have included the adoption of a greater degree of resource dependence theory based cooperative orientations in board-management interactions.

Focusing more broadly than on only the insights provided by the interviewees, we also observe that the SPC firms were smaller than the SPO firms (see Table 2). This overall pattern suggests to us that as firms reach a certain size and have a goal of continued growth, they choose to focus more on strategic planning, or even formalize their strategic planning efforts for the first time. This focus on strategic planning provides some firms an impetus to form an SPC to help management and the board deal with the organization's increasing scope and complexity.[9] This leads to our fifth proposition:

P5. As organizations reach a certain size or scope, some boards are more likely to constitute SPCs in order to ensure greater formality in strategic planning processes.

Other questions (Table 7)

Table 7 summarizes responses to several questions related to the roles of various parties in strategy, board versus SPC advantages, the greatest risks faced by SPCs and boards regarding strategy, and the desired traits of SPC members.

[Insert Table 7 here]

SPC firms were more likely to have formal written policies about the roles of management and the board (including the SPC) with respect to strategy. Half of the SPC firms had such formal polices, versus only two of the SPO firms. These relationships are

[9] In Proposition 6 below, we examine a second apparent shift, where even larger firms with experienced directors may prefer an SPO approach so that all directors directly oversee strategy.

captured in Proposition 1. The formalization of these roles between management and board reflected an agency theoretic emphasis. Prior research has found that companies typically used techniques like annual calendaring, decision protocols and executive judgment to indicate which decisions needed to go before the board (Useem and Zelleke, 2006). Policies on determining which decisions needed to go before the board for approval (and which did not) indicated a clear demarcation of responsibilities between the board and management, signifying efforts to regulate information processing requirements. In addition, they reflected more of an agency theoretic orientation. Nine of the 10 SPO interviewees whose firm did not have a written policy indicated that the strategic roles of the board were well understood despite not being in writing.

Interviewees from both SPC and SPO firms tended to strongly agree that it was important to understand each party's role in strategy. Based on the responses, a key concern was that the directors (including those on the SPC) might seek to run the company and usurp management's duties. Thus, a clear understanding of different roles was important for keeping the directors focused solely on governance instead of on managing the company.

SPC interviewees described two key benefits of having a board SPC to take the lead on strategic oversight. First, all eight interviewees cited the benefit of the SPC's clear focus on strategy, believing that a full board may become distracted with other issues at times. This suggested an information-processing capability bottleneck that the board had to deal with. Second, three SPC interviewees stated that the final product (the strategic plan) was of higher quality with SPC oversight, in part because of the early SPC feedback provided to management. This result (captured in Proposition 4) could also be a reflection of the SPC's having adopted a greater resource dependence orientation (and sharing of their network and expertise resources) in their interactions with management during the strategic planning process.

According to one SPC interviewee, the SPC can bring focus and expertise to the strategic planning process and success to the company:

> *Having a committee ensures a more formal, focused process. It crystallizes thinking. Having the SPC forces attention on strategy formulation. Since we don't have management consultants on the board it would otherwise be neglected. If we had no SPC there would be less emphasis on strategy if the board as a whole did it. Moreover, you don't want the whole board to be involved in strategy formulation. Sometimes board members have no knowledge of the industry/company, are less involved (many are retired), and are there to go through the motions and collect a check. Our family has a significant interest in the company, and therefore I am interested in protecting the welfare of the family.*

The quality of the planning process is improved (i.e., "crystallizes thinking") with the formation of the SPC. The process also becomes more focused and formal, rather than being dissipative, as when the whole board is involved in strategic planning. This last point alludes to the need for addressing the limitations in the information processing capability of the board (Sanders and Carpenter, 1998).

Another SPC interviewee mentioned SPC's involvement leading to better strategic planning outcomes:

> *Plans are enhanced (because the SPC spends 2-3 days with management at planning meetings). So the SPC will understand the process at a lower level than what the board sees. Most boards do not spend two to three days in a planning meeting to make sure some key element is brought to the board. Our committee involvement results in a well-articulated document that is presented to the board.*

This last comment also reiterates that the resulting plan is better thought through and articulated with the involvement of the SPC. The scope and extent of this involvement is more focused and in-depth reflecting the provision of additional resources by the SPC. The cooperative and collectivistic nature of the SPC engagement with management is more representative of a resource dependence theory orientation.

