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CONSENSUS, DISSENT AND CONTEXT IN DECISION MAKING ON STRATEGIC
ISSUES AT BOARD MEETINGS IN FAMILY BUSINESSES

SÃO PAULO

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CONSENSO, DISSENSO E CONTEXTO NA TOMADA DE DECISÃO SOBRE QUESTÕES ESTRATÉGICAS EM REUNIÕES DE CONSELHO DE EMPRESAS FAMILIARES

Tese apresentada na disciplina Seminário de Tese do Programa de Pós-Graduação em Administração – PPGA – da Universidade Nove de Julho – UNINOVE, como requisito parcial para avaliação.

Orientador: **Professor Doutor Fernando Antônio Ribeiro Serra**

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por

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> Tese apresentada ao Programa de Mestrado e Doutorado em Programa de Pós-Graduação em Administração – PPGA da Universidade Nove de Julho – UNINOVE, como requisito para a obtenção do título de Doutora em Administração, pela banca examinadora formada por:

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Membro: Professor Doutor Jorge Manoel Teixeira Carneiro – Escola de Administração de Empresas de São Paulo, Fundação Getúlio Vargas - membro externo

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RESUMO

Questões estratégicas têm recebido atenção contínua dos pesquisadores em administração nas últimas décadas. O construto foi aplicado em estudos em diversas áreas da gestão estratégica, suportados por múltiplas lentes teóricas. Embora a literatura aponte que, no contexto organizacional, as interpretações individuais dos tomadores de decisão tenham que ser conciliadas para a geração de entendimentos e significados compartilhados, precedendo a resposta às questões estratégicas, a maior parte dos estudos empíricos sobre questões estratégicas tem focalizado os indivíduos como unidade de análise, enfatizando o CEO ou o líder de uma unidade de negócio. Menor ênfase tem sido dada na literatura ao estudo dos processos através dos quais as questões estratégicas são discutidas e o consenso sobre elas alcançado em órgãos de governança corporativa, como os conselhos de administração. Este estudo se propõe a endereçar essa lacuna. Inicialmente, conduzi uma revisão sistemática da literatura, na qual identifiquei o estado atual do conhecimento e as linhas de investigação sobre questões estratégicas, apontei as lacunas neste conhecimento e sugeri oportunidades para pesquisa futura. Posteriormente, dada a escassez de proposições teóricas e resultados empíricos anteriores sobre os fatores e processos afetando a interpretação e o consenso sobre questões estratégicas em conselhos de administração, realizei um estudo exploratório, longitudinal e qualitativo, baseado no conteúdo das atas de reunião do conselho de um grupo empresarial privado familiar no Brasil, utilizando uma abordagem multinível. Essa investigação empírica foi a base para a proposição de um modelo de processos para a interpretação e decisão sobre questões estratégias num conselho de administração. Os resultados da revisão da literatura revelaram lacunas importantes no conhecimento sobre as questões estratégicas. Em primeiro lugar, confirmou que poucos estudos investigaram os processos dinâmicos e temporais através dos quais questões estratégias são tratadas por equipes de alto escalão. Em segundo lugar, ela confirmou que mais estudos são necessários para o entendimento de como as interpretações individuais sobre questões estratégicas são reconciliados em entendimentos coletivos, levando à definição de respostas a questões estratégicas, nos contextos de grupos e organizações. E em terceiro lugar, a revisão apontou que os métodos usados para o estudo de questões estratégias devem considerar suas dimensões cognitiva e comportamental. O estudo empírico, por sua vez, foi a base para o desenvolvimento de um modelo processual que integra diversos conceitos e responde a diversas questões ainda em aberto na literatura sobre questões estratégicas, no contexto estudado. O modelo identifica os estágios de processamento e decisões tomadas pelo conselho, tanto para o tratamento individual de questões estratégias quanto para o gerenciamento da agenda estratégica da organização e aponta para os fatores que influenciam o alcance de consenso. O estudo empírico também contribuiu para esclarecer alguns aspectos sobre questões estratégicas, sobre os quais são encontradas posições conflitantes na literatura acadêmica, como a importância da categorização das questões estratégicas para o seu processamento em organizações, sobre a adoção de métodos estruturados e formais para a gestão da agenda estratégica e sobre o papel, positivo ou negativo, do conflito cognitivo no debate, construção de significado compartilhado e decisão sobre questões estratégias. Finalmente, o estudo empírico contribui para o entendimento do processamento de questões estratégias num contexto pouco explorado pela literatura especializada, o conselho consultivo de uma empresa privada familiar, num país com cultura com características distintas das observadas nos países nos quais a maioria dos estudos sobre questões estratégicas são conduzidos. Dada a natureza exploratória deste estudo, contudo, mais estudos de natureza similar serão necessários para suportar a generalização das suas conclusões.

Palavras-chave: gerenciamento de questões estratégicas; tomada de decisão estratégica; pesquisa de processos; conselho de administração; revisão da literatura

ABSTRACT

Strategic issues have received continuous attention from management researchers in recent decades. The construct was applied in studies in several areas of strategic management, supported by multiple theoretical lenses. Although the literature points out that, in the organizational context, the individual interpretations of decision makers must be reconciled to generate shared understandings and meanings, preceding the response to strategic issues, most empirical studies on strategic issues have focused on individuals as a unit of analysis, emphasizing the CEO or the leader of a business unit. Less emphasis has been given in the literature to the study of the processes through which strategic issues are discussed and consensus on them reached in corporate governance bodies, such as boards of directors. This study aims to address this gap. Initially, I conducted a systematic review of the literature, in which I identified the current state of knowledge and lines of inquiry on strategic issues, pointed out gaps in this knowledge, and suggested opportunities for future research. Subsequently, given the scarcity of theoretical propositions and previous empirical results on the factors and processes affecting the interpretation and consensus on strategic issues in boards of directors, I carried out an exploratory, longitudinal, and qualitative study, based on the content of the board meeting minutes of a private family business group in Brazil, using a multi-level approach. This empirical investigation was the basis for proposing a process model for the interpretation and decision on strategic issues in a board of directors. The results of the literature review revealed important gaps in the knowledge about strategic issues. First, it confirmed that few studies have investigated the dynamic and temporal processes through which strategic issues are addressed by high-level teams. Second, it confirmed that more studies are needed to understand how individual interpretations of strategic issues are reconciled in collective understandings, leading to responses to strategic issues, in group and organizational contexts. And thirdly, the review pointed out that the methods used to study strategic issues must consider their cognitive and behavioral dimensions. The empirical study, in turn, was the basis for the development of a procedural model that integrates several concepts and answers several questions still open in the literature on strategic issues, in the context studied. The model identifies the processing stages and decisions taken by the board, both for the individual treatment of strategic issues and for the management of the organization's strategic agenda, and points to the factors that influence the achievement of consensus. The empirical study also contributed to clarify some aspects of strategic issues, on which conflicting positions are found in the academic literature, such as the importance of categorizing strategic issues for their processing in organizations, on the adoption of structured and formal methods for management of the strategic agenda and on the role, positive or negative, of cognitive conflict in the debate, construction of shared meaning and decision on strategic issues. Finally, the empirical study contributes to the understanding of the processing of strategic issues in a context little explored by the specialized literature, the advisory board of a family-owned private company, in a country with a culture with different characteristics from those observed in countries in which most studies on issues strategies are conducted. Given the exploratory nature of this study, however, more studies of a similar nature will be needed to support the generalization of its conclusions.

