# How Boards Strategise: A Strategy as Practice View

## Kevin P. Hendry, Geoffrey C. Kiel and Gavin Nicholson

While board involvement in strategy is seen as increasingly important, our understanding of how boards fulfil this role is limited. This article draws on indepth qualitative research with directors and senior managers to develop a Strategy as Practice view on how boards ''do'' strategy. Two different but complementary strategising practices — Procedural Strategising and Interactive Strategising — are identified and elaborated in terms of their underlying micro-activities. The internal boardroom factors that affect the relative emphasis on these strategising practices — the strategic stance of the board, board power and the perceived legitimacy of each practice — are also identified and discussed. These findings are then integrated into a typology of board strategising. A key implication of this paper is that boards need to consciously choose the nature and extent of their involvement in strategy.

## Introduction

*The aspiration of every board we have worked with is to spend more time on strategy*[1]

Global research in recent years has clearly established that directors are devoting more time to strategy and that many see this as an increasingly important role for boards.[2] Two factors are driving this trend. First, there is an implicit assumption in the literature that board involvement in strategy leads to more effective organisational performance. Second, there is a significant concern, especially from a practitioner perspective, that corporate governance reforms are forcing boards to focus ever-increasing attention on compliance, often at the expense of strategy. The net effect is that many directors are worried that their boards are underemphasising their role in driving better company performance.[3]

In spite of this clear support for greater strategic involvement, many boards struggle with how to put this aim into practice. While there is extensive literature on the strategy role of boards, our understanding of how boards address this role is limited, particularly the behavioural aspects of boards

working with management on strategy. To quote a recent review article: "….there is little theoretical and empirical agreement regarding the question of how boards of directors contribute to strategy".[4] With this gap in the literature in mind, two key questions underpin this paper. First, what does strategic involvement on the part of boards mean in terms of board behaviour? Alternatively, how do boards strategise? Second, how is this strategising behaviour affected by contextual factors within the organisation, especially within the board-management interface?

In addressing these questions, we take a micro-perspective on board strategising, drawing on an indepth qualitative analysis of directors' and senior managers' behaviour in a small number of selected cases. In particular, we use the Strategy as Practice perspective to identify and explore this strategising behaviour. This perspective is of particular value to our research questions in that it views strategy as a context-dependent, socially-accomplished activity constructed through the actions and interactions of multiple actors or groups within organisations.

This research makes two important contributions to knowledge. First, it develops a strategising framework and language that advances our understanding of board involvement in strategy beyond current concepts such as the passive-active continuum and shaping versus formulating approaches. Second, the research represents the initial steps in developing a new, behavioural theory of board strategising. The remainder of this paper is structured as follows. First, we review the literature on board involvement in strategy and outline the problems associated with current perspectives on the board's strategy role, especially the concepts of a passive-active continuum of involvement and of boards shaping versus formulating strategy. Next, we outline the Strategy as Practice perspective and discuss its application to research into the board's strategy role. We go on to briefly discuss our research methodology and then present our detailed findings in the Results section, focusing on the strategising practices used by boards and the internal contextual factors associated with these practices. We link context with practice by developing specific propositions and outlining a typology of board strategising. The penultimate section discusses the significance of our findings along with the implications for practice and for further research. The final section summarises the paper.

## Literature review

Empirical studies into the board's strategy role have largely followed the broader corporate governance research agenda, focusing mainly on structural aspects of governance, especially board composition. For example, numerous scholars have followed the "input-output" approach and investigated the link between board demography and measures of strategic positioning or strategic outcomes such as innovation, diversification and internationalisation. Others have attempted to correlate board demographic measures and board interlocks with strategy processes such as strategic change or decisionmaking. These studies assume antecedent strategic activity on the part of boards based on demographic variables or observed outcomes but do not describe or measure this activity. In other words, their focus is on proxies for board involvement in strategy rather than on actual board behaviour. The result is that our understanding of how boards address their role in strategy, especially how they work together with management on strategy, is limited.[5]

However, there is a small but growing body of research into the behavioural dynamics of boards of directors. This research has proposed two schools of thought to explain how boards address their strategy role. The first draws on the broad notion of a passive-active continuum of board engagement in the company and applies it specifically to the strategy role. The passive view assumes that the board's only contribution to strategy is to satisfy the requirements of company law by ratifying management's strategic proposals and evaluating execution based on the performance analyses provided by management. The active view assumes that board and management formulate strategy in a partnership approach, management then implements this strategy and both groups evaluate the outcomes. This school of thought holds that a board's place along this passive-active continuum depends on contextual factors such as the company's internal and external environments, board capabilities and board preferences.[6]

We propose three reasons why this notion of a passive-active continuum is an oversimplification. First, while the passive and active labels represent the extremes of a one-dimensional scale of board engagement in strategy, there is an argument that the two modes actually coexist. For example, Carter and Lorsch, in their book, "Back to the Drawing Board: Redesigning Corporate Boards for a Complex World", argue that "A board cannot be a pilot (active) without also being a watchdog (passive)… even the most deeply committed watchdog board will find it difficult simply to observe and react. It must be actively involved in certain decisions…". Second, the passive-active continuum assumes that strategic decisionmaking follows a sequential pattern. However, strategic decisions often evolve through complex, non-linear and fragmented processes with, as argued by McNulty and Pettigrew, "phases of identification, development and selection not necessarily following one another in any simple manner". Hence, a board could actively contribute to strategy through an iterative process of influence over management in which it guides strategic thinking and decisionmaking but this does not necessarily mean that it actually participated in the formulation stages in the first place. Third, while the notion of a passive-active continuum may be useful in describing a board's "frame of mind", it does little to describe how practising directors are actually involved in strategy. In particular, the notion of a board being active in strategy does not differentiate the board's activities from management's activities.

## The notion of a board being active in strategy does not differentiate the board's activities from management's activities

The second school of thought attempts to clarify the "active" end of the continuum by distinguishing between boards shaping strategy versus formulating strategy. Debate over which of these two approaches boards should follow has featured in the practitioner literature since 1981. Conceptually, shaping sits towards the active end of the continuum but it involves a less hands-on approach than formulating strategy in partnership with management. However, there is considerable disagreement over the activities that comprise boards shaping strategy. The problem is that shaping is an abstraction that has been characterised in different ways in empirical studies. Some scholars describe it as a top-down and bottom-up process of influence, early in decision making, in which the board guides the strategic thinking of management in developing strategic proposals. Key activities within this process involve formal and informal dialogue between executive and non-executive directors, self-regulation of proposals by management and the board as a whole setting parameters for the process and content of strategy that management subsequently follows. In this school of thought, boards rarely initiate the substantive content of strategy. However, other scholars see boards shaping strategy as a more intensive and extensive, hands-on set of activities that encompass the board generating and elaborating strategic alternatives, developing senior management talent and selecting directors.[7]

Both schools of thought recognise that board involvement in strategy is context-dependent and suggest that a wide range of complex and interrelated factors from the company's external and internal environments are important. Examples of external factors include societal expectations, governance codes, industry turbulence, industry norms and regulatory changes. Examples of internal factors include board power relative to management, board capabilities and preferences, board size, board processes, mission (for-profit versus not-for profit), ownership (publicly-listed versus private), business complexity, company size and life cycle and company performance history. However, research in this area does not provide consistent or systematic insights into the impact of these factors on board involvement in strategy. This research lacks an overall framework or lens through which this relationship may be considered, possibly because of the multiple theoretical perspectives involved as well as the inherent overlap between many of the factors.[8] In particular, the literature provides little guidance as to which approach, passive or active, shaping or formulating, is appropriate under which contingent conditions.

We argue that, to understand board involvement in strategy better, research needs to move beyond proxies for board involvement in strategy and beyond concepts such as the passive-active continuum and shaping versus formulation. More specifically, the research agenda needs to focus on behaviour, framing board involvement in strategy in terms of the specific board level activities involved. Consistent with this focus on behaviour, the research agenda also needs to focus on the micro-level context of the board-management interface. With these points in mind, we take a Strategy as Practice approach in this paper to explore board involvement in strategy.