When asked why more boards do not have SPCs, one interviewee emphasized the importance of having an SPC in complex industries:

> *Full boards do not have experience with SPCs, so they do not have them. But if you ask any board its two most important duties, it will say picking the CEO is first and ensuring a sound strategic plan is second. The SPC is specifically responsible for oversight of strategic planning, which is especially important in complex industries.*

As argued previously, when the organization's scope and operations increase to a certain level (relative to very small, new firms), an SPC may be better equipped to deal with this scope. This relationship is captured in Proposition 5. We emphasize that this occurs not only through reallocating responsibility for strategic planning to the SPC, but also through adopting a new philosophical orientation to board-management relations that includes resource dependence theory orientations. The SPC is a governance innovation that can help the board to accomplish this shift, both practically and metaphorically.

By contrast, seven of the SPO interviewees pointed to one key advantage of full board's oversight of strategy, in that the talent, ideas, and inputs of *all* board members were leveraged in the process. They believed that using a board SPC could reduce the board-level talents applied to strategy. This viewpoint reflects a contrarian perspective on the benefits of the full board's involvement in planning. However, it needs to be considered with some reservations, since there was a recognition (in the earlier quote from an SPC firm director), that the involvement of the whole board often resulted in not enough attention being paid to strategic planning, either due to a lack of time or due to a lack of expertise among the directors. Therefore, there are tangible positive benefits that an SPC's involvement can bring to the planning process in certain contexts.

This sentiment, however, does suggest to us that as some firms get even larger (i.e., relative to the SPC firms), the disadvantages of an SPC versus the advantages of an SPO approach can become more pronounced. Specifically, if an SPC will result in using less of the talents / qualifications of those board members not on the SPC in the oversight of strategy, then this becomes a disadvantage of having an SPC. This disadvantage is further pronounced when the overall members of the board are older and more experienced (as is the case in the SPO firms, as indicated in Table 2), such that broad strategic input from a large number of directors can be hampered. In other words, SPC usage could result in diminished strategic contributions from the experienced directors serving on the board, but not on the SPC. This line of thinking, which is consistent with our insights from the SPO interviews, suggest the final proposition:[10]

P6. For some large companies with older, experienced board members, the disadvantages of using an SPC may outweigh the advantages.

In terms of risks, the most common response on the biggest risk faced by SPCs was overstepping the committee's bounds and getting too involved in the details of strategic planning. One SPC interviewee stated:

> *The biggest risk is getting into the weeds, becoming too involved and usurping management's role. When this happens, this destroys trust between the SPC/board and management and hinders the implementation of the plan.*

Another shared a similar sentiment:

> *Some of the pitfalls are tending to get way too involved in the details of strategic planning and having the executive team rely too much on the SPC.*

[10] We acknowledge the importance of complementing our small-sample, interview data with broader archival studies of the differences between SPC and SPO firms before definitive conclusions are drawn.

These are pitfalls that all SPCs should strive to avoid. Another said:

> *You should be supportive and challenging, but it is not your plan to drive.*

At a collective level, the SPC must take the time to understand the business, while not necessarily driving the strategy. One interviewee explained:

> *If you endorse a strategic plan and then monitor it without understanding it, you run the risk of ruining the company.*

Reflecting the vestiges of agency theory and the accompanying imperative for the demarcation of responsibilities for strategic planning between the board and management, the above comments appeared to encourage a cautionary restraint on the extent of board involvement in strategic planning. As we have continuously emphasized, a balanced combination of both agency and cooperative resource dependence theory perspectives is needed for superior organizational processes and outcomes as firms become increasingly complex. This of course creates contrasting (and conflicting) institutional logics that can only be dealt with through accommodating paradoxes and inculcating organizational flexibility (Sundaramurthy and Lewis, 2003).

By contrast, SPO interviewees most commonly described the biggest risks as failing to understand economic and other uncertainty, and board complacency and/or overconfidence. Thus, it appeared that SPCs may struggle with becoming too involved in strategy, while full boards may struggle with not being adequately involved. The above statements are reflective of the latent tensions between agency theory and more socio-behavioral orientations and once again emphasizes the need to handle the tensions arising from competing institutional logics through adopting paradoxical governance solutions.