Keywords: strategic issue management; strategic decision making, board of directors; process research; board of directors; literature review

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1. INTRODUCTION

Strategic issues (SIs) – defined as "emerging developments, trends or concerns perceived as affecting the achievement of the organization's objectives" (Dutton, 1986a, p. 3) – have been an enduring theme in management research since its initial conceptualization in the 1970s. Arising from an initial preoccupation with the incorporation of environmental turbulence and unforeseen events into traditional strategic planning approaches (Ansoff, 1975, 1980), the construct was applied and influenced research in several areas of organizational and strategic management, such as managerial attention (Bansal, Kim, & Wood, 2018; Dutton, 1986b, 1997; Joseph & Ocasio, 2012; Rerup, 2009), issue selling (Alt & Craig, 2016; Dutton & Ashford, 1993; Dutton, Ashford, O'Neill, & Lawrence, 2001), executive beliefs (Chattopadhyay, Glick, Miller, & Huber, 1999; Dutton & Duncan, 1987a), decision frames and cognitive processes (Bergman *et al.,* 2016; Palich & Bagby, 1995; Grégoire, Barr, & Shepherd, 2010), emotions (Hodgkinson, Wright, & Anderson, 2015; König, Graf-Vlachy, Bundy, & Little, 2020; Liu & Maitlis, 2014), and strategic consensus and agenda building (Dutton, 1986a, 1997; Thomas, McDaniel, & Dooris, 1989), to name a few.

Firms must address issues emerging from outside their regular calendar-driven strategy processes, to maintain and enhance their strategic positioning and environmental adaptation (Laamanen, Maula, Kajanto, & Kunnas, 2018). The signals and events associated with issues of strategic importance are oftentimes unfamiliar, ambiguous and, in some situations, hard to notice (Ansoff, 1975, Plambeck & Weber, 2010; Rerup, 2009). The literature on managerial attention identifies several factors that affect the ability of managers to notice these emerging issues. The attentional structures within firms, such as procedural and communication channels, may or may not direct the attention of managers to particular classes of issues (Ocasio, 1997). The salience of the issue to the firm (Dutton, 1986a) and to its stakeholders (König *et al*., 2020) may also affect the ability of managers in the upper echelon of the firm to notice it, and this salience may be influenced by issue selling activities by middle management (Dutton & Ashford, 1993). Executive job demands (Hambrick, Finkelstein, & Mooney, 2005) can also play a part in the ability to notice the signals associated with an issue, particularly if they are faint and unusual: executives overloaded by strong demands will be forced to take shortcuts in their decision-making processes and to use alternatives in which they feel comfortable and / or

that they have already used, paying little attention to signs and events that do not suit their past experience. Finally, the individual beliefs and cognitive frames executives usually resort to also may create blind spots, areas where they "will either not see the significance of events…, will perceive them incorrectly, or will perceive only slowly" (Porter, 1980, p. 59), thus impairing their ability to react effectively (Bundy, Shropshire, & Buchholtz, 2013; Chattopadhyay *et al*., 1999; Dutton, 1997; Powell, 2018).

Once these environmental signs are noticed, however, managers must decide on their importance for their organization's strategy and performance (Miller & Lin, 2015). Managers use data from the environment and their cognitive schemas in the interpretation of issues (Dutton, Fahey, & Narayanan, 1983). The literature presents several models to explain how managers interpret issues, most of them arising from the use of simple categorization schemes. Dutton and Jackson (1987) proposed that managers use the concepts of threat or opportunity to describe and understand issues, and this labeling influences their subsequent information gathering, decision processes and, ultimately, the strategic actions they devise for their firms. This categorization scheme has been used in many studies, which investigate the effect of the early labeling of issues as threats or opportunities on decision making and organizational moves (Sallivan & Nonaka, 1988; Amason & Mooney, 2008), factors affecting the categorization, such as national culture (Barr & Glyn, 2004; Wulf, Florian & Meissner, 2019), firm past performance (Martins & Kambil, 1999), the breadth and depth of the information collected on the issue (Anderson & Nichols, 2007), and techniques and methods to improve the accuracy of the labeling (Förster, Keller, von der Gracht, & Darkow, 2014; Miller & Lin, 2015).

Some of these environmental signs gain the collective attention (Simon, 1971) of the dominant coalition at the top levels of management (Hambrick & Mason, 1984) and are identified as SIs, entering the strategic agenda of the organization (Dutton, 1986a). The literature identifies several factors that influence the actual array of issues that are incorporated in the strategic agenda of firms, including, as previously mentioned, the salience of the issue, but also the issue sponsorship, i.e., the level of support a particular issue may generate from members of the dominant coalition (Dutton, 1986a), the level of cognitive flexibility, resources and processes at the top management team (TMT), that may enable them to address a larger number of issues simultaneously (Joseph & Ocasio, 2012; Rerup, 2009), and bottom-up sensemaking processes and occasions within organizations (van der Steen, 2017).

Managers do not approach emerging SIs *de novo*: managers interpret, assess the potential impact and devise actions in response to SIs using their mental templates or frames, cognitive representations of reality they have developed through time, based on past experiences

(Ginsberg & Venkatraman, 1992; Thomas, Clark, & Gioia, 1993). As Meyer (2007, p. 4) remarked, "while executives might think that they are fully open to all external stimuli and only 'make up their mind' once all the evidence is in, in practice their cognitive maps direct their perceptions and appropriate actions are generally selected from an existing repertoire of strategic responses". Besides individual experiences, cognitive representations managers use to address SIs also arise from their interaction with other individuals and groups. In fact, the way SIs are processed in organizations involves more than the sum of the interpretation of individuals. The cognitive systems and memories of organizations, embodied in their processual and communication channels and structures, provide a stock of shared knowledge and understandings, conceptual schemas, norms, and values that organizations use when processing SIs (Daft & Weick, 1984; Ocasio, 1997). Interactions among members of the top management team (TMT) of an organization play a particularly important role in the way these organizations process SIs: the leadership of a large organization is a shared activity, in which the cognitive abilities, skills and interactions of all members of the top team contribute to issue interpretation and the strategic decision-making that follows this interpretation (Hambrick, 2007).

The construction of shared understandings and meanings associated with SIs (Anderson & Nichols, 2007; Gioia & Thomas, 1996; Plambeck & Weber, 2010; Thomas *et al.*, 1993) are the basis upon which firms decide the course of action required to deal with SIs and initiate organizational moves (Dutton, Stumpf, & Wagner, 1990; Julian and Ofori-Dankwa, 2008). The interpretation of SIs in TMTs starts with individuals, but a shared collective understanding must be achieved before a SI can be dealt with. For many ambiguous issues, especially the ones constituting novel problems for the firm, it may be difficult to initially define its exact meaning and impact on the objectives of the coalition in power and, therefore, to define if and how to respond to them. This difficulty may lead to dissenting views among members of the top management of firms that must be reconciled, at least to a degree that action could be initiated (Joseph & Gabba, 2020; Starbuck, 1976). Shared perceptions and cognitive images must be constructed, preceding actions (Daft & Weick, 1984). Depending on the level of ambiguity of the issue and divergence in individual cognitive schemas underlying individual interpretations among key decision makers, it may take time to achieve consensus on a particular SI. Consensus building is not necessarily linear: it may be subject to successive (convergent and divergent) revisions and loops, both at the individual, group, and organizational levels, that are not sequential, systematic, or unidirectional (Dutton et al, 1983). Moreover, earlier consensus may be superseded as new data become available. The new data may lead to the development of new