## Strategy as practice

The Strategy as Practice perspective is concerned with how people strategise, that is, how they manage strategy. This perspective views strategy as a situated or context-dependent, socially-accomplished activity directed towards the achievement of strategic goals and constructed through the actions and interactions of multiple actors or groups distributed throughout an organisation. In other words, strategy is something that people in organisations "do" rather than something that organisations have or a position that they occupy (such as being the low-cost producer in a market). The unit of analysis in the Strategy as Practice perspective is "strategising practices", the flow of activities carried out by individuals or groups within traditional organisational processes such as strategic planning, decisionmaking, resource allocation and strategic change. Strategy as Practice is also concerned with the skills and resources that organisational actors bring to these micro-activities and with the manner in which context affects these micro-activities.[9]

---

*Strategy is something that people in organisations "do" rather than something that organisations have*

---

Jarzabkowski, focusing at the corporate strategy level, has used the Strategy as Practice perspective in describing two different but complementary strategising practices — Procedural and Interactive Strategising. Procedural Strategising relies on formal administrative activities or events such as strategic plans, planning committees, planning cycles, trend analyses, budgets, forecasts, quarterly reviews and performance targets to influence the development and execution of strategy in organisations. Procedural Strategising also relies on hierarchies and formalised roles and responsibilities in carrying out these administrative activities. Within this formalised approach, Procedural Strategising focuses strongly on a set of diagnostic controls (performance indicators, sanctions and rewards) to monitor strategic outcomes and aid in correcting deviations from expectations.

A preference for Procedural Strategising is associated with collective agreement on the legitimacy of this practice by the organisational actors involved, such that it is perceived as a credible and relevant approach to strategising. Jarzabkowski describes this legitimacy as "structural", a term that reflects its formal, administrative and hierarchical origins. She argues that Procedural Strategising confers structural legitimacy on collectively-chosen strategy, the effect of which is to embed this strategy within the organisation's routine activities and hierarchy and to enable its persistence without active managerial attention. In this way, Procedural Strategising may be thought of as a form of "strategising auto-pilot" that is well recognised and accepted by those involved and that provides administrative controls over strategy without significant top management intervention.

Procedural Strategising serves primarily to maintain existing strategies, particularly those with a long organisational history. It is also important in embedding new strategies, enabling them to gain a "foothold" within the organisation. Once established, however, Procedural Strategising may tend towards inertia. In this situation, the focus of strategising becomes the administrative activities themselves rather than the strategic goals or direction of the organisation. For example, resource allocation decisions are often not linked to strategy but rather are based on historical patterns or on projects or functions whose value is "taken for granted".

Interactive Strategising involves direct, face-to-face interaction between senior management and other organisational actors in order to influence the development and execution of strategy in organisations. Interactive Strategising is an interpretative practice, one that enables top managers to argue for their own interpretations of strategy as well as to negotiate these interpretations with others in the organisation. A key characteristic of Interactive Strategising is that it relies on ongoing social exchanges in which individuals or groups communicate, persuade and negotiate; continuously building shared frameworks of meaning about strategy in order to influence each other's behaviour.

A preference for Interactive Strategising is also associated with collective agreement on the legitimacy of this practice by the organisational actors involved. Jarzabkowski describes this form of legitimacy as "interpretative", a term that reflects the shared frameworks of meaning about strategy delivered by this practice. She argues that Interactive Strategising confers interpretative legitimacy on to collectively chosen strategy such that individuals or groups "align their own actions to the strategy" (p. 99). In this way, Interactive Strategising may be thought of as a form of normative control "in which others fashion their actions according to those meanings that are dominant within a community" (p. 92).

Interactive Strategising serves primarily to introduce new strategies, giving them credibility within the organisation and counteracting resistance to change by promoting a collective view on the benefits of these new strategies to the organisation. In the same way, Interactive Strategising is also useful in reinterpreting existing strategies whose contribution to strategic goals has become doubtful, especially those that have a long history in the organisation and that have become entrenched in its administrative activities. However, a key problem with Interactive Strategising is that shared frameworks of meaning are not durable. Each interaction generates a response that then leads to another response. In this way, each interaction has the capacity for renegotiating meaning. Hence, Interactive Strategising needs to be seen not as an episodic incident but as a series of nested incidents, each of which has the potential to continuously construct and reconstruct shared meaning. As a result, Interactive Strategising requires ongoing commitment on the part of management at all levels, especially top management.

While Procedural and Interactive Strategising influence strategy in different ways, they are not mutually exclusive. Jarzabkowski argues that the two forms of strategising are complementary in that the strengths of one counterbalance the weaknesses of the other. For example, Interactive Strategising serves to introduce new strategies or reinterpret existing strategies while Procedural Strategising serves to embed and maintain these strategies once introduced. In addition, Interactive Strategising often relies on the administrative activities of Procedural Strategising for widespread communication throughout an organisation. Jarzabkowski also argues that the relative emphasis on the two practices changes in line with the context, especially the need to maintain or change strategic direction.

Applying this Strategy as Practice perspective to our research questions, we define board-level strategising as the situated, socially accomplished flow of activities that characterises how boards manage strategy, how boards "do" strategy. We argue that this practice perspective, with its emphasis on people and groups "doing" strategy, and more specifically, the constructs of Procedural and Interactive Strategising, provides a potentially valuable frame of reference for research into how boards "do" strategy. The likely benefits include:

(1) a direct focus on the actors and micro-activities involved in board-management collaboration on strategy;
(2) a two dimensional, behavioural framework — Procedural and Interactive Strategising — to characterise board level strategising practices; and
(3) a framework that facilitates improved insight into how the internal context of the board-management interface affects board level strategising activities.

In the following section, we outline our methodology in applying this Strategy as Practice perspective to board-level strategising.

# Research methodology

This research draws on the corporate level strategising practices identified by Jarzabkowski and searches for the board level application of these Procedural and Interactive practices through qualitative inquiry. The rich insights afforded by this methodology are especially suited to understanding the behaviour that characterises board strategising and the internal contextual conditions that impact on this behaviour. The following paragraphs summarise our methodology. Further details are in the Appendix.

The unit of analysis encompassed all instances of board-management strategic engagement (board meetings, strategy workshops, ad hoc director-manager discussions to name just a few examples). Given its dominant position in Strategy as Practice research, the interview method was the chosen form of data collection. The research proceeded in two phases. In Phase I, the sample involved six cases, each of which competed in a stable and mature market and had been operating for more than five years (summarised in the Appendix). Informants were encouraged to discuss their current approach to strategising and, where relevant, were encouraged to discuss prior approaches over the past one to two years. We recognised that this methodology suffered from potential weaknesses such as informants who had recall problems or who provided normative rather than descriptive answers. Therefore, we sought to minimise any associated reliability issues by interviewing, in-depth, all directors (32 in total) and all senior managers (another 15) who routinely engaged with the board on strategy. We also recognised that differences in perceptions of strategic involvement could exist between directors and managers. With this in mind, we supplemented the cases in Phase I with another 17 management-level interviews from 15 different organisations in Phase II (15 CEOs and two senior managers). We used a semi-structured but consistent line of questioning in each interview (64 in total). A summary of the interviews conducted by position, by sector and by organisation size is in the Appendix. A unitary board was in place in all instances.

All interviews were transcribed and then verified by the respondents. Data analysis was based on the Grounded Theory Method. However, rather than a purely inductive approach, we used the descriptions of Procedural and Interactive Strategising developed by Jarzabkowski as ''sensitising concepts'', as a conceptual framework to guide initial data coding.

Where reference is made to specific cases in the following Results section, fictitious names are used to preserve confidentiality.

# Results

In the following we describe the application of Procedural and Interactive Strategising by boards, providing specific examples and direct quotes wherever appropriate. Table 1 summarises the micro-activities involved in these strategising practices.

Table 1. Procedural and interactive strategising at board level

| Key Characteristics | Procedural Strategising | Interactive Strategising |
|---|---|---|
| Tone | Administrative, hierarchical | Interpretative, reciprocal |
| Flow of Information | Bottom-up, from management to board | Simultaneous top-down and bottom-up |
| Key Activities | Review, approve and monitor management's strategy | Continuously build shared frameworks of meaning with management about strategy |
| Board's Influence Mechanisms | Formal selection procedures/tools (plans, budgets) and diagnostic controls (financial performance indicators) | Face-to-face, formal and informal social exchange (open communication, persuasion and negotiation) and normative controls |

## Procedural strategising

There was clear support from the interviews to indicate that boards engage in a form of Procedural Strategising similar in concept to Jarzabkowski's Procedural Strategising but tailored to a governance environment rather than corporate management.

Procedural Strategising involved an administrative, formalised and hierarchical focus that is summarised in Table 1. A key theme in this strategising practice was formal review and approval of management's strategic proposals. This involved the board considering finished proposals prepared by management into which it had provided limited, if any, developmental input. The information flow was primarily bottom-up and the board functioned as a selection and control body, responding to management's interpretation of strategy.

*"Every board I've been on, the basic function has been a board of review, not to develop strategy. This comes from the CEO."* (Director)

*"It is management's role to give the board what they — management — think should be the strategy. The board should consider, comment, enhance and then let management get on with the job."* (CEO)

*"[Organisation name] growth is attributed to the CEO. The board is not completely asleep. It has supported the CEO but it does not drive initiatives. I cannot think of anything the board has done proactively."* (Director)

*"Strategic thinking is driven by management, not by the board."* (CEO)

This review and approval activity was generally embedded in a formal and clearly defined planning cycle linked to the annual board calendar. Board involvement in strategy was generally limited in scope and restricted to episodic events. While strategy workshops were sometimes held, these were infrequent (usually annual at best) and involved limited two-way communication between board and management.