Finally, we asked the SPC interviewees about the desired traits of SPC members. They most commonly cited industry / market experience, strategy experience, experience running a company or operations, interpersonal skills and business judgment.

One interviewee pointed to the importance of experience with strategy:

> *You want to add value. You don't want to be learning. You want people that have gone through strategic planning a number of times.*

Another emphasized the importance of interpersonal and tactical skills:

> *Very good interpersonal skills are also important because you need to be able to relate to and gain the confidence of management.*

Additionally, several interviewees commented on the traits needed in the chair of the SPC. One stated:

> *…the chair must be a demanding partner who serves as a cross or bridge between management and the board to help management accomplish the strategic objectives.*

Another pointed to the importance of the chair keeping the SPC focused on its role:

> *The chair needs to be able to communicate the division of roles and be a resource for constructive collaboration…Management should not feel that the SPC is intruding into their roles and micromanaging, but merely encouraging and facilitating the process.*

These comments reflect agency theory assumptions regarding the clear demarcation of planning responsibilities between the board and management, and the role of the SPC chair in enforcing this division. Nonetheless, even in these comments there is a recognition of the need for the SPC to help management and be encouraging and facilitating the process, both of which are more resource dependence theory orientations.

Overall, Table 7 revealed three key differences between SPC and SPO firms:

- SPC firms were more likely to have formal written policies about the role of each party in strategic planning. This reflected a division of responsibilities conforming to agency theory expectations.
- Having an SPC provided board-level focus on strategic planning and may have resulted in higher quality plans, while the SPO firms cited the advantage of leveraging the talents of all directors in strategic oversight. The leveraging of directors' talents is also indicative of the need for resource dependence theory approaches.
- SPC interviewees were more concerned with the SPC becoming too involved in strategy details, while SPO respondents were more concerned about the board being too uninvolved in strategy. As stated earlier, these concerns regarding the demarcation of responsibilities (as well as information flows) between the board and management were more reflective of agency and information processing theory orientations.

Discussion and Conclusion

Theoretical insights and patterns in the findings

Board-management interactions and relations have for long been mired in the traditional agency theoretic paradigm of protecting and preserving board independence and neutrality through maintaining arms-length interactions and minimizing social ties with management. Organizations draw their logics from the higher-order institutional frameworks within which they are embedded (Scott, 2001). The legitimacy of agency theory as an organizing logic is derived from its conformity with 'the primacy of capital markets' (Donaldson, 1990; Zajac and Westphal, 2004). Such a logic relies on the allocative efficiency of the invisible hand of capital markets, rather than on the observable actions of corporate managers (op. cit.). The consequence has been an overreliance on ‘investor capitalism’ rather than on ‘managerial capitalism’. In this debate, the role of the board in the provision and proper use of corporate resources has been downplayed or completely dispensed with. Instead, agency theoretic dictums have portrayed organizational actors’ roles and motivations as being opportunistic, individualistic and self-serving. Nevertheless, managers can and do have a role to play as stewards of organizational resources based on their professional norms, collectivistic goals and individual desires for the fulfillment of higher order needs.

Moreover, given rising environmental turbulence and complexity and increased organizational size and scope, the demands placed on boards have changed and multiplied, necessitating a change in orientation towards adopting more cooperative and collectivistic approaches to governance (while still continuing to retain the vestiges of agency theoretic monitoring, oversight and contracting roles that are crucial for fulfilling the coercive standards required for good governance). In addition to posing paradoxical challenges, such environmental and institutional changes have necessitated transformations such as cultivating the ability to simultaneously accommodate competing institutional logics (i.e., agency theory, resource dependence theory and information processing theory demands) that boards have been exercised to deal with (Greenwood et al., 2011). Building in flexibility and slack in governance structures and creating the added capacity to embrace paradoxes have been proposed as potential solutions to the problem of balancing competing governance imperatives necessary to face both heightened environmental complexity and turbulence (Papachroni et al., 2015, 2016;

Schad et al., 2016; Smith and Lewis, 2011; Sundaramurthy and Lewis, 2003) and increased organizational scope and size.