cognitive schemas that better match the features of the issue under consideration, leading to the reconsideration of previous consensual views and giving rise to dissent. Although recent studies have highlighted the importance of consensus on SIs at several levels in an organization (Markóczy, 2001; Thomas et al., 1989; Tarakci et al., 2014), most authors agree on the primacy that must be assigned to consensus on SIs at top level of management of a firm. This agreement stems from an understanding that the leadership of firms is where the interpretation of SIs must coalesce to enable strategic decision making and action (Daft & Weick, 1984, Dutton & Duncan, 1987a; Dutton & Ashford, 1993; Miller & Lin, 2020). Research on strategic leadership has been conducted at several levels of analysis, with most studies focusing on the individual executive, either the chief executive officer (CEO) or the head of a strategic business unit (SBU) (Finkelstein, Hambrick, & Cannella, 2009). However, strategic leadership also includes other governance bodies, such as the top management team (TMT) and board of directors. In this study, my concern is on consensus, which rules out a focus on an individual. Having to choose between an investigation on consensus at the board of directors or at the TMT, I chose the former.

I justify this choice using two arguments. First, although there are several studies on SIs that used the TMT as a research setting (Amason & Mooney, 2008; Barr, 1998; Dutton, 1997; Gioia & Thomas, 1996; Jackson, 1992; Liu & Maitlis, 2014; Milliken, 1990; Thomas et al., 1993; Thomas & McDaniel, 1990; Thomas et al., 1994, among them), some of them addressing consensus (Knight et al., 1999; Markóczy, 2001), few investigated interpretations of SIs at the board level (Bergman et al., 2016; Fiegener, 2005). Second, although TMTs undoubtedly have a strategic role in organizations, they usually also engage in many tasks of operational nature and dedicate a significant portion of their time to the routine administration of the firm (Chen, Xu, Nguyen, & Yu, 2018; Finkelstein et al., 2009). In contrast, in the field of strategic leadership, the board of directors is seen as the main body responsible for reviewing major policy choices and issues, such as acquisitions, diversification, divestitures, strategic investments, and strategic change (Golden & Zajac, 2001; Deutsch, 2005). According to Forbes and Miliken (1999), "boards of directors can be characterized as large, elite, and episodic decision-making groups that face complex tasks pertaining to strategic-issue processing" (p. 492).

Due to the scarcity of theoretical propositions and empirical results on the factors affecting and mechanisms underlying consensus on SIs at boards of directors, I decided to conduct an exploratory, longitudinal, and qualitative study, based on the content analysis of the minutes and transcripts of board meetings at one large family-owned business groups in Brazil.

These meetings took place from November 2012 to February 2016. Following the examples of Lui and Maitlis (2014) and Maguire and Hardy (2013), I use a multi-level interaction process analysis approach (Beck & Fisch, 2000; Currall, Hammer, Bagett, & Doniger, 1999) to understand the processes used during board meetings to assess, interpret, decide and follow-up on the implementation of decisions on SI. The analysis focuses on social interaction processes within the board, paying special attention to the behavioral and content levels of said interactions, and whether dissenting views on the SIs were reconciled into a shared understanding of the meaning and importance of these issues, enabling the boards to arrive at a consensus on the responses required to face the challenges posed by them.

The analysis of the minutes and transcripts of board meetings are supplemented by records of interactions between board members outside these meetings, in order to validate my conclusions on the process the board underwent until consensus was achieved (if it was) on the meaning and response required to address the SIs under analysis. From the findings of the analysis, I generated a model for interpretation, consensus building and decision making about SIs in boards of directors.

1.1. RESEARCH QUESTION

The research question that guides this study is "What processes do board of directors use to achieve consensus and act on strategic issues?"

1.2. OBJECTIVES

1.1.1. General

Identify the processes boards of directors use to achieve consensus on the meaning and responses to SIs.

1.1.2. Specific objectives

- Review the literature on SIs, to identify the state of knowledge, themes and lines of inquiry, convergences, and gaps and to propose an agenda for future research.

- Empirically investigate the processes of interpretation, consensus building and decision making on SIs in the board of directors of a Brazilian firm.

- Develop a model for interpretation, consensus building and decision making about SIs in boards of directors.

1.3. RELEVANCE OF THE STUDY

Although the SI construct has been used by scholars as a theoretical framework to investigate and explain several phenomena in organizations and strategic management, the research on SIs has apparently evolved in a progressively divergent way, generating a collection of fragmented empirical findings and theoretical propositions (Joseph & Gaba, 2020). This fragmentation obscures the understanding of the mechanisms at work, at the individual, group and firm levels, that lead from noticing events and emerging developments in the environment that may constitute a SI to the actions managers of a firm devise to face these issues (Miller & Lin, 2020).

Particularly noteworthy is the limited investigation of the temporal processes through which decision-makers achieve consensus on SIs. Even though the building of consensus is generally accepted as an important step in the processing of SIs, research gives scant attention to consensus and dissent on SIs in organizations. The limited investigation on the processes through which different perspectives on SIs held by members of the organization's upper echelon are reconciled hinders the identification of measures that could be recommended to help these groups achieve positive outcomes out of the cognitive diversity of their members while avoiding the pitfalls that may arise from their inability to deal adequately with this diversity. Cognitive diversity may enrich the debate on SIs in TMTs, generating multiple interpretations on their meaning, novel, and well-thought-out alternatives for response and, ultimately, better decisions (Bergman *et al.*, 2015; Mohammed & Rignseis, 2001). And as work settings are becoming more and more diverse, it seems plausible that organizations that manage to explore this increased diversity can achieve better results when dealing with SIs than firms that do not (van Knippenberg & Schippers, 2007; Olson, Parayitam, & Bao, 2007). Diversity in perspectives can also help TMTs avoid a biased perspective on SIs, that may lead to cognitive

blind spots and delusions and to a narrower set of strategic options and innovations (Meyer, 2007; Powell, 2018). However, cognitive diversity can also be detrimental to the achievement of consensus on SIs. It may be difficult to reconcile wildly divergent individual perspectives to the same SI, thereby reducing or slowing the ability of the organization to react to it (Kellermans, Walter, Lechner, & Floyd, 2005; Markóczy, 2001). Cognitive diversity may also lead to emotional conflict and to dysfunctional decision processes in which political posturing and power induce the adoption of interpretations and decisions on SIs that are detrimental to the objectives of the organization (Tegarden, Tegarden, & Sheetz, 2009). Scholars propose that to benefit from the cognitive diversity of their members, TMTs must adopt decision processes that enable a constructive debate in which team members challenge one another on their diverse perspectives on SIs (Simons, Pelled, & Smith, 1999). The scholars who investigated SIs, however, have not explored in detail how TMTs debate and achieve consensus on SIs, in contexts in which diverging cognitive perspectives are used by their members (Joshi & Roh, 2009). A better understanding of the positive and negative consequences of consensus and dissent in TMTs on decision-making on SIs could, in due time, enable scholars to prescribe ways to avoid the negative consequences of group consensus and dissent and explore the positive ones. This research aims to contribute to this understanding.