*"I would like to see a bit more director input into the [annual] strategic planning weekends…. management just seems to be presenting lots of ideas but I would like to see the board initiating their own ideas for a change…. One and a half days is spent with management giving ideas to the board but there is not much coming back the other way."* (Manager)

*"There are no pre-strategy meetings - the [annual] strategic planning meetings address what has already been developed [by the CEO and external consultants] rather than put ideas for discussion on to the table."* (Director)

Procedural Strategising involved boards influencing strategy through formalised "sign-off" procedures relative to strategic plans, budgets and operating plans. For example, one CEO described his organisation's annual strategy process in terms of four stages. In stage one, senior managers developed strategy in consultation with a small sub-committee of the board (four directors). In stage two, the sub-committee presented its strategy to the full board to be "checked" and in stage three, management elaborated this strategy into a five-year plan which then went back to the full board for final approval. In stage four, management prepared an annual budget and operating plan. These stages were tightly controlled by management with board input limited to a brief review at the end of stage two and final sign-off at the end of stage three. In the CEO's words:

*"Management use tight agendas to drive governance in general and strategy in particular. There is not a lot of strategic engagement with management from directors."*

The primary mechanism through which boards influenced strategy in Procedural Strategising involved the use of diagnostic controls focused on short-term financial outcomes rather than strategic activities.

> "Financials are routinely reported to the board but not strategic developments. Operational data is routinely reported but the focus is on comparison to annual budget." (CEO)

> ".....the board does not monitor the progress of strategy. The strategic plan has not been discussed at board meetings for a year…. .the board relies on financial reporting only." (Director)

In addition, Procedural Strategising was sometimes associated with limited board understanding of key strategic issues.

> "I think they [other directors] don't really understand the strategic drivers, the critical success factors…also they don't understand the competitors and customers well enough." (Director)

> "On a scale of one to 10, the board's understanding of the industry is about four. They understand the basic principles, but beyond that some of them struggle." (CEO)

### Interactive strategising

There was also clear support in the interviews to indicate that boards engage in a form of Interactive Strategising similar in concept to Jarzabkowski's Interactive Strategising but adapted by boards to a governance environment.

Interactive Strategising involved an interpretative and reciprocal focus that is summarised in Table 1. A key theme in this strategising practice was face-to-face collaboration between directors and management. This involved directors and senior managers relying on ongoing social exchanges in which each group argued for its own interpretations of strategy before reaching collective agreement based on these interpretations. During these social exchanges, individual actors and groups emphasised open and direct communication, persuasion and negotiation in continuously building shared frameworks of meaning about strategy. The information flow was simultaneously top-down and bottom-up and, as such, the exercise of influence was reciprocal.

> "We have very switched on management who are very good at identifying opportunities. But the directors are not shy in pushing their own ideas either. They will argue strongly about opportunities that they think management might be missing." (Director)

> "The strategic planning process works well. It's very wide, it involves board and management in a healthy, robust process of developing ideas and direction… it's a genuinely consultative process." (Director)

> "Board involvement in strategy is quite good….Management let it all hang out. They don't try to bottle up particular things or to control information. They put their thinking on the line." (Director)

> "The interface between board and management is outstanding. There is a culture of disclosure from management who use the board very well." (Director)

In Interactive Strategising, the social exchanges between board and management operated on an ongoing basis and involved formal board meetings and strategy workshops as well as informal, sometimes ad hoc, strategy discussions between directors and management. In contrast to Procedural Strategising, the level of board involvement was extensive.

*"Board have ready access to staff."* (CEO)

*"The board is heavily involved in strategy... .Ideas are always crossing the table and they're then followed up very well by both board and management."* (Director)

*"Board-management strategy workshops have been held in the past on an as needed basis. For example, there have been several full day meetings on two licensing deals....The board has lots of informal discussions on strategy and on business progress. The latter involves some discussion on tactical matters but not a huge amount.... Informal directors' meetings do not focus on historical results other than occasional comments. Mostly the focus is on trends going forward."* (CEO)

While Procedural Strategising emphasised the use of diagnostic controls in monitoring short-term financial results as the board's primary focus, Interactive Strategising emphasised the use of normative controls in monitoring longer-term strategic activities as the primary focus. In other words, by building shared frameworks of meaning about strategy, board and management established common norms and beliefs that provided an ongoing guide to subsequent strategic actions.

*"The board needs to own the vision, to make sure they've signed off on the path forward... [organization name] board is visionary. It gets closely involved with management in creating a vision that is 30 to 40 years out and that sets a standard in a wide range of areas.... The staff and directors see themselves as custodians and are passionate about what they do. They take pride in [organization name]. The product is the driver of the passion."* (CEO)

While Procedural Strategising was sometimes characterised by limited board understanding of key strategic issues, Interactive Strategising was marked by boards that have a strong grasp of the particular industry and of the organisation itself.

*"Board is getting its mind around changes in the industry and getting more into strategy as a result."* (CEO)

*"Board composition is very good. Directors are more than just your run of the mill [industry background name]. All have very good business skills, not just [industry name]-related skills."* (CEO)

*"The chair has a strong understanding of the business fundamentals at [organization name] but not at a technical level. The other directors have a moderate understanding of the business and participate routinely in strategic discussions. However, the directors do field visits around the world."* (CEO)

In summarising the micro-activities involved, Table 1 provides a more granular perspective on board level strategising than the ''active'' or ''shaping'' views previously discussed. It also indicates that Procedural and Interactive Strategising influence strategy in very different ways. At first glance there may be a temptation to equate Procedural Strategising with the passive school of thought on board involvement in strategy and Interactive Strategising with the active school. However, such a view misses the important insights these practice constructs bring to board strategising. For example, our findings suggest that, in spite of their differences, Procedural and Interactive Strategising are not mutually exclusive practices. There were numerous examples in our interviews where boards combined varying levels of emphasis on the micro-activities associated with each practice simultaneously. This finding is significant in that it suggests a more complex, two-dimensional view of board strategising than that offered by the concept of a passive-active continuum, supporting our earlier argument that this concept is an over-simplification. Our findings also indicate that Procedural and Interactive Strategising are flexible practices. Boards change their relative emphasis on each in line with changes in context. This is significant in that it provides a more

comprehensive framework for understanding the impact of internal context on board level strategising than that offered in the literature to date. We expand on these points of significance in the following section.

## By building shared frameworks of meaning about strategy, board and management established common norms and beliefs

### Procedural and interactive strategising - different but complementary, context-dependent practices

Our findings suggest that Procedural and Interactive Strategising are different but complementary practices that are dependent on the context of the particular board-management interface. Some boards emphasised both practices equally and simultaneously such that the interpretative focus inherent in Interactive Strategising was embedded within the administrative activities of Procedural Strategising. The effect was to ensure that board and management engaged in face-to-face strategic collaboration as a matter of routine, constructing and reconstructing strategy on an ongoing basis within a framework of procedural disciplines such as planning cycles, strategy workshops and board meetings. The following comment from one of our interviews demonstrates this point.

> "Strategy is initiated by the operational staff. They establish the business plan and then bring directors into it…. At [organisation name], board meetings are used as a primary mechanism to let directors see what's happening. Every four months, there is a board-management strategy review to ensure the direction is right…. At these strategy review meetings, management set up a framework or homework for discussion and provide discussion papers for the board. The CEO then takes them through what strategy 'could be' and gets their approval so that this strategy goes from 'could be' to 'will be'." (CEO)

Another CEO described how his board contributed both interactively and procedurally to strategy through "chunks of stewardship" in which each director worked with particular groups within management to continuously develop and review specific strategies within a framework guided by the board calendar and the organisational planning cycle.

In one case, Wholesome Foods, the board engaged in an equal and simultaneous focus on both Procedural and Interactive Strategising. Strategy discussions were a key part of each monthly board meeting and the board calendar included two board-management strategy workshops a year. Topics for discussion were identified through board-management dialogue, often at board meetings and sometimes informally between meetings through ad hoc director-manager discussions. Ideas came from both directors and managers; these ideas were then elaborated by management as workshop inputs.

> "We spend the first hour of each board meeting on a mini-planning session, on big picture strategy issues, on reviewing progress on strategy." (Director)

> "Strategy days are very important. Topics come out of free-ranging board meeting discussions. They're earmarked then for subsequent discussion at strategy days." (Director)

> "The board plays a huge role in strategy. Our main role is to set direction with management and ensure that management carry this out…. Management put up ideas for discussion, we get outside experts in to get this discussion right out of the square, to discuss what we do and check on why we do things, to challenge the status quo." (Director)

In other cases, the research demonstrated that boards moved between a dominant focus on either Procedural or Interactive Strategising. Analysis of the interviews suggests that three interrelated factors affect the relative emphasis between these two strategising practices:

(1) the strategic stance of the board;
(2) board power relative to management; and
(3) the perceived legitimacy of each practice on the part of the organisational actors involved (see Figure 1).