This study examined how board-level SPCs can serve as board-level architectural innovations that could help the board tackle the challenges of simultaneously being able to embrace more collaborative, partnering approaches in their interactions with management, while also holding on to more traditional agency theory assumptions. We interviewed 20 U.S. public company directors – eight serving companies with a board SPC and 12 serving companies without a board SPC. It became clear that based on agency theory assumptions, there were fundamental tensions between management and directors with respect to their responsibilities and involvement in the strategic planning process, as well as on how to handle the significant information asymmetries that existed. Some of the fundamental tensions related to the extent of agency theoretic versus resource dependence theory orientations (such as arms-length versus collaborative relationships, the relative degrees of distrust versus trust between the board and management, assumptions regarding goal-incongruence versus goal-congruence between the board and management, the seeming incompatibility between individual and collective organizational goals) that boards adopted in their interactions with management during the strategic planning process.

These hidden tensions between the agency and resource dependence philosophies (along with information processing requirements) are reflected in additional tensions relating to governance imperatives, such as the extent of control versus collaboration (Sundaramurthy and Lewis, 2003) and the extent of board oversight versus delegation (Useem and Zelleke, 2006) in governance processes. In addition, the strategic planning process has to consider and accommodate the desires of all important organizational stakeholders, while the dominant focus of agency theoretic prescriptions primarily emphasize the maximization of shareholder value. These contradictions created multiple (and often conflicting) institutional logics within organizations, straining the abilities of their boards to cope and adapt.

As we consider the insights revealed in the interviews, the theoretical perspectives highlighted in Table 1, and the six SPC firm propositions we posed in the previous section, an overall pattern emerged. The SPC firms were smaller, had less experienced directors, were more focused on helping management with strategy, were more focused on reducing the board's informational demands, and were more formal in establishing the roles of each party with respect to strategy. On the whole, these elements suggested that the SPC firms had a heightened focus on resource dependence precepts (helping management) and on information processing theory (by taking the lead on strategy issues, they provided some relief to the board). Overall, the SPC firms appeared less focused on agency theory notions, except that their greater formality in assigning strategy-related roles suggested an agency focus.

By contrast, the SPO firms in this study were larger, had more experienced directors, were more focused on traditional monitoring, and were more focused on having all directors actively involved with strategic oversight, so as not to lose the insights of the entire board by having primarily only SPC members directly involved in strategic oversight. Overall, this suggests that the SPO firms were more focused on agency theory monitoring than the SPC firms. The SPO firms also were less focused on resource dependence notions of helping management (except for the focus on having all directors involved in strategic oversight) and less focused on providing directors relief from their information processing demands.

Thus, subject to the limitations of our small-sample, interview study, firm size and director experience appeared to emerge as critical elements when considering the differences between SPC and SPO firms. The SPC firms, with their smaller size and less experienced boards, appeared to see significant value in forming an SPC to formalize strategic planning, help management, and reduce informational burdens on the board members. By contrast, the SPO firms, with their greater size and more experienced boards, saw value in having the full board oversee strategic planning and did not focus as much on helping management or addressing informational burdens. The SPC and SPO firms each responded to their situations and characteristics in ways that seemed to fit the organization, although we did find the SPC interviewees to be more enthusiastic about the quality of their strategy oversight than the SPO interviewees.

Managerial insights

From a managerial perspective, in addition to being helpful in ensuring that strategic planning receives more consistent board-level oversight, board SPCs may be a useful tool for some firms that can assist both the board as well as management to deal with and alleviate these tensions through enabling the accommodation of paradoxical perspectives. At an operational level, boards also have to be careful to ensure that directors do not usurp management's role in strategy setting, because directors typically have much less information and expertise on these issues than do managers.

Therefore, the board SPC also could serve as a useful resource that certain boards (and company management) could utilize to enhance the effectiveness of, and broaden the perspectives adopted in, the strategic planning process. This is because the SPC also can facilitate a deep understanding of the board's current mindset and priorities. Therefore, the SPC can be extremely helpful in informing management regarding the acceptability of the various strategic options that are being considered, and the likely disadvantages of each option. Conversely, the SPC can alert and prepare the board to be more receptive to proposals that are being developed by management. Through facilitating such informed two-way interactions and through combining both top-down as well as bottom-up approaches (Bower, 1986; Lorange, 1993; Vancil and Lorange, 1975), the board SPC can help the adoption of more diverse and flexible approaches by the board in its interactions with management.