This research also addresses a call for process-based studies in strategic decision making in general. Although the study of strategic decision making in general has long been an area of interest for practitioners and scholars (Ireland & Miller, 2004), most studies focused on the content of strategic decisions, involving issues such as mergers and acquisitions, vertical integration, market entry or exit and technological change (Elbanna, 2006). Less attention has been paid to the investigation of the process side of strategic decision making, the complementarity of these two sides notwithstanding (Mintzberg & Waters, 1985). And studies on strategic decision-making process (SDMP) have, for the most part, adopted different perspectives, focusing on rationality (Bourgeois & Eisenhardt, 1988, Fredrikson, 1984; Hough & White, 2003), politics (Child & Tsai,2005; Nutt, 1998; Pfeffer & Salancik, 1974), or intuition (Miller, Wilson, & Hickson, 2004; Mintzberg, Raisinghani, & Théorêt, 1976). This situation calls for empirically grounded, longitudinal studies that could integrate these different perspectives and bring forth the causal relationships between processes and outcomes of SDMP in a specific context (Elbanna, 2006).

The process approach adopted in this context selected for this study may also help address a limitation of the research on family-owned firms: the inconsistency in the empirical findings associating board characteristics to firm performance. Most studies try to link these two

constructs directly, using some financial ratio or indicator as dependent variable in regression analysis (Bammens, Voordeckers, & Van Gils, 2011). Some scholars posit that such inconsistent findings are caused by the fact that these studies do not take into consideration the intermediate board processes, involving cognitive, emotions and behavioral factors that affect board effectiveness (Finkelstein & Mooney, 2003; Roberts, McNulty, & Siles, 2005; Westphal & Bednar, 2005), By "opening the black box" of board processes through the use of primary data (the minutes of board meetings) collected over several years, this study will provide insights into how board processes and intrafamily dynamics at the board meetings unfold over time, affecting decision making and, ultimately, firm performance.

Finally, this research also addresses a limitation of most of the previous studies on decision making on board of directors: the use of perceptual or indirect measures. Tapping the memories of elite informants may be a useful method for the study of many phenomena in strategic management, but when applied to SIs it is conceivable that some information that could be relevant for the understanding of the processes involved, such as political tactics and suppressed information, will not be reported (Larimo, 1995; Mintzberg et al., 1976). Due to the difficulty in obtaining data on board processes, scholars usually resort to inferences about their decision-making processes, based on some theoretical assumptions, and then try to validate these inferences using public, observable data, such as documents that present board structure and composition, or letters from the chairperson of the board. The uncertainty associated with the inferences and assumptions used in these studies render their results questionable (Schwartz-Ziv & Weisbach, 2013). In this study, I will use an alternative data source: the minutes of board meetings. Minutes of meetings are real-time, non-intrusive ways to collect textual indicators of interpretations and decisions (Barr, 1998).

1.4. STRUCTURE

This dissertation is organized in five chapters, following this introduction. Chapter 2 is a systematic literature review on SIs, conducted to understand its theoretical and empirical advancements since the construct was first proposed. This review aims to identify the state of knowledge on SIs, themes and lines of inquiry adopted by scholars who studied SIs, convergences and gaps in the literature, and to propose an agenda for future research.

In Chapter 3, I present the method used in the empirical study on the processing of strategic issues in boards of directors. This chapter presents information about the investigated

council, data sources and data analysis procedures, highlighting the dimensions used in this analysis.

Chapter 4 presents the results of the exploratory and descriptive longitudinal investigation of decision-making processes in a private, family-owned firm that faced SIs over a four-year period, using as primary data the minutes of board of directors' meetings.

Chapter 5 presents a model for interpretation, consensus building, and decision making about SIs. It is followed by Chapter 6, which incorporates a discussion and conclusion, summarizing the findings of the dissertation. It also presents my main contributions and point to future research opportunities.

This dissertation also contains two appendixes. The first one presents a summary of the empirical findings and theoretical propositions of the systematic review of the literature on strategic issues about the interpretation and consensus on SIs by top management, both at the individual and group levels. The second appendix present a brief discussion of the roles of board of directors and an overview of the factors that, according to the research, can affect the performance of boards of directors in their strategic role. This appendix is divided in two parts: in the first part, I present the findings associated with boards of directors in general and, in the second part, the findings highlighted by the literature on boards of directors at family firms.

Table 1 presents the methodological consistency matrix, which includes the research question, the general objective, and, for each specific objective, the research method, data collection and data analysis procedures adopted.

Table 1: Methodological consistency matrix

<table>
<tr>
<td colspan="5" align="center">Research Question:

What processes do boards of directors use to achieve consensus and act on SIs?</td>
</tr>
<tr>
<td colspan="5" align="center">General Objective:

Identify the processes boards of directors use to achieve consensus on the meaning and responses to SIs.</td>
</tr>
<tr>
<td align="center">Objective</td>
<td align="center">Chapter</td>
<td align="center">Research Method</td>
<td align="center">Data Collection Procedures</td>
<td align="center">Data Analysis Procedures</td>
</tr>
<tr>
<td>Review the literature on SIs, to identify the state of knowledge, themes and lines of inquiry, convergences, and gaps and to propose an agenda for future research.</td>
<td>Two</td>
<td>Systematic literature review following the process proposed by Tranfield, Denyer and Smart (2003).</td>
<td>Articles in all business and management journals available in the Journal Citation Reports of the ISI Web of Science database were considered.</td>
<td>Content analysis of the papers in the sample, aggregated according to themes emerging from the reviews. The following themes have already emerged: (1) definition of SI; (2) issue categorization; (3) issue interpretation; (4) level of analysis, and (5) underlying mechanisms and processes.</td>
</tr>
<tr>
<td>present the method used in the empirical study on the processing of strategic issues in boards of directors.</td>
<td>Three</td>
<td>Performative process story (Abdallah, Lusiani, & Langley, 2019).</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Empirically investigate interpretation, consensus-building, and decision-making processes on SIs in boards of directors of Brazilian firms.</td>
<td>Four</td>
<td>Exploratory and descriptive longitudinal research.</td>
<td>Minutes of board meetings of two family-owned firms over 5 years, supplemented by documentary evidence of interactions between board</td>
<td>The data was processed with the aid of the ATLAS.ti software.</td>
</tr>
</table>

			members outside board meetings.	
Develop a model for interpretation, consensus building and decision making about SIs in boards of directors.	Five	Model building from process data (Langley, 1999; Langley, 2007).	NA	NA

2. STRATEGIC ISSUES: A SYSTEMATIC REVIEW OF THE LITERATURE

2.1. INTRODUCTION

Arising during the 1970s from the perception that it was necessary to incorporate unexpected, sometimes sudden developments of strategic nature into calendar-based planning processes, strategic issues (SIs) have become a lasting theme in management research (Ansoff, 1975, 1980; Laamanen *et al.*, 2018). Reflecting this motivation, the concept of SI – hereby defined as an emerging development, trend, or event, inside or outside of the organization, which, in the judgment of some strategic decision makers is likely to have an important impact on the organization's ability to meet its objectives – was initially used in papers in which scholars prescribed structured, regimented methods that managers should use to analyze these emerging phenomena and incorporate them into the strategic planning practices of their firms (Ansoff, 1975, 1980; King, 1982).