We briefly explain each of these contingency factors and their impact on board strategising practices in the following paragraphs.

Strategic stance refers to the board's opinion on the organisation's current strategic direction. More specifically, it refers to the board's position on the need for strategic change. While we conceive of strategic stance as a micro-level construct unique to a particular board-management situation, it is likely to be a function of prior company performance, directors' experience and broad internal and external environment changes.[10] Westphal and Bednar argue that boards provide a strong stimulus for a change in strategic direction by expressing their concerns over current strategy to management. Conversely, they argue that the failure of boards to express concerns over strategy leads to strategic persistence, a situation in which the current strategy is maintained.[11]

Our research supports these arguments. Where the board does not express concerns over current strategy, Procedural Strategising is the preferred practice. The formal and administrative nature of Procedural Strategising, and especially the limited involvement it requires from the board, generally means that this is the most efficient mechanism for maintaining existing strategies, particularly those with a long organisational history. Conversely, in situations where the board expresses concerns over current strategy, Interactive Strategising is the preferred practice. Its emphasis on social exchanges and ongoing construction and reconstruction of shared frameworks of meaning about strategy mean that Interactive Strategising is an ideal mechanism to deal with the complexities inherent in changing strategic direction. This analysis may be summarised in terms of the following propositions:

**Proposition 1a.** When the strategic stance of the board favours maintaining the current strategy, Procedural Strategising will be the preferred practice.

**Proposition 1b.** When the strategic stance of the board favours a change in strategy, Interactive Strategising will be the preferred practice.

The second factor that affects the relative emphasis between Procedural and Interactive Strategising at board level is board power. Board power is defined as the board's ability to produce intended effects in line with its perceived interests, especially its ability to overcome management resistance in achieving its aims. Power is a relative concept and, in the case of boards, power is generally
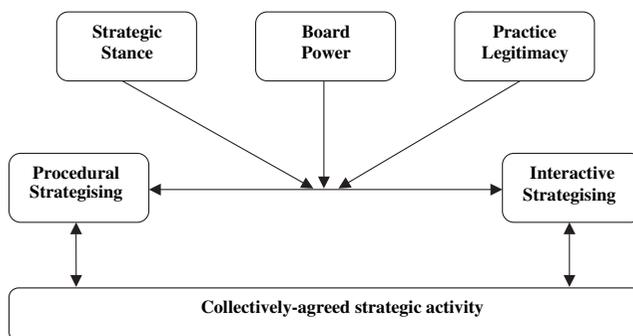
Figure 1. Internal factors affecting the relative emphasis between Procedural and Interactive Strategising

framed relative to the CEO and other senior managers. More specifically, board power is often framed as that of non-executive directors versus executive directors. While the board is legally the more powerful entity, power imbalances between boards and management often exist in practice and reflect the dynamic interplay between a wide range of factors such as company performance, the history, structure and culture of the board itself, board access to information and people both within and outside the company and the shareholding status, background, knowledge, skills and personal networks of the directors. While a more indepth discussion of board power is beyond the scope of this article, the important point is that limited board involvement in strategy has frequently been attributed to powerful CEOs exercising a constraining effect over boards.[12] Conversely, collaboration between boards and management on strategy has been associated with social ties between the two groups, a situation that is likely to be characterised by mutual trust and a reciprocal distribution of power.[13]

## Limited board involvement in strategy has frequently been attributed to powerful CEOs exercising a constraining effect

Analysis of the interviews indicates that a preference for Procedural Strategising often reflects an imbalance of power between board and management. In this situation, directors and managers recognise that their relationship is not an equal partnership relative to strategy. The more powerful group drives strategy while the less powerful group is placed in a reactive role. In other words, the latter responds to the former's interpretation of strategy. Ensuring that the interface between the groups is formal, limited and episodic helps the more powerful group to control the nature and extent of the other group's response. When board power is low relative to management, Procedural Strategising as described in Table 1 is the preferred practice. When board power is high relative to management, a reverse approach to Procedural Strategising is likely. In this situation, the board develops the strategic direction in broad terms. Management is then expected to enhance and elaborate this direction before translating it into execution.

Conversely, the extensive board involvement in strategy associated with Interactive Strategising often reflects a reciprocal distribution of power between board and management. In this situation, directors and managers clearly recognise that their relationship is complementary. This power sharing is consistent with Interactive Strategising's reliance on face-to-face social exchanges as the major conduit for information transfer. It is also consistent with directors and managers openly communicating, persuading and negotiating based on their own interpretations of strategy. This analysis may be summarised in terms of the following propositions:

**Proposition 2a.** When there is a power imbalance between board and management, Procedural Strategising will be the preferred practice.

**Proposition 2b.** When there is reciprocal distribution of power between board and management, Interactive Strategising will be the preferred practice.

The third factor that affects the relative emphasis between Procedural and Interactive Strategising at board level is the perceived legitimacy of each practice on the part of directors and management. As discussed in the literature review, Jarzabkowski argues that Procedural or Interactive Strategising at the corporate level is facilitated by structural or interpretative legitimacy respectively. These perceptions of legitimacy are affected by aspects of the company's internal environment such as prior performance, history and culture as well as by aspects of its external environment such as industry and institutional norms or expectations.

Our research indicates that these constructs are relevant to board level strategising as well. Directors who saw their role in strategy as reviewing and approving management's proposals

perceived the formal, administrative and hierarchical approach of Procedural Strategising as a legitimate (in a ''structural'' sense) mode of involvement on their part. Conversely, directors who saw their role in strategy as continuously influencing its development and execution in close collaboration with management perceived the informal, social and reciprocal approach of Interactive Strategising as a legitimate (in an ''interpretative'' sense) mode of involvement on their part. These perceptions of legitimacy stemmed from the directors' strategising experiences both outside and inside the focal company.[14]

This analysis may be summarised in terms of the following propositions:

**Proposition 3a.** Strong perceptions of structural legitimacy on the part of directors and managers will favour Procedural Strategising.

**Proposition 3b.** Strong perceptions of interpretative legitimacy on the part of directors and managers will favour Interactive Strategising.

While propositions 1, 2 and 3 cover the effect of each contextual aspect in isolation, it is important to recognise the complex and idiosyncratic effects that may arise from the interaction between them. The impact of a change in one aspect will depend on the other two. For example, a change in the strategic stance of a board could lead to a change in the relative emphasis between Procedural and Interactive Strategising. This change could be enabled or constrained by board power relative to management and by the perceived legitimacy of each practice on the part of the organisational actors involved. It is the overall effect of these contextual aspects that finally determines the preferred practice. For example, in Better Way, the initial strategic stance of the board suggested a preference for Interactive Strategising but legitimacy and power issues impeded this practice and eventually led to a focus on Procedural Strategising instead. In Trade Advisors, the strategic stance of the board coupled with board power enabled Interactive Strategising in spite of the legitimacy issues that management initially had with this practice. Proposition 4 recognises this complexity:

**Proposition 4.** The relative emphasis between Procedural and Interactive Strategising will depend on the interaction between three aspects of the board-management interface — the strategic stance of the board, board power relative to management and the perceived legitimacy of each practice on the part of the organisational actors involved.

In the following section, we develop a typology of board strategising that integrates the findings discussed so far.

## Strategising typology

The prior section suggests two important themes. First, Procedural Strategising and Interactive Strategising are different but complementary practices used by boards in arriving at collectively-agreed strategic activity. Second, boards exercise both practices simultaneously but vary their emphasis on one versus the other in line with changes in contextual conditions over time.

Building on these themes, we developed a typology of board strategising based on the way in which boards in our six (Phase I) cases combined these two strategising practices. In developing this typology, we classified Procedural Strategising and Interactive Strategising as high or low, according to the frequency and intensity with which the activities within each practice were addressed. This led to four distinct, context dependent ''types'' of board strategising: (1) Minimalist (pi) — low Procedural and low Interactive Strategising; (2) Oversight (Pi) — high Procedural and low Interactive Strategising ; (3) Transformational (Ip) — high Interactive and low Procedural Strategising; and (4) Continuous (IP) — high Interactive and high Procedural Strategising. This typology is presented graphically in Figure 2 and briefly described in the remainder of this section.