The relative extent to which individual company boards (and SPCs) cultivate flexibility and embrace paradoxical approaches should be a function of firm size, director experience, complexity, turbulence and organizational conflicts that they encounter in their individual operating situations. Board-level SPCs can be a specific governance innovation that could help certain boards of directors to move in the direction of more collaborative governance. The limited evidence we gathered appeared to support the inference that these SPCs could be useful catalysts in accomplishing such governance transitions in certain firms (Sundaramurthy and Lewis, 2003). Ultimately, it is the prerogative of individual boards to determine whether a board SPC would add value to their governance processes, and if so, what (and how much) of the contrasting philosophical underpinnings discussed here would help to facilitate the transformation to a more adaptive, inclusive and collaborative planning process.

Further, it is important to note that board SPCs often may serve as a temporary solution to a board's strategy oversight challenges. As firms grow and gain more experienced directors, it may become more effective to engage the entire board in oversight of strategy, thus eliminating the board SPC. Also, for smaller firms that constitute a board SPC, it is important to monitor the impact of the SPC on the workload of independent directors, who also serve on the required audit, compensation, and nominating committees. With a small board, establishing four board committees staffed largely by independent directors has the potential to create significant workload and scheduling demands on certain directors.

Future research

We believe that there is a great deal of opportunity for future research on board SPCs. First, we call for additional large-sample research into differences between SPC and SPO firms to complement the qualitative, small-sample approach used in this study. Such studies could more fully establish key differences between SPO and SPC firms.

Second, we encourage research on the presence of board SPCs and company-level performance measures, including profitability, growth, and innovation. This line of research can serve to better understand the potential value, or disadvantages, of SPCs.

Third, consistent with the discussion above regarding potentially overloading certain independent directors when establishing an SPC, we call for research on director overload or burnout in SPC firms. Do SPC firms struggle with this issue, and if so, how do they attempt to mitigate the issue? In a related vein, does the presence of a board SPC have any implications for staffing the required board committees (audit, compensation, and nominating), and is the presence of a board SPC associated with the performance or quality of the required board committees?

Finally, we encourage research on the role of SPCs in directors' career progression. For example, is SPC service helpful to directors in their professional development, and does SPC service help directors to secure future strategy-focused board positions?

Overall, we believe that the topic of board SPCs reflects fertile ground for additional inquiry. We hope this is study will serve as a catalyst for additional research.

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Table 1
The three theoretical frameworks employed in the study and their implication for board Strategic Planning Committees (SPCs)

Theory	Description and Expected Findings
Agency Theory (Eisenhardt, 1989; Fama and Jensen, 1983; Jensen and Meckling, 1976)	Description: The board substantively monitors management (i.e., the agents) on behalf of shareholders (i.e., the principals) to reduce management's ability to act opportunistically. Expected role of SPCs: The SPC oversees, guides and helps shape board-level strategic planning processes through monitoring and ensuring that strategic plans agreed to between the board and management enables shareholder wealth preservation and value maximization.
Resource Dependence Theory (Hillman and Dalziel, 2003; Hillman et al., 2008; Pfeffer and Salancik, 1978)	Description: Board members partner with management to help them acquire the resources needed to implement organizational strategy. Expected role of SPCs: The role of the SPC is to take the lead in board strategic planning processes, act as a communication channel between the board and management on such matters, and provide advice and counsel to management in strategic plan development and other strategic decisions. In addition, the SPC would assist the board in its role of identifying and obtaining externally based resources that are required to implement strategy.
Information Processing Theory (Henderson and Frederickson, 1996; Sanders and Carpenter, 1998; Tushman and Nadler, 1978).	Description: The information processing demands on an organization are a function of the uncertainty facing the organization; this uncertainty is dealt through adopting appropriate structural and other coping mechanisms. Expected role of SPCs: The SPC helps the board to reduce information processing demands on the board arising from its strategic planning responsibilities through taking on board-level strategic planning responsibilities and relieving the larger board from being cognitively stretched due to the need to pay attention to strategic concerns. The SPC enables the board to better focus and facilitates its role of providing direction setting and strategic oversight.