In the early 1980s, however, the study of SIs took a different turn, after the publication of several papers by Jane Dutton and colleagues, which would have a lasting influence on future research on SIs. This change was spearheaded by a theoretical paper by Dutton *et al.* (1983), in which the authors presented the concept of strategic issue diagnosis (SID) and characterized SID in terms of its scope, importance and dominant characteristics. Authors who subscribe to the perspective first exposed in this paper have since argued that due to the ill-defined (Dutton & Jackson, 1987), ambiguous (Dutton, 1986a), complex (Miller & Lin, 2020), not easily quantifiable (Diffenbach, 1982) and interdependent (Dutton, Walton, & Abrahamson, 1989) nature of SIs, there is little objective basis for the choice of solutions to the problems they pose (Dutton & Ashford, 1993). Therefore, SID involves a strong component of interpretation and judgment on the part of the decision-makers, in which the data and stimuli available on the issues under analysis must be infused with meaning (Dutton et al., 1983). Harking back to the principles and concepts of the behavioral theory of the firm (Cyert & March, 1963; Simon, 1947), this perspective highlights the bounded rationality of individuals and the role of cognitive schemas and data structures in memory, used by managers to represent knowledge and relationships about SIs, and to respond to these issues (Dutton & Jackson, 1987; Barr, Stimpert, & Huff, 1992). It also calls attention to the fact that SID does not follow a linear, structured set of stages, as in rational problem-solving process, but takes a fluid, recursive and interactive character (Dutton *et al.*, 1983).

Since the early 1980s, the research on SIs has expanded considerably. Scholars investigated the antecedents, moderators, and consequences of the interpretative basis upon which individuals and firms deal with SIs. Some studies addressed the effects of the attributes of the issue itself, such as its salience for the firm, in terms of its impact and urgency, and the perceived feasibility of resolving it (Barreto & Patient, 2013; Dutton and Duncan, 1987a; Dutton *et al*, 1990; Julian & Ofori-Dankwa, 2008). Others investigated the effects of beliefs and cognitive frames on the selective attention individuals and firms pay to certain issues, the meaning they attach to these issues and the responses to address them (Bundy *et al*., 2013; Chattoppadhyay *et al*., 1999). The processes used to deal with SIs, which influence the selection of issues that are incorporated into (and later discarded from) the strategic agenda of the firm (Dutton, 1986a, 1988, 1997; Joseph & Ocasio, 2012; Spickermann, Grienitz, & der Gracht, 2014), were also investigated. Other scholars researched the effects of contextual factors on SI processing, at several levels of analysis: contextual factors affecting issue interpretation and response were identified at the individual level, such as locus of control (Plambeck & Weber, 2009; Thomas, Shankster, & Mathieu, 1994). At the group level, studies investigated demographic (Knight *et al*, 1999) and cognitive (Bergman et al. 2016) diversity at the groups most involved with SIs, usually top management teams. At the organizational level, factors such as the strategic orientation and posture (Ginsberg & Venktrama, 1992; Plambeck & Weber, 2009; Thomas & McDaniel, 1990), identity (Dutton & Dukerich, 1991), resource base (Dutton & Duncan, 1987a) and structure (Dutton *et al*., 1990) of the firm were addressed in several studies. Finally, at the environmental level, factors such as national culture (Sallivan & Nonaka, 1988; Schneider & de Meyer, 1991) munificence (Barr *et al*., 1992) and competitive intensity (Barr, 1998) were found to be significant.

Besides the investigation of issue interpretation, its antecedents, moderators and consequences, the research on SIs has branched into specialized sub-fields, which gained prominence and became themselves the focus of several studies. Among these sub-fields is the investigation of issue categorization. Among the many categorization frameworks and typologies for SIs proposed in the academic literature, the most extensively used has been the threat and opportunity scheme originally proposed by Dutton and Jackson (1987) and later used in many papers (including, for instance, Amason & Mooney, 2008; Grégoire *et al*., 2010; Laamanen *et al*., 2018; Wulf *et al*., 2019). Another sub-field is the study of issue selling, first conceptualized by Dutton and Ashford (1993) and further explored in subsequent studies (Alt & Craig, 2016; Ashford, Rothbard, Piderit, & Dutton, 1998; Dutton *et al*, 2001).

The time seems to be ripe for an assessment of the evolution and the state of the research on SIs. Such assessment appears to be long overdue, as, although many studies on SIs have been published in a period spanning more than four decades, very few reviews of on SIs have been carried out to date. Abedin, Kordnaeij, Fard, and Hoseini (2015) authored the only known review of SI studies, but their paper included only a subset of the known *corpus* of the literature on SIs published in leading peer-reviewed academic journals and, therefore, their conclusions may not take into consideration empirical findings and theoretical propositions found in some seminal studies. This gap led to the formulation of the following questions, which guide the present study: what are the most relevant empirical results and theoretical conceptualizations in the literature on SIs? Are there any salient shortcomings or inconsistencies in the theoretical underpinnings and empirical methods used? And, finally, what are the gaps in this literature that should be addressed in future studies?

To answer these questions, I conducted a systematic review of the literature, analyzing a sample of 77 articles published in peer-reviewed academic journals since 1975, the year of publication of Ansoff's first paper on SIs. The procedures proposed by Tranfield *et al*. (2003) for systematic reviews in management science oriented the initial search for articles indexed at the Web of Science database and the subsequent selection, review, and synthesis of data from them. I grouped articles that focused on similar themes and analyzed their commonalities and differences, in terms of conceptual underpinnings, methodological approaches and empirical results. Taking this analysis as a starting point, I used my judgment to develop suggestions for future research.

The contributions of this study are twofold: for researchers, it provides a systematic review of the recent scholarly contributions on SIs, identifying the research streams, summarizing the results the studies, and pointing to areas of study that warrant further investigation. For practitioners, it presents the empirical evidence obtained thus far on the diverse factors impinging upon the processes of noticing, interpreting, devising answers to, and appraising the results of organization moves oriented toward issues that are relevant for the objectives of their organizations.

The remainder of this chapter is structured as follows. In the next section I present the methodological steps that led to the selection of the articles that are included in this literature review. Another section presents and discusses the major findings of my analysis for each theme identified in this sample of articles, which includes research gaps and my suggestions for future studies. In a final section, I present a brief consideration of the results of the study and point out the limitations of the approach employed and alternatives to overcome them.

2.2. METHOD

Tranfield *et al*. (2003), in their analysis of the systematic review process employed in the medical sciences, concluded that this process could provide a rigorous and reliable base of insights for further studies in the management field, despite the important differences in the nature of the disciplines of medicine and management and in the use of reviews in them. Table 2 presents the main stages of a systematic review of management research proposed by Tranfield *et al*. (2003), adapted from well-stablished methodologies employed in medicine (Clarke & Oxman, 2001).

Table 2: Stages of a Systematic Review, according to Tranfield *et al*. (2003)

Planning the review	Conduct scoping study to assess relevance and size of the literature and to delimit the subject area or topic.
	Develop a protocol – a conceptual discussion of the research problem and statement of the problem significance.
Conducting the review	Identify keywords and search terms, built from the scoping study.
	Conduct searches not only in published journals and listed in bibliographic databases, but also in unpublished studies, conference proceedings, industry trials, and the Internet.
	Select studies from the output of the information search – only studies that meet all the inclusion criteria defined in the review protocol should be incorporated.
	Review all the potentially relevant citations identified in the search and discard the ones that are not related to the subject of the review.
	Retrieve the full text of the remaining sources for a detailed evaluation.
	Review the full text of the retrieved material and select the studies to be included in the review.
	Register the data extracted from the studies included in the review in data-extraction forms or tables.
	Synthesize the data collected from the studies reviewed (summing, integrating, cumulating the findings of different studies on a topic or research question), through narrative review, systematic reviews

	/ meta-analysis, realist synthesis or meta-synthesis / meta-ethnography.
Reporting and disseminating	Generate a descriptive analysis of the field, using a simple set of categories with the use of the extraction forms.
	Generate a thematic analysis of the results of the review, outlining "what is known" and established from the core contributions identified in the sample of studies, highlighting the extent of the consensus shared across various themes, identifying emerging themes and research questions.