Table 2 describes the similarities between each of our cases and the typology. Three of the cases were in an equilibrium phase at the time of our interviews and had been so for one to two years previously. The other three cases had moved through several different strategising phases in the

Interactive Strategising — High

**Transformational (Ip)**

Close but episodic collaboration with management:
- Strategic stance favours significant change
- Power favours board
- High interpretative legitimacy

**Continuous (IP)**

Close and ongoing collaboration with management:
- Strategic stance favours continuous renewal
- Power distribution reciprocal
- High interpretative and structural legitimacy

Context

**Minimalist (pi)**

No or little strategic involvement:
- Strategic stance is neutral
- Power favours management
- Limited structural legitimacy

**Oversight (Pi)**

Review/approve/monitor management's strategy:
- Strategic stance favours status quo
- Power favours management
- High structural legitimacy

Interactive Strategising — Low

Procedural Strategising — Low / High

Figure 2. Board Strategising Typology

one to two years prior to the interviews. These cases illustrate the dynamic nature of board strategising — different approaches can exist in the one company but separated by time periods and contextual conditions.

**Minimalist Strategising (pi)** involves a combination of low Procedural and low Interactive Strategising practices. As the name suggests, it represents minor strategic involvement on the part of boards. In this type, the board's strategic stance is neutral or favours the status quo. Neither administrative strategising procedures nor face-to-face collaborative mechanisms aimed at generating shared frameworks of meaning about strategy are established to any meaningful degree at board level. The strategising efforts that are in place have limited structural legitimacy at board and management level and relative power favours management.

Mountain Finance went through a period of disruption associated with the board's replacement of the organisation's long-serving CEO. Initially, the board was an example of the Minimalist Strategising type. Historically, the company did not have an agreed, let alone documented, strategy. The board was largely "captured" by the prior CEO who "controlled information" and deliberately kept directors "in the dark". Directors tacitly endorsed the existing strategic direction by approving annual budgets and operating plans. Subsequently, pressure from the industry regulator for improved policies and procedures and board recognition of the need to check the power of the new CEO led to an escalation in board emphasis on Procedural Strategising. While the new management team favoured an interpretative approach, the board used its increased power (after replacing the CEO) to shift to Oversight Strategising. The structural legitimacy associated with this type was recognised by the board but not by management.

**Oversight Strategising (Pi)** involves a combination of high Procedural and low Interactive Strategising practices. As the name suggests, it represents breadth rather than depth in terms of strategic involvement. In this type, the current strategy typically has a real or perceived history of success and the board's strategic stance favours the status quo. The primary focus of the board is on monitoring the execution of the agreed strategy and reacting to management's strategic proposals rather than collaborative strategy development. Any face-to-face strategic involvement is limited, formal and episodic. Hence, these strategy monitoring activities have high structural legitimacy but limited interpretative legitimacy. Oversight Strategising is generally accompanied by a power imbalance between board and management.

The board of Coastal Money was an example of the Oversight Strategising category. The board's strategic involvement focused on an annual board-management workshop, held at the same time

**Table 2. Similarities between cases and the board strategising typology**

| Case | Strategising Phases | Contextual Conditions |
|---|---|---|
| Southern Jobs | Minimalist Phase | Strategic stance of the board was neutral. Structural legitimacy was recognised by the non-executive directors and prevailed over the interpretative preference of the executive directors. Power imbalance favoured management. |
| Coastal Money | Oversight Phase | Strategic stance of the board favoured the status quo. Structural legitimacy was strongly recognised by board and management. Power imbalance strongly favoured management. |
| Wholesome Foods | Continuous Phase | Strategic stance of the board favoured ongoing change. Both structural and interpretative legitimacy were clearly recognised by board and management. Power distribution was reciprocal. |
| Mountain Finance | Minimalist Phase ↓ Oversight Phase | Strategic stance of the board strongly favoured the status quo. Management recognised structural legitimacy; the board's position was neutral. Power imbalance strongly favoured management. Strategic stance of the board was still in favour of the status quo. Structural legitimacy was recognised by the board but not by the new management team who favoured an interpretative approach. Power imbalance favoured the board. |
| Trade Advisors | Oversight Phase ↓ Reverse Oversight Phase ↓ Transformational Phase | Strategic stance of the board favoured the status quo. Structural legitimacy was recognised by board and management. Power imbalance favoured management. Strategic stance of the board favoured change. Board and management disagreed over the legitimacy of the board's approach. Power imbalance favoured the board. Strategic stance of the board still favoured change. Interpretative legitimacy of the board's strategising efforts was recognised by management. Power imbalance favoured the board. |
| Better Way | Transformational Phase ↓ Oversight Phase | Strategic stance of the board favoured a change in direction. Interpretative legitimacy was initially recognised by the board but could not be sustained due to conflict between the directors. Power imbalance favoured the board. Board was divided on the change in strategic direction. Conflict between the directors eroded both interpretative legitimacy and board power. Structural legitimacy was recognised by default. Power imbalance favoured management. |

each year and recognised internally as a ''number crunching day''. The major input was a formal strategic plan with a strong emphasis on financials. The board's strategic contribution was to endorse the plan, approve the related allocation of resources and monitor execution through financial indicators only. The overall approach to strategising was strongly embedded in a set of formal operating procedures. In spite of individual reservations expressed by some directors, these strategising activities and the agreed strategy had high structural legitimacy with the overall board. The CEO exercised power through controlling the inputs to the workshops, limiting directors' access to senior management and generally controlling board-management deliberations. This power imbalance was exacerbated by the directors' limited knowledge and experience of the financial services industry.

The board of Better Way was another example of the Oversight Strategising category. In this case, the board, driven largely by changes in the competitive environment, had unsuccessfully attempted Transformational Strategising. However, there was bitter conflict between the directors (who were

also major shareholders) over the proposed new strategic direction such that legitimacy for the transformational effort could not be sustained. Their interim solution at the time of the interviews was to engineer a "truce" whereby the current strategy was maintained and the directors minimised their strategic involvement. In this way, Oversight Strategising became a compromise mechanism rather than one aimed at maintaining a previously successful strategy.

**Transformational Strategising (Ip)** involves a combination of high Interactive and low Procedural Strategising practices. As the name suggests, this type involves board and management developing, in close collaboration, an entirely new strategic direction or substantive changes to current strategies. The strategic stance of the board clearly favours change and the strategising activities involved have high interpretative legitimacy. Transformational Strategising is generally accompanied by a power imbalance in favour of the board.

The board of Trade Advisors transitioned from Oversight to Transformational Strategising. Changes in the company's external environment, coupled with the appointment of a new chairman, led the board to reconsider its strategic stance and push for a change in direction, one that did not have the support of management. Drawing on the power associated with the support of the company's major shareholders, the board used external consultants to develop a new strategic direction and coerced management into a reverse approach to Procedural Strategising. However, disagreement from management over the legitimacy of this approach meant that little progress was made in reaching collectively-agreed strategies. Recognising this problem, the board subsequently changed its emphasis to Interactive Strategising. However, it was only after a prolonged and intensive focus on this practice, one characterised by considerable board-management conflict, that interpretative legitimacy was developed at both board and management level and collective agreement was reached on strategy. In other words, the transition from Oversight to Transformational Strategising required the investment of significant time and effort on the part of both board and management.

**Continuous Strategising (IP)** involves a combination of high Procedural and high Interactive Strategising practices. This type involves board and management working together in close and continuous collaboration to renew or adapt strategic direction and to monitor the implementation of that direction closely. Continuous Strategising is characterised by board commitment to extensive and ongoing strategic involvement with management embedded within a formalised, administrative framework that facilitates this involvement. Power distribution is reciprocal. This approach requires high structural and interpretative legitimacy.

Wholesome Foods was a good example of this type. The strategic stance of board and management recognised that strategy was an ongoing journey in which "[strategic] ideas [were] always crossing the table". Strategy was routinely monitored and discussed at each board meeting and often between meetings. Ideas were raised both formally and informally and were fed into one of the two board-management strategy workshops held each year. The culture of the organisation was such that board-management strategic collaboration was recognised internally as a source of competitive advantage within the industry.

## Discussion

In this paper we have drawn on the Strategy as Practice literature and argued that boards contribute to strategy by exercising two different but complementary strategising practices — Procedural Strategising and Interactive Strategising. We have also outlined the micro-activities that comprise each of these practices and the internal contextual conditions that are associated with each. This research makes two important contributions to knowledge.

First, in identifying and elaborating Procedural and Interactive Strategising at board level, it develops a strategising framework and language that advances the thinking underpinning current schools of thought on board involvement in strategy by:

(1)  developing two different but complementary strategising constructs;
(2)  identifying the micro-activities that characterise each construct;

(3) identifying the contextual conditions relevant to the board-management interface that enable or constrain these constructs; and

(4) synthesising these constructs into a typology of board-level strategising.