Table 2
Information on interviewees and their companies

	SPC Firms (n = 8)	**SPO Firms (n = 12)**
Gender	7 males 1 female	12 males
Mean age	57.8 years	70.4 years
Mean current number of public boards served	1.8 1-4 (range)	1.7 1-5 (range)
Mean lifetime "board-years" of public company board experience	18 7-50 (range)	32.6 6-78 (range)
Mean years on this company's board	5.6 3-10 (range)	9 3-17 (range)
Mean board size	9.2 members (n = 6)	9.6 members
Mean percentage of board members who are independent	83.5% (n = 6)	82.9%
Industry (1 firm each unless indicated)	• Financial services / insurance (2 firms) • Swimming pool and lawn irrigation distribution • Security (physical) industry • Construction • Energy • Health care management • Real Estate	• Software and programming, technology, energy technology, or technology / diversified electronics (5 firms) • Banking, financial/asset management, or real estate investment trust (4) • Specialized health services or healthcare information services (2) • Retail
Stock exchange	NYSE (3 firms) NASDAQ (5)	NYSE (4 firms) NASDAQ (6) OTC (2)
Mean (median) most recent annual revenues ($ millions)	$1,606 ($273)	$2,139 ($1,450) (n = 11)
Mean (median) years that company has had SPC	6.9 (4.0)	N/A
Interviewee mean years as SPC member	3.1 (n = 7)	N/A
Mean number of SPC members	3.5	N/A
Mean percentage in SPC who are independent	89.6%	N/A

Table 3
SPC and board meeting processes

	SPC Firms (n = 8)	**SPO Firms (n = 12)**
Mean number of planned meetings in past year	4.6 SPC meetings	5.1 board meetings with strategy content
Mean length of each SPC meeting	2.1 hours	N/A
Mean hours per year that board devotes to strategy during meetings		23.8 hours (n = 10)
Beyond committee members (or directors), who typically attends SPC meetings (or board meetings addressing strategy issues) [n = 11 for SPO group]	• CEO (7 firms) • Corporate Secretary (3) • CFO (2) • VP Strategic Planning (1) • Directors not on SPC (1)	• CEO (11 firms) • CFO (10) • General Counsel (9) • Operations management (7) • HR (5) • Marketing (3) • Other (14 other titles named once each)
Executive sessions with only independent directors at SPC meetings (or board meetings addressing strategy issues)	• Every meeting (1 firm) • Sometimes (1) • Occasionally (3) • Never (3)	• Every meeting (9 firms) • Sometimes (1) • Occasionally (1) • Never (1)
Mean hours per year spent on SPC-related (SPO-related) activities outside of meeting time	44.2 hours (n = 5)	49.9 hours (n = 4)

Note: The SPC column reflects activities of the SPC only. It does not capture full board processes in SPC firms.

Table 4
SPC and board purpose with respect to strategy

	SPC Firms (n = 8)	SPO Firms (n = 12)
Purpose of SPC (board) with respect to strategy – most common responses	• Support or help management in developing strategic initiatives (3 firms) • Ensure that the strategy formulation process is robust and that the impact of economic and other external forces on organization are properly assessed, ensure that management develop processes for strategic planning, or oversee the strategic planning process (3) • Help the board in understanding the strategic plan, act as buffer to the board, or serve as a liaison between the board and management (3) • Lay out a road-map for the company's future growth or help define the company strategy and business plan (2) • Analyze and make recommendations on strategic opportunities (2)	• To help set the direction of the strategic plan, help select company strategy, ensure that the company is moving in the right strategic direction, work with management to understand the direction and vision of the company, get into the plan put forth by management, examine the thought process and the reality of the plan, provide input to, discuss at length, comment on, evaluate, critique, challenge all or part of the strategic plan, and /or approve it (10 firms) • To provide oversight of management, provide oversight to see that strategy is accomplished, review what management has done and advise management after those reviews, and/or oversee process and get involved very deeply in the process to see it's done well (5) • To suggest revisions, or when changes related to strategy are necessary work with management to make the changes (3)
Specific responsibilities of the SPC and mean % of time spent in each area (n = 7 for time estimates)	• Ensuring the development of corporate strategy (8 firms), 57.2% of time • Monitoring and tracking progress of corporate strategy implementation (7), 24.5% of time • Engaging in a process to modify corporate strategy during its implementation (7), 10.2% of time • Communicating with the Board (8), 5.6% of time • Other (2), 2.4% of time	N/A
Full board's specific strategic responsibilities	N/A	• Monitor the process by which management develops the strategic plan (11 firms) • Approve the plan (12) • Monitor implementation of the plan (12)