Source: Adapted by the author from Tranfield *et al*. (2003)

Following Tranfield *et al*. (2003), I started with a preliminary collection of articles on SIs, conducted at the web pages of Wiley, publisher of the Strategic Management Review Journal (SMJ) and of the Academy of Management, publisher of the Academy of Management Journal (AMJ), Academy of Management Review (AMR) and Academy of Management Annals (AMA). These journals were selected for this preliminary search based on their relevance in the field of strategy and general management: as of 2018, the five-year impact factors of these journals according to the InCites Journal Citation Reports (JCR) were 8.356 (SMJ), 11.891 (AMJ), 14.17 (AMR), and 18.616 (AMA). This preliminary search was conducted to get a sense of the studies published in highly regarded journals and to provide direction to the subsequent systematic gathering of literature in this field. The search looked for the expression "strategic issue" at titles of articles published in these papers. The 16 articles found in this scoping search were read and the data on these articles downloaded and stored for further analysis.

The full search was conducted using the ISI Web of Science (WoS), the most frequently used bibliographic database (Zupic & Cater, 2015). WoS was chosen in preference to Scopus, due to the latter's restricted coverage of older publications, especially those published before 1996 (Falagas, Pitsouni, Malietzis & Pappas, 2008). A search in Scopus would probably not retrieve at least some of the seminal studies on SIs that, as the scoping search had already revealed, were published in the 1970s and 1980s. I searched for articles in the "Management" and "Business" categories in WoS that contained the topic "strategic issue", either in the title, keywords or abstract. I departed from Tranfield *et al*. (2003) recommendation to investigate unpublished studies, conference proceedings, industry trials, and the Internet, and restricted my search to articles published in peer reviewed journals. Following Ramos-Rodríguez and Ruíz-

Navarro (2004), I considered that these articles represent certified knowledge: research that has been submitted to the critical review of researchers of the same field of knowledge and that has obtained their approval for publication. This search returned 99 articles. The data indexed at WoS for these 99 articles was downloaded; data for 3 articles from the scoping search that were not among the 99 articles found in the full search were also retrieved.

I downloaded and read the text of these 102 articles. While doing so, I identified in their citations 36 additional articles that explicitly referred to SIs that had not been retrieved in the previous searches. I then downloaded and read these additional 36 articles. The final sample of documents for this review was selected after the textual analysis of these 138 articles. As a selection criterion, I decided to exclude from this review all articles that did not explicitly use the construct of SI in their theoretical foundation. Most of the excluded articles included the expression "strategic issue" in their abstracts, as in: "CSR is increasingly becoming a strategic issue that has to be dealt with by top management" (Setó-Pamies, 2015, p. 334), or "While the notion of reputation has attracted much scholarly interest, few studies have addressed the strategic issue of reputational multiplicity…" (Boutinot, Ansari, Belkhouja, & Mangematin, 2015, p. 284). Most of these articles did not investigate, for instance, how managers incorporate SIs in the agenda of their firms, how these SIs are categorized, how this categorization influenced strategic moves – so their exclusion was straightforward. A small number of them, however, demanded further analysis. These articles could be classified in 2 groups:

- Articles that presented or prescribed a framework or model to deal with strategic decisions, either in general (Nutt, 1993) or oriented towards a specific area or theme, such as social demands (Arcelus & Schaeffer, 1982), but that did not use the construct of SI as a foundation to create them. I decided to exclude these articles.

- Articles that also presented or prescribed frameworks or models, but did use SI as a theoretical foundation, citing seminal papers or recent research on SI. Among them were papers that proposed the application of decision techniques such as Journey Making "to help managers agree [on] a suite of actions to tackle a complex strategic issue" (Shaw, Edwards, & Collier, 2006, p. 940) or aimed to "craft a strategy for consumer goods SCs [supply chains] supported by Delphi-based SIM [strategic issue management]" (Förster *et al*, 2014, p. 373). I decided to include them.

Table 3 presents a summary of the articles read, including the ones included in and excluded from this literature review, divided by periods.

Table 3: Articles on SI evaluated for this literature review

Period	Included	Excluded	Total
1975 – 1989	16	4	20
1990 – 1999	24	9	33
2000 - 2009	13	10	23
2010 – 2019	24	38	62
Total	77	61	138

Source: Prepared by the author

The selected 77 articles were read a second time; for each of them a summary was developed and an entry in a data-extraction table built using Excel was generated, following the recommendations by Transfield *et al.* (2003). The analysis of these 77 articles was synthesized through a narrative review (Transfield *et al*., 2003) presented in the next section.

2.3. LITERATURE REVIEW – HISTORICAL PERSPECTIVE

The first articles published in the 1970s and early 1980s introduced the concept of SIs and prescribed methods and systems managers should use to deal with them, proposing the inclusion of the analysis of SIs into the strategic planning / formulation processes of their firms (Ansoff, 1975; Ansoff, 1980; King, 1982). In 1983, Dutton, Fahey, and Narayanan introduced the concept of SID, which, differently from previous studies, focused on the interpretation and judgment of issues, rather than on their complete management. Jane Dutton followed her seminal paper from 1983 with several others, published alone or with colleagues, which had a significant impact on subsequent studies. Table 4 presents a list of selected papers by Dutton and colleagues.

Besides Dutton and colleagues, several other authors provided substantive contributions to the study of SIs, in the decades since the publication of the foundational studies by Ansoff. Table 5 presents a select list of such articles.

Table 4: Representative contributions from Dutton and colleagues

Paper	Type of paper	Noteworthy concepts, propositions and/or empirical results
Dutton, Fahey, and Narayanan (1983)	Theoretical essay	**Strategic issue diagnosis** (SID): those activities and processes by which data and stimuli are translated into issues (**attention organizing acts**) and these issues are explored (**acts of interpretation**).
Dutton (1986a)	Theoretical essay	**Strategic agenda** or **issue portfolio**: the set of SIs receiving collective attention in the organization. **Agenda building** is the process through which SIs gain decision makers' attention and are legitimated in the organization.
Dutton (1986b)	Empirical research	Describes how **crisis SIs** are processed differently from **non-crisis issues** in organizations.
Dutton and Duncan (1986a)	Theoretical essay	Presents **a process model** of how decision-makers **interpret SIs**, encompassing 3 stages: **activation**, assessments of **urgency** (U) and assessments of **feasibility** (F). (FU was later considered a framework for the **categorization** of issues.)
Dutton and Jackson (1987)	Theoretical essay	Proposes that the **meanings** attributed to **SIs** by decision makers influence **organizational responses** to these issues. Meanings are imposed by (cognitive) **categories**; categories are engaged by using (linguistic) **labels**. The two labels most frequently applied to SIs are: **threat** (T) and **opportunity** (O).
Dutton and Duncan (1987)	Theoretical essay	Describes how the **strategic planning process** affects the set of SIs that are incorporated in the firm's **strategic agenda**, and how the characteristics of the **strategic agenda** translate into the initiation and implementation of **strategic change**.
Dutton and Webster (1988)	Empirical research	Suggests that people are attracted to **issues** that appear to be **feasible** (solvable), and existing in a more certain, **stable environment**.