More specifically, Minimalist Strategising corresponds to the passive mode while Transformational, Continuous and Oversight Strategising each represent different modes of active involvement. Similarly, Transformational and Continuous Strategising each represent different modes of boards shaping strategy. Hence, an understanding of the constructs of Procedural and Interactive Strategising provides a platform for boards and management to discuss, agree, enact and modify their engagement in strategy in the context of their internal environment. It also provides a platform for further research into how boards strategise.

The second contribution to knowledge of this research involves the development of new theory to explain the board's strategy role. This theory relies on the typology of board level strategising proposed in the prior section and its linkages to three key internal conditions. The typological approach to theory building is subject to the criticism that it is largely a classification system that glosses over complex organisational processes. However, the Strategy as Practice literature recognises that typologies constitute important building blocks in developing theory, provided that practices are examined across a wide range of organisational settings, contextual factors or outcomes. We contend that:

(1) in drawing on the established Strategy as Practice literature to develop board level constructs for Procedural and Interactive Strategising;

(2) in elaborating the micro-activities that characterise these constructs across a range of different organisational settings; and

(3) in identifying the internal conditions relevant to the board-management interface that enable or constrain Procedural and Interactive Strategising and that influence the relative emphasis between them, we have gone well beyond a classification system for board level strategising.

We also contend that, considered together, these concepts have explanatory power that contributes towards new theory focused on a behavioural or practice view on the board's strategy role.

The implications of this research for practice and for further research are outlined in the following.

## Implications for practice

While boards are legally responsible for strategy, there are no legal prescriptions as to how they should fulfil this role. **The onus is on each board to consciously choose the nature and extent of its strategic involvement in light of its contextual conditions.** Recognition of this point is critical. Extant perspectives, especially concepts such as the passive-active continuum and shaping versus formulating provide simplistic and inconsistent guidance on the "how" of board level strategising. However, the Strategy as Practice view developed in this paper addresses this problem and, in doing so, raises two important implications for practice.

First, boards need to adopt a contingency approach to their role in strategy. Our findings do not suggest that a higher level of either Procedural or Interactive Strategising per se is important to this role. Rather, our findings suggest that an understanding of these constructs as context dependent and complementary strategising practices is important. This understanding, and hence the contingency approach, is informed by the typology that we have developed. While the "Minimalist" type may struggle to meet legal expectations for the board's strategy role, we have identified three strategising types that have the potential to meet these expectations. However, these types need to be aligned with contextual conditions and achieving this alignment raises three challenges for boards.

First, collective agreement on strategic stance — on the need or otherwise for a change in strategic direction — is critical. For example, in a situation where environmental shocks (either internal or external) require changes to a company's business model, the "Transformational" type with its strong emphasis on Interactive Strategising, on board and management together constructing and

reconstructing strategy, may be appropriate, particularly during the transition to a new way of operating. In contrast, in a stable environment, one where the focus is on business as usual with an experienced and well-regarded management team, the "Oversight" type with its strong emphasis on Procedural Strategising, on administrative and hierarchical efficiencies, may be appropriate. Finally, the "Continuous" type may be best suited to situations where industry change is progressing at a moderate pace and directors (with strong experience) recognise the need to continuously renew the company's business model. Alternatively, the "Continuous" type may be appropriate where management teams seek or require stronger board direction, possibly because of their inexperience.[15]

Second, boards need to understand relative power between board and management. Powerful CEOs can limit board involvement in strategy by controlling access to information and key people. The "Transformational" or the "Continuous" types require reciprocal distribution of power between board and management. An imbalance of power has the potential, at best, to frustrate these strategising types, and at worst, to make them dysfunctional.

## *Powerful CEOs can limit board involvement in strategy by controlling access to information and key people*

Third, boards need to understand the perceived legitimacy of each strategising type on the part of individual directors and managers. Legitimacy issues cannot be ignored. As several of our cases show, they have the potential to impede strategising progress and in combination with disagreements on strategic stance or power imbalances, can result in dysfunctional strategising.

The second key implication of the Strategy as Practice perspective developed in this paper is that, in encouraging directors and senior managers to recognise and reflect on how they "do strategy" and on internal contextual conditions, it enables them to reconstruct their strategic activities in light of these reflections. In short, it provides a way of discussing and changing the way in which a board engages in strategy such that this engagement fits the organisation's context better.

Four benefits could flow to practitioners from this reflexivity. The first involves an improved balance between the time and effort devoted to a board's conformance and performance roles. Concerned with the onerous compliance requirements of many jurisdictions, directors are striving to find the right balance between oversight and being a strategic resource to management. Recognition and understanding of the board behaviour involved in Procedural and Interactive Strategising and the importance of internal context to this behaviour may help to ensure that the governance focus does not emphasise monitoring and control at the expense of strategic involvement.[16]

The second benefit involves improved clarity of responsibilities between board and management. Driven by normative prescriptions regarding strategic involvement, some boards may become overzealous, interfering with management's strategy responsibility to the extent that divisions are raised between the two groups and the board's ability to independently and objectively monitor strategy execution is compromised. Recognition, understanding, debate and agreement on the context dependent behaviour involved by each group in Procedural and Interactive Strategising may help to minimise these problems.

The third benefit involves insight into what comprises a "competent strategic director". Resource dependence theory proposes that the collective competencies of directors, often referred to as board human and social capital, are antecedents of their ability to contribute to governance in general and strategy in particular.[17] Reflection on the micro-activities and contextual factors associated with Procedural and Interactive Strategising facilitates a better understanding of the required human and social capital as antecedents and can actually shape its development going forward.[18]

Finally, reflection on Procedural and Interactive Strategising and the impact of internal context on these practices has the potential to break down the "natural rhythms" or "habitual routines" that characterise the strategic involvement of many boards. These concepts refer to a mode of board

operation that is overly influenced by past experiences.[19] As an example, consider "strategy away-days". These events are often a key element in normative recipes for board involvement in strategy and are generally built into the board calendar at the same time each year. As such, they have the potential to become organisational "rituals" that are perceived as important by the participants and are carried out religiously but do not lead to meaningful strategic outcomes.[20] However, an under-standing of board level strategising as developed in this paper may lead to a very different pattern of activity, one that aligns the purpose of the workshop with its design. For example, where Procedural Strategising is dominant (Oversight type), a strategy workshop may be a minor event, held on-site and prior to a normally scheduled board meeting. Alternatively, there may be no need at all for a workshop. Conversely, where Interactive Strategising is dominant (Transformational type), strat-egy workshops may need to be held every two months in the initial stages of changing strategic di-rection and nested in a series of other events such as working party deliberations or stakeholder meetings that contribute to these workshops.

## Implications for further research

A number of implications for further research flow from this paper. First, we set out to explore board level strategising through a Strategy as Practice lens. Our cases and our informants were cho-sen with this exploratory aim in mind. Hence, it is important that our findings be replicated in a wider range of organisations and contexts as well as in jurisdictions other than Australia.

Second, we need to understand the impact on Procedural and Interactive Strategising of context at multiple levels. How do higher-level external factors such as macro-economic change, industry sector or industry turbulence affect the micro-level contextual factors and strategising activities outlined in this paper? Similarly, what is the impact of higher-level internal factors such as prior company performance, life cycle, and business complexity? In particular, how do these external and internal factors interact? For example, in discussing implications for practitioners, we sug-gested that the high Interactive Strategising associated with the "Transformational" type may be appropriate when environmental shocks occur. However, given this environmental turbulence in a multi-business unit corporation, industry and company complexity may hinder the develop-ment of the interpretative legitimacy necessary for high Interactive Strategising and, as a result, lead to a preference for Procedural Strategising. In this situation, the "Oversight" type may be more appropriate.

A third area for further research involves the stability of Procedural and Interactive Strategising over time. While this paper provides a platform for understanding board level strategising, its focus is cross-sectional. It provides "windows" into strategising practices and their associated internal context. A longitudinal analysis of how these strategising practices and internal context change over time would significantly improve our understanding of this key board role.

Fourth, the involvement of practitioners other than directors and the senior management team could be an important area for further study. For example, do consultants or middle managers con-tribute to board level strategising and, if so, how?[21]

Fifth, the qualitative descriptions of Procedural and Interactive Strategising outlined in this paper could form the basis for the development of multiple item constructs to quantitatively measure board strategising. These constructs could then be linked to strategic outcomes as the sixth area for further research. Strategic management as a discipline is focused on "the philosopher's stone of superior organisational performance" as an outcome, usually measured in financial terms.[22] Cor-porate governance research has followed a similar path, focusing on the attempt to establish a link between structural governance aspects and financial measures of shareholders' interests. However, the Strategy as Practice perspective emphasises plurality in dependent variables, arguing that organ-isational performance needs to be considered at multiple levels and that a strategic outcome should be some variable close to the phenomena under investigation rather than distant financial measures likely to be confounded by other variables. Some examples of dependent variables or strategic out-comes that could be considered include overall board effectiveness, board effectiveness in the strat-egy role, board understanding of strategic issues, board-management strategic collaboration,

development of strategic alternatives, as well as board effectiveness in strategy processes such as resource allocation, strategic change, planning or decision making. The significance of considering such variables in future research lies not in the fact that they explain overall company performance but rather that they enable an understanding of the components of that performance.