Table 5
Ensuring the *development* of corporate strategy

	SPC Firms (n = 8)	SPO Firms (n = 12)
How does the SPC (board) fulfill its responsibility in ensuring the development of corporate strategy? Most common responses.	• SPC encourages/drives/facilitates the process of strategy formulation by management, ensures management to develop strategy, or gets management to focus on identifying opportunities and then running them to the ground (7) • Both the SPC and management/CEO are involved in the development of ideas for the strategic plan (6) • SPC, the board, CEO, CFO, management, and/or top executives, etc. attend the planning meetings, retreat, sessions (could last 2 or more days) or a meeting of the minds along with a lot of brainstorming to discuss the plan/opportunities (7) • The CEO/management develops the strategic plan (8 firms) • SPC provides input or directions, advises and counsels management in developing the plan, and reviews, vets, and challenges the plan from management (7) • The Board (7) or SPC (1) comment on and approve the plan	The board provides feedback on the idea/plan initiated by management (8) • Management and/or CEO develops/updates the strategic plan, and presents it at the second quarter/June/September board meeting. The board then goes back and forth and asks questions, and suggests adjustments or changes. (4) Management revises the plan (8) • According to feedback from the board, management and/or CEO makes changes to the plan after the meeting, in one case on the condition that a difference of opinion about the plan that doesn't get resolved in time and the plan needs more work. (4) The board approves the plan (8) • At the board meeting after the meeting where the first draft plan was presented and discussed, management and/or CEO presents the second draft plan, and the board approves, approves the plan informally, approves the plan subject to regulatory approval, or accepts the plan without a formal vote, probably after discussions between management and the board, and some tweaks or changes made to the plan. (5)
Who has input into the development of corporate strategy? Most common responses. (n = 11 for SPO firms)	• Management (8 firms) • SPC (8) • Board (7)	• CEO and CFO (11 firms) • Independent directors (11) • General counsel (9) • Business unit management (7) • HR (5) • Strategy consultant / investment banker (5)
Management versus director influence on strategic plan	Is management, or the SPC, or both about equally most involved/participative in the development of corporate strategy? • Management (7 firms) • Both about equally (1)	With the [strategic planning] document that is ultimately adopted by the board, what percentage are components of ideas and decisions affecting value proposed by management, and what percentage results from the involvement of independent directors? • % by management (mean) – 78% • % by independent directors (mean) – 22%

Importance of the SPC (board) understanding management's process in developing corporate strategy	Is it important for the SPC to be familiar with management's process in developing corporate strategy? • Yes (6 firms) • No (2)	On a scale of 1 to 5, how important is it for independent directors on the board to be aware of the process that management engages in to develop the strategic plan? (5 = Very Important and 1 = Not Important) • 3.2 (mean) • 2.5 (median)
Role of SPC (board) in ensuring the development of corporate strategy	• Advisory and supportive, as well as monitoring and oversight (3 firms) • Advisory and supportive (3) • Advisory and supportive as well as critical (1) • Advisory and supportive, and some of monitoring and oversight (1)	On a scale of 1 to 5, to what extent would you describe the role of independent directors in the development of the plan as "advisory and supportive"? (n = 10) • 4.1 (mean) • 4 (median) On a scale of 1 to 5, to what extent would you describe the role of independent directors in the development of the plan as "monitoring/oversight"? (n = 11) • 4.4 (mean) • 4.5 (median)
How optimal is SPC (board) process for overseeing the development of corporate strategy? (n = 11 for SPO firms)	• Optimal (6 firms) • Not optimal (2)	• Optimal / comfortable with process (3 firms) • Not optimal (8)