Paper	Type of paper	Noteworthy concepts, propositions and/or empirical results
Dutton, Walton, and Abrahamson (1989)	Empirical research	Identifies the **dimensions** decision-makers use to **sort SIs** – giving attention to some of them while dropping others.
Dutton, Stumpf, and Wagner (1990)	Empirical research	Provides evidence that **assessments** of SIs are related to the **allocation of individuals to positions** in an organization structure and on **organizational resources**.
Dutton and Dukerich (1991)	Empirical research	"…what people see as their organizations' distinctive attributes (its **identity**) and what they believe others see as distinctive about the organization (its **image**) constrain, mold, and fuel interpretations—help link individual cognitions and behaviors to organizational actions." (p. 550) (emphasis added)
Dutton (1993)	Theoretical essay	Proposes that issues are not always diagnosed intentionally (**active SID**), identifying conditions under which organizations put decision-makers in an unreflexive diagnosis mode (**automatic SID**) involving the activation of ready-made issue categories (**TO**)
Dutton and Ashford (1993)	Theoretical essay	Proposes that **issue selling by middle managers** is central to explain how issues are incorporated in the strategic agenda of an organization.
Denison, Dutton, Kahn, and Hart (1996)	Empirical research	Explores the relationship between **organizational context** and the **interpretation of SIs**.

Table 5: Other substantive contributions to the study of SIs

Paper	Type of paper	Noteworthy concepts, propositions and/or empirical results
Thomas and McDaniel (1990)	Empirical research	Found a relationship between the organizational context (**strategic orientation** of the firm and the **information-processing structure** of the TMT) and the CEO's **interpretation** of SI (**labels** assigned to SIs – threat and opportunities – and **range of variables** used in interpretation).
Ginsberg and Venkatrama (1992)	Empirical research	Concluded that **strategic posture** (efficiency vs service quality orientation) influenced the **adoption of new technology**, both directly and indirectly, through **issue interpretation** (effect response and valence).
Schneider and de Meyer (1991)	Empirical research	Following Sallivan *et al.* (1988), found that **national culture** influenced the **interpretation** of SI (as a crisis and as a threat) and the nature of the **responses** to these SI (magnitude and internal/external focus of the response).
Barr, Stimpert, and Huff (1992)	Empirical research	Found a link between changes in **mental models** (cause-effect understandings) and changes in **organizational action** when studying the evolution of the **interpretation** of a SI by leaders of two U.S. railroads over a 25-year period, a time span in which these firms experienced varying levels of **environmental munificence**.
Thomas, Clark, and Gioia (1993)	Empirical research	Investigated the relationship between **strategic sensemaking** (scanning, interpretation, and action) and **organizational performance**, and found that **high information use** (scanning) influence **issue interpretation** (TO), and that interpretation influence **product-service change** (action). Product-service change, by its turn, influenced **performance**.
Palich and Bagby (1995)	Empirical research	Used experiments to conclude that **entrepreneurs** are predisposed to **cognitively categorize** business situations more positively (as **opportunities**) than non-entrepreneurs.
Judge and Spitzfaden (1995)	Empirical research	Incorporated the **size of the SI array** of a firm on a model that established a relationship between **strategic time horizon diversity** and **financial performance**.

Paper	Type of paper	Noteworthy concepts, propositions and/or empirical results
Gioia and Thomas (1996)	Empirical research	In a study of higher education institutions, found that TMT members' perceptions of **identity** and **image** mediates the relationship between the organization's **internal context** (strategy and information-processing structures) and **issue interpretation** (strategic vs political issues).
Mittal and Ross (1998)	Empirical research	Investigated the influence of **transient affective states** and **issue framing** on **issue interpretation** (and risk taking) and found that framing an issue (as a threat or an opportunity) had a stronger impact on **issue interpretation** among **negative affect participants** than among positive affect participants in experiments.
Barr (1998)	Empirical research	Investigated the **evolution of the interpretation** of a strategic issue in the pharmaceutical industry and found **distinct patterns** in this evolution, dependent on whether the **issue was familiar or not**. She also found that (change in) **interpretation** is strongly linked to the **triggering of strategic response**.
Knight *et al.* (1998)	Empirical research	Investigated how **demographic diversity** and **group processes** influence **strategic consensus** in the TMT. They found that group processes – **interpersonal conflict and agreement-seeking behaviors** (defined as the degree to which TMT members worked to **reach agreement on SIs**) – partially mediated the relationship between diversity and strategic consensus.
Kuvaas (2002)	Empirical research	Investigated the effect of **informational context** on SI interpretation. He found that **higher availability of environmental information** leads to the **perception of issues as controllable**, but that managers in TMTs with **higher processing capacity** perceive **higher degrees of control and manageability**, and **search for less data** in issue interpretation.
Anderson and Nicholson (2007)	Empirical research	Found that **time spent searching for information** leads to changes toward seeing the issue **as more of a threat**, while the **diversity of information found** leads to changes towards seeing it **as less of a threat** (they found no effect of information search on opportunity perceptions).
Ocasio and Joseph (2005)	Theoretical essay	Proposed an attention-based theory of strategy formulation, predicated on several propositions, the first of which states that "***decision making** is guided by **selective attention** to **organizational issues and initiatives***".

Paper	Type of paper	Noteworthy concepts, propositions and/or empirical results
Julian and Ofori-Dankwa (2008)	Empirical research	Investigated the explicative power of two alternative issue categorization frameworks – TO vs FU – and found that the **FU approach is a better predictor** of both **intentions and actual responses to SIs** than the **TO approach**.
Amason and Money (2008)	Empirical research	Examined how (past) performance influence SI framing and decision processes. They found that **strong performance** is associated with **framing issues more as threats** than opportunities, and that **strong performance** leads to **less comprehensiveness in decision-making**.
Plambeck and Weber (2009, 2010)	Empirical research	Found that when decision makers evaluate an issue as **both positive and negative**, they are **more likely to act on the issue**, and that these actions were of **greater scope, novelty, and riskiness**. An **ambidextrous strategic orientation** and a **sense of control of the environment** both influence **ambivalence in issue interpretation**.
Rerup (2009)	Empirical research	Found that the **inability to notice the weak signs** of an **emerging issue** and to act on it in a coherent fashion resulted in an unexpected crisis at Novo Nordisk. He proposed "**attentional triangulation**" to **identify issues** that have **potentially critical consequences for an organization**.
Barreto and Patient (2012)	Empirical research	Investigated how managers in a firm attended to the **threat and opportunity aspects** of an issue (an exogenous shock). They found that attention was influenced by **desirability** (shock distance) and **feasibility** (capability perception) considerations.
Bundy, Shropshire and Buchholtz (2013)	Theoretical essay	Developed a **cognitive theory of issue salience**. They proposed that **firms will respond more substantially** to those issues perceived as salient to **both an instrumental logic** (the rational pursuit of organizational objectives) a**nd an expressive logic** (how the firm defines its identity) and **more symbolically** to those issues perceived as **salient to only one logic**.