## Conclusion

In this paper we have addressed calls in the literature for an improved understanding of board behaviour by taking a Strategy as Practice perspective on board strategising. More specifically, we have described board level Procedural and Interactive Strategising as different but complementary, context-dependent practices. We have also outlined the micro-activities that characterise each of these practices. In this way, we have developed a strategising framework and language that advances the thinking underpinning the passive-active and shaping schools of thought on board involvement in strategy. Furthermore, in developing a typology of board level strategising along with an understanding of how internal board-management context is associated with each type, we have taken the initial steps towards a behavioural theory of board strategising. For directors and managers, this paper provides an opportunity to recognise and actively reflect on how they ''do'' strategy, on how they manage what is increasingly seen as their joint strategic responsibilities. For academics, it provides a new platform for further research into board strategising.

## Acknowledgements

## Appendix. Methodology

Phase I cases were chosen on the basis of (1) the likely information to be obtained from each; (2) variation in organisational purpose and context such that findings on board level strategising would be likely to be valid in a broader sense across organisations; and (3) interview access to all directors and senior managers in each case in order to explore board level strategising as fully as possible. Cases are summarised in Table 3. Fictitious names have been used to preserve confidentiality. In Phase II respondents were chosen for maximum variation in organisational purpose and

Table 3. Phase I cases

| Organisation | Mission | Industry Sector | Size | Ownership | Informants |
|---|---|---|---|---|---|
| Southern Jobs | For-profit | Business services | Medium | Private | Chairman, CEO, 3 NEDs, 1 ED and 1 senior manager |
| Wholesome Foods | For-profit | Agriculture and Food Manufacturing | Large | Publicly listed | Chairman, CEO, 8 NEDs and 2 senior managers |
| Mountain Finance | For-profit | Financial Services | Large | Mutual society | Chairman and 3 senior managers |
| Coastal Money | Not-for-profit | Financial Services | Medium | Mutual Society | Chairman, CEO, 6 NEDs and 1 senior manager |
| Better Way | For-profit | Healthcare | Medium | Private | Chairman, CEO and 5 NEDs |
| Trade Advisors | Not-for-profit | Business Services | Small | Private | Chairman, CEO, 5 NEDs and 1 senior manager |

Organisation size classification was based on the EU definition: Small — fewer than 50 employees. Medium — 50 to 250 employees. Large — more than 250 employees.

**Table 4. Interviews by position**

| Phase | CEOs | EDs/Senior Managers | NEDs | Chairmen | Total |
|---|---|---|---|---|---|
| I | 6 | 9 | 26 | 6 | 47 |
| II | 15 | 2 | - | - | 17 |
| Sub-Total | 21 | 11 | 26 | 6 | 64 |

context. Interviews continued in Phase II until we considered saturation had been reached. A summary of the interviews by position, sector and organisation size is provided in Tables 4–6.

Existing literature indicates some overlap in perspectives on board roles, especially between strategy and control, strategy and service/advice, strategy and access to resources. Recognising this point, the interview guide explored four key areas – strategy, control, service and advice to management and access to external knowledge, institutions and resources. The interview guide also explored the contribution of management as well as the impact of internal and external contextual factors on these four areas. Questions were open-ended and respondents were encouraged to enter into a dialogue such that they responded to the broad line of questioning in their own terms. In particular, current strategising activities were discussed and, where relevant, respondents were probed on prior approaches over the past one to two years. Interviews took between one and a half and two hours. To enhance reliability, each interview was attended by two researchers. Given the confidential nature of the discussions, interviews were not taped. However, detailed notes were taken by each researcher and immediately after each interview these notes were compared, merged and transcribed. With each of the six cases, our findings were presented back to directors and senior managers in a workshop for validation and/or modification. With each interview in Phase II, complete notes were sent back to the interviewees for verification.

Data analysis relied on the Grounded Theory Method. Interview transcripts were reviewed sentence by sentence. Coding reliability was established by using two coders in the early stages. We began with axial coding, using Jarzabkowski's description of Procedural and Interactive Strategising as sensitising concepts or organising themes to establish two broad categories in the data. Next, we used open coding to analyse, reconceptualise and sub-categorise the properties, events and contextual conditions associated with each category. This led to a new round of axial coding but this time, at the sub-category level. In effect we iterated between open and axial coding many times over a period of months. As data analysis progressed, a more complete picture of the initial organising themes began to emerge. Iteration with the Strategy as Practice literature was used to validate this emerging picture and further develop our understanding of the board level micro-activities that comprise Procedural and Interactive Strategising and of the contextual factors associated with these practices. Coding was assisted by the use of a proprietary software package.

While we recognised the potential value that in-vivo observation could have added to this research, we nevertheless eliminated this approach to data collection on two bases. First, we were concerned that access and confidentiality issues would be a significant problem. Second, we recognised that the resources required in terms of researcher time to observe board-management strategic

**Table 5. Interviews by sector**

| Phase | For Profit[*] | Not for Profit | Government- Owned Corporations | Total |
|---|---|---|---|---|
| I | 26 | 21 | - | 47 |
| II | 8 | 4 | 5 | 17 |
| Sub-Total | 34 | 25 | 5 | 64 |

[*] 14 of the 34 interviews in the for-profit sector covered publicly-listed organisations.

**Table 6. Interviews by organisation size**[*]

| Phase | Small | Medium | Large | Total |
|---|---|---|---|---|
| I | 8 | 23 | 16 | 47 |
| II | 8 | 6 | 3 | 17 |
| Sub-Total | 16 | 29 | 19 | 64 |

[*] EU definitions: Small — fewer than 50 employees. Medium — 50 to 250 employees. Large — more than 250 employees.

engagement, at a formal and informal level, at board meetings, strategy workshops and other possible occasions, and for multiple cases meant that this approach would only be possible with a very limited sample. In other words, we considered the breadth of data achievable through interview-based inquiry with all directors and senior managers in a range of organisations was more important to the research questions than the depth of data achievable through observation methodology in one or two organisations.

# References

1. C. B. Carter and J. W. Lorsch, *Back to the Drawing Board: Designing Corporate Boards for a Complex World*, Harvard Business School Press, Boston, MA (2004).

2. D. W. Anderson, S. J. Melanson and J. Maly, The evolution of corporate governance: power redistribution brings boards to life, *Corporate Governance: An International Review* **15**(5), 780–797 (2007); A. Chen, J. Osofsky and E. Stephenson, Making the Board More Strategic: A McKinsey Global Survey, *The McKinsey Quarterly* (March 2008); A. Pye, The changing power of explanations: directors, academics and their sensemaking from 1989 to 2000, *Journal of Management Studies* **39**, 907–925 (2002); J. Roberts, Building the complementary board. The work of the Plc chairman, *Long Range Planning* **35**, 493–520 (2002).

3. D. C. Carey and M. Patsalos-Fox, Shaping Strategy from the Boardroom, *The McKinsey Quarterly* (August 2006); K. Hendry and G. C. Kiel, The role of the board in firm strategy: integrating agency and organisational control perspectives, *Corporate Governance: An International Review* **12**(4), 500–520 (2004); J. L. Kerr and W. B. Werther Jr., The next frontier in corporate governance: engaging the board in strategy, *Organizational Dynamics* **37**(2), 112–124 (2008); M. Lipton, Shareholder Activism and The ''Eclipse of the Public Corporation'', *The Corporate Board*, (May/June 1–5 2007) (p. 1); D. A. Nadler, B. A. Behan and M. B. Nadler, *Building Better Boards*, Jossey-Bass, San Francisco (2006); J. Pound, The Promise of the Governed Corporation, *Harvard Business Review* **73**, 89–98 (1995); J. Rehfeld, Nose in, hands in, too: optimizing the board's talent, *Directors Monthly* **29**(5), 2–4, (2005) (p. 2); P. S. Scherrer, Directors' responsibilities and participation in the strategic decision making process, *Corporate Governance* **3**(1), 86–90 (2003).

4. A. Pugliese, P. J. Bezemer, A. Zattoni, M. Huse, F. A. J. Van den Bosch and H. W. Volberda, Boards of directors' contribution to strategy: a literature review and research agenda, *Corporate Governance: An International Review* **17**(3), 292–306 (2009).