Table 6
SPC *monitoring and modifying* strategy; SPC role with the board

How does the SPC fulfill its responsibility in monitoring and tracking progress on corporate strategy implementation? (most common responses)*	n
Monitoring done at the board level / primarily at the board level	6
SPC takes the lead on monitoring progress and receiving information from management	2
How does the SPC fulfill its responsibility of modifying corporate strategy during its implementation? (n = 7)	n
Modifying corporate strategy is mainly the full board's responsibility	3
Modifying corporate strategy is absolutely the SPC's responsibility	1
Board and SPC share the responsibility for modifying corporate strategy	3
The role of the board versus the role of the SPC with respect to governance as it relates to corporate strategy, including the SPC communication responsibilities and processes, as well as the decision-making authority of the SPC relative to the full board as it relates to the governance of corporate strategy	n
SPC reports to the full board or keeps the full board informed or updated	5
SPC makes recommendations to the board with respect to strategy	3
The decision-making authority of the SPC relative to the full board as it relates to the governance of corporate strategy	
The full board approves the plan	7
Strategy is decided at the SPC level. Decisions are made through consensus (unanimous) in consultation with management (especially the CEO). The board takes in the information, but actually never votes on the strategy.	1

* SPO firms typically indicate that the board receives information from management in order to monitor progress on strategic plans.

Table 7
Other questions

	SPC Firms (n = 8)	**SPO Firms (n = 12)**
Do you have formal written policies that clearly delineate the role of management and the role of the SPC [board] in the development, adoption, and execution of corporate strategy?	• Yes (4 firms) • No (4)	• Yes (2 firms) • No (10; 9 interviewees indicated that the roles are well understood even though they are not in writing)
Importance of understanding each party's role in strategy	Is it important for the role of the SPC versus the role of management in the corporate strategy formulation and implementation process to be clearly understood by both parties? • Yes (7 firms) • No (1) Why important? (most common response) • It is the CEO, not the board, who runs the company, but directors on the board are often tempted to run the business. / It is important for board members to avoid micromanaging the company's affairs. / If the board or SPC invades the roles of management, it can lead to discord or distrust on the board, or rattle management. (4 firms)	On a scale of 1 to 5, how important is it for the role of the board versus the role of management in the strategic planning process to be clearly understood by both parties? (1 = Not Important and 5 = Very Important) • 4.8 (mean) • 5.0 (median) Why important? (most common response) • It can prevent directors from crossing the line between managing the company, which can frustrate management a great deal, as opposed to providing input, oversight, direction, monitoring and/or expertise to management (6 firms)
Board versus SPC advantages	The advantages in using an SPC as opposed to the full board in fulfilling the corporate strategy oversight responsibilities of the board (most common responses): • Having an SPC enhances the focus, emphasis, attention, importance, and/or notice placed on the strategic planning, and strategic planning gets more accountability, discussion, time, efforts, efficiency, robustness, and/or clear and deep thinking from the SPC members. On a full board other agenda items may squeeze out strategy-related items. (8 firms) • SPC involvement results in a well-articulated, higher quality document/plan that is presented to	The advantages in having SPO done by the full board as opposed to using an SPC (most common response): • Everybody can bring talent, ideas and/or input to the strategic planning process. To do that in a committee, you cut out some of that talent, ideas and/or input. / The board would be more involved without a committee. / It's the responsibility of the full board. (7 firms)

	the board, and management strategic plan is more likely to succeed since SPC has conveyed board thinking to management early on in the process. (3)	
Biggest risk faced by SPC [board] with respect to strategy	What are the biggest risks that your SPC faces? (Or what are some of the most common traps an SPC can fall into?) • Overstepping bounds (into management's role); getting too involved in the details (5 firms)	What are the biggest risks that your board faces in regards to SPO? (Or what are some of the most common traps that a board can fall into in regards to its SPO duties?) (n = 11) • Failing to understand economic and other uncertainty (2 firms) • Board complacency or overconfidence (2)
Desired traits of SPC members	What are the most significant traits/qualifications in staffing the SPC? • Industry / market experience (7 firms) • Strategic planning knowledge and experience (4) • Experience running a company or operations (4) • Good interpersonal skills (3) • Business acumen and judgment (3)	N/A

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