5. See, for example: B. D. Baysinger, R. D. Kosnik and T. A. Turk, Effects of board and ownership structure on corporate R&D strategy, *Academy of Management Journal* **34**, 205–214 (1991); A. E. Ellstrand, L. Tihanyi and J. L. Johnson, Board structure and international political risk, *Academy of Management Journal* **45**(4), 769–777 (2002); B. R. Golden and E. J. Zajac, When will boards influence strategy? inclination × power = strategic change, *Strategic Management Journal* **22**, 1087–1111 (2001); P. Stiles and B. Taylor, *Boards at Work: How Directors View their Roles and Responsibilities*, Oxford University Press, Oxford, (2001) (p. 31).

6. For a discussion of the passive-active continuum, see A. Demb, and F. Neubauer. *The Corporate Board: Confronting the Paradoxes*, Oxford University Press, Oxford (1992); T. McNulty and A. Pettigrew, Strategists on the board, *Organization Studies* **20**, 47–74, (1999) (p. 52); A. Pettigrew and T. McNulty, Power and influence in and around the boardroom, *Human Relations* **48**, 845–873 (1995); V. P. Rindova, What corporate boards have to do with strategy: a cognitive perspective, *Journal of Management Studies*

**36**, 953–975 (1999); See also K. Eisenhardt and M. Zbaracki, Strategic decision making, *Strategic Management Journal* **13**, 17–37 (1992); For a discussion of behavioural dynamics in boards, see: M. A. Carpenter and J. D. Westphal, The strategic context of external network ties: Examining the impact of director appointments on board involvement in strategic decision making, *Academy of Management Journal* **44**, 639–660 (2001); K. Mellahi, The dynamics of boards of directors in failing organizations, *Long Range Planning* **38**, 261–279 (2005); J. D. Westphal, Collaboration in the boardroom: behavioral and performance consequences of CEO-board social ties, *Academy of Management Journal* **42**, 7–24 (1999).

7. For a discussion of the 'formulation' approach see: A. Davies, *A Strategic Approach to Corporate Governance*, Gower, Aldershot (1999); W. A. Dimma, Corporate governance, *Executive Excellence* **14**, 7–8 (1997); B. Garratt, *The Fish Rots from the Head: The Crisis in our Boardrooms: Developing the Crucial Skills of the Competent Director*, Harper Collins Business, London (1996); For a discussion of the 'shaping' approach, see: R. Charan, *Boards that Deliver: Advancing Corporate Governance from Compliance to Competitive Advantage*, Jossey-Bass, San Francisco (2005); G. Donaldson, A new tool for boards: the strategic audit, *Harvard Business Review* **73**(4), 99–107 (1995); M. Goold, The (limited) role of the board, *Long Range Planning* **29**(4), 572–575 (1996); M. Goold and A. Campbell, Brief case: non-executive directors' role in strategy, *Long Range Planning* **23**(6), 118–119 (1990).

8. J. Gabrielsson and M. Huse, Context, behavior and evolution: challenges in research on boards and governance, *International Studies of Management and Organizations* **34**(2), 11–36 (2004).

9. For a discussion of the Strategy as Practice perspective, see: J. Hendry and D. Seidl, The structure and significance of strategic episodes: social systems theory and the routine practices of strategic change, *Journal of Management Studies* **40**(1), 175–196 (2003); P. Jarzabkowski, *Strategy as Practice: an Activity-Based View*, Sage, London (2005); G. Johnson, A. Langley, L. Melin and R. Whittington, *Strategy as Practice, Research Directions and Resources*, Cambridge University Press, Cambridge (2007); D. Samra-Fredericks, Strategizing as lived experience and strategists: everyday efforts to shape strategic direction, *Journal of Management Studies* **40**(1), 141–174 (2003); R. Whittington, The work of strategizing and organizing: for a practice perspective, *Strategic Organization* **1**(1), 117–126 (2003); R. Whittington, Completing the practice turn in strategy, *Organization Studies* **27**(5), 613–634 (2006).

10. K. Hendry and G. C. Kiel (2004) op. cit. at Ref. 3.

11. J. D. Westphal and M. K. Bednar, Pluralistic ignorance in corporate boards and firms' strategic persistence in response to low firm performance, *Administrative Science Quarterly* **50**, 262–298 (2005).

12. For a discussion of board power see: K. R. Andrews, Directors' responsibility for corporate strategy, *Harvard Business Review* **58**, 30–42 (1980); S. Finkelstein and D. C. Hambrick, *Strategic Leadership: Top Executives and their Effects on Organizations*, West Publishing Co, Minneapolis St. Paul, MN (1996); E. S. Herman, *Corporate Control, Corporate Power*, Cambridge University Press, Cambridge (1981); M. L. G. Mace, *Directors: Myth and Reality*, Division of Research, Graduate School of Business Administration Harvard University, Boston ( (1971); J. W. Lorsch and E. MacIver, *Pawns or Potentates: the Reality of America's Corporate Boards*, Harvard Business School Press, Boston (1989); R. W. Oliver, The board's role: driver's seat or rubber stamp?, *Journal of Business Strategy* **21**, 7–9 (2000); A Pettigrew and T. McNulty, Sources and uses of power in the boardroom, *European Journal of Work and Organizational Psychology* **7**(2), 197–214 (1998); J. Pfeffer, Size and composition of corporate boards of directors: the organization and its environment, *Administrative Science Quarterly* **17**, 218–228 (1972); P. Stiles, The impact of the board on strategy: an empirical examination, *Journal of Management Studies* **38**, 627–650 (2001); S. A. Zahra, Increasing the board's involvement in strategy, *Long Range Planning* **23**(6), 109–117 (1990); S. A. Zahra and J. A. Pearce II, Boards of directors and corporate financial performance: a review and integrative model, *Journal of Management* **15**, 291–334 (1989); T. McNulty and A. Pettigrew, The contribution, power and influence of part-time board members, *Corporate Governance: An International Review* **4**(3), 160–179 (1996).

13. J. D. Westphal (1999), op. cit.

14. P. Jarzabkowski (2005) (p. 58); S. Mantere, Strategic practices as enablers and disablers of championing activity, *Strategic Organization* **3**(2), 157–184 (2005).

15. Y. L. Doz, M. Kosonen. Embedding strategic agility: a leadership agenda for accelerating business model renewal. *Long Range Planning*, doi:10.1016/j.lrp.2009.07.006.

16. R. M. Grant and M. Visconti, The Strategic background to corporate accounting scandals, *Long Range Planning* **39**, 361–383 (2006).

17. M. Huse, *Boards, Governance and Value Creation*, Cambridge University press, Cambridge (2007); Y. Y. Kor and C. Sundaramurthy, Experience-based human and social capital of outside directors, *Journal of Management* **35**, 981–1006 (2009).

18. This argument is consistent with the Strategy as Practice perspective that there is an overlap between practice and practitioners. See P. Jarzabkowski and A. P. Spee, Strategy-as-practice: a review and future directions for the field, *International Journal of Management Reviews* **11**(1), 69—95 (2008).

19. A. Campbell and S. Sinclair, The Crisis: Mobilizing Boards for Change, *McKinsey Quarterly*, (2009) Special edition, 90—94. R. Khurana and K. Pick, *Brooklyn Law Review* **70**(4), 1259—1285 (2004—2005).

20. G. Johnson, Ritualizing strategic thinking: the effectiveness of the strategy away day, *Strategic Direction* **24**(1), 3—5 (2008); A. Pye, Corporate directing: governing, strategising and leading in action, *Corporate Governance: An International Review* **10**(3), 153—162 (2002).

21. S. Miller, D. Hickson and D. Wilson, From strategy to action: involvement and influence in top level decisions, *Long Range Planning* **41**(6), 606—628 (2008).

22. G. Johnson et al., (2007) op. cit. (p. 220).

## Biographies

**Kevin P. Hendry** is an Industry Fellow with the University of Queensland Business School and a strategy and corporate governance consultant. He was vice-president and managing director Asia Pacific for Monsanto's nutrition and consumer products business as well as a member of the unit's global board. He has held executive and non-executive director roles in several countries in the Asia Pacific region in both established and start-up companies. His research interest is in the role of the board in firm strategy. *E.mail:* kev_hendry@iprimus.com.au

**Geoffrey C. Kiel** was the founder and is chairman of Effective Governance, a Brisbane-based management consultancy which specialises in governance and strategy consulting. Previously, he was the senior deputy vice-chancellor and dean, School of Business at the University of Notre Dame, Australia. Prior to this, for many years he was Professor of Management and Head of the Graduate School of Management at the University of Queensland. He is an Emeritus Professor of the University of Queensland and has published widely on corporate governance, strategy and marketing topics. *E.mail:* gckiel@bigpond.com

**Gavin Nicholson** is a senior lecturer in the School of Accountancy at Queensland University of Technology. He previously worked as a strategy and governance consultant. *E.mail:* g.nicholson@qut.edu.au