Paper	Type of paper	Noteworthy concepts, propositions and/or empirical results
Liu and Maitlis (2014)	Empirical research	Analyzed how emotional dynamics influence the processing of SIs by TMTs. Through the analysis of the conversations in TMTs, they **identified 5 kinds of emotional dynamics**, each associated with a different type of **strategizing process**. The **strategizing processes**, by their turn, varied in **how issues were proposed, discussed, and evaluated**, and whether **decisions were taken or postponed**.
Miller and Lin (2015, 2020)	Mathematical / computational modeling	Investigated the **accuracy of analogical reasoning** when applied (over time) on the **interpretation of SIs as threats and opportunities**, in environments that differed in variation.
Bergman *et al*. (2016)	Empirical research	Using the concept of **cognitive maps**, examined the **role of cognitive diversity** on strategic issue **interpretation** among boards of directors. Provides evidence that **even though boards of directors** of firms in the same industry **manifest cognitive diversity**, they **follow strong industry-wide**, **common patterns on SI interpretations**.

Source: Prepared by the author

2.4. RESULTS AND DISCUSSION

Through the analysis of the selected papers, I identified five main perspectives or themes: 1) the definition of SIs; 2) issue categorization; 3) issue interpretation; 4) the level of analysis; and 5) underlying mechanisms and processes. Following the approach adopted by Meinhardt *et al.* (2018), I use these five perspectives to present the key findings of the studies in this sample, comparing and contrasting results and pointing to gaps in our present knowledge and potential opportunities for future research in SIs.

2.4.1. The definition of SIs

Scholars from three research streams – public policy, business and society, and strategic management – have proposed definitions for SI (Wartick & Mahon, 1994). The definitions from these three research streams give emphasis to different aspects of SIs. In the public policy research stream, SIs are frequently associated with controversy (Cobb & Elder, 1972; Eyestone, 1978). According to Wartick and Mahon (1994), controversy arises because (a) an issue involves conflict between stakeholder groups and (b) the conflict is centered on the allocation of resources to address a particular concern. Different stakeholders may have legitimate but differing demands regarding facts, values, and policies. Stakeholders that do not find their concerns adequately supported by the firm may contest the current status quo; this contestation gives rise to corporate issues.

In studies in business and society, the theme of inconsistencies in expectations dominates considerations of SI. According to this research stream, issues arise when there are inconsistencies between the views of different stakeholders regarding what the business behavior or performance is and what it should be (Post, 1978). While for public policy scholars, issues arise from a controversy regarding the allocation of resources, in the business and society tradition issues stem from gaps between expectations and reality. This perception of inconsistency may not be controversial; the existence of a gap between performance and expectations may be an understanding shared by most if not all the major stakeholders of a firm.

In the strategic management literature, the definitions proposed in early papers soon converged to a few common themes, and these definitions were used by most of the studies

published in the following decades. Table 6 presents some of the definitions found in these early papers.

Table 6: Some definitions of SIs found in the literature

A SI is…	…which occurs / manifests itself…	…considered by…	…to cause…	…impact…	Reference
A forthcoming development,	either inside or outside of the organization,		which is likely to have an important impact	on the ability of the enterprise to meet its objectives.	Ansoff (1980)
A "condition or pressure" on the organization			that involves: a) possible outcomes that are important to, or of possible high impact… b) strategic consequences c) controversy	…on the organization's overall performance.	King (1982)
An emerging development		which in the judgement of some strategic decision makers	is likely to have a significant impact	on the organization's present or future strategies.	Dutton, Fahey, and Narayanan (1983)

A SI is…	…which occurs / manifests itself…	…considered by…	…to cause…	…impact…	Reference
Emerging developments, trends or concerns		perceived	as affecting	the achievement of the organization's objectives.	Dutton (1986a)
Developments or trends			with the potential to impact	the organization's strategy and its effectiveness.	Dutton (1986b)
Developments or events	which have not yet achieved the status of a decision event		and which have the potential to influence	the organization's current or future strategy.	Dutton and Duncan (1987a)
Developments or trends	that emerge from an organization's internal or external environments	perceived	to have the potential	to affect an organization's performance.	Dutton and Ottensmeyer (1987)
Events and trends		perceived	as having the potential to have an effect	on achieving organizational objectives.	Dutton and Jackson (1987)

A SI is…	…which occurs / manifests itself…	…considered by…	…to cause…	…impact…	Reference
Developments, events and trends			having the potential to impact	an organization's strategy.	Dutton and Duncan (1987a)
developments, events, and trends	internal or external	viewed by decision-makers	as consequential	to the organization	Dutton and Duncan (1987b)
Potentially important developments		that in the minds of organizational decision makers	are likely to affect	the organization's ability to achieve its objectives.	Dutton (1988)
"Messy" or "unstructured" issues			having a wide range of effects	on an organization.	Thomas, McDaniel, and Dooris (1989)
Trends, developments, and events			suggesting a change	in the environment (internal or external) of an organization.	Thomas, McDaniel, and Dooris (1989)
Events, developments or trends		perceived by decision-makers	as having the potential	to affect their organization's performance.	Dutton, Walton, and Abrahamson (1989)

A SI is…	…which occurs / manifests itself…	…considered by…	…to cause…	…impact…	Reference
Trends, developments, and dilemmas			that affect	an organization as a whole and its position in its environment.	Thomas and McDaniel (1990)
Events, developments, and trends		that an organization's members collectively recognize	as having some consequence	to the organization.	Dutton and Dukerich (1991)
An emerging development			that has the potential to affect significantly	the organization or its position in the environment.	Ginsberg and Venkatrama (1992)
Developments, trends, and events		judged	to be significant	to the current and/or future performance of the organization.	Jackson (1992)
Events, developments, or trends		viewed	as having implications	for organizational performance	Dutton and Ashford (1993)
issue becomes strategic		when top management believes	it has relevance	for organizational performance.	Dutton and Ashford (1993)

A working definition of SIs can be generated from the ones found in the literature: SIs are emerging developments, trends, or events, inside or outside of the organization, which, in the judgment of some strategic decision-makers, are likely to have an important impact on the organization's ability to meet its objectives. A few conclusions can be extracted from this definition and the definitions contained in the cited literature: in general, a SI a) is firm-specific, b) is important (impactful) for the future as well as the present of the firm; c) can have both internal and external change as possible sources, and d) exists only if it is felt or perceived somewhere, by someone within the organization. The existing conceptualizations of a SI pay little attention to either the type of issue being addressed (e.g., strategic, political, social, etc.) or its categorization or valence (e.g., threat/opportunity, gain/loss, etc.).

The papers reviewed also provide some insights on the characteristics of SIs. First, SIs are ambiguous (Dutton, 1986a). The nature of a SI is not always clear (Ansoff, 1975), having potentially contradictory implications (Julian & Ofori-Danwka, 2008). Specially at early stages, it could be difficult to discern if the SI is a welcomed – an opportunity or a strength – or an unwelcomed one – a threat or weakness (Ansoff, 1980). Second, they are complex. SIs usually are novel, open-ended, with interdependent elements (Miller & Lin, 2020), and associated with broad, diffuse domains (Dutton et al., 1983). Third, SIs are rarely found in isolation – they are usually associated and intertwined with other issues and problems (Dutton *et al*., 1989). The set of issues that are considered strategic comprise, at any given time, the issue array or strategic agenda of the firm (Bergman et al., 2016; Dutton, 1997). Fourth, data on them are usually insufficient for the application of a formal, rational decision-making process. And, therefore, there is not a single, best way to formulate and solve SIs (Dutton & Ashford, 1993; Fox-Wolfgramm, Boal, & Hunt, 1998).

One aspect of the prevalent conceptualization of SIs that may raise some questions is the idea that a SI only exists if it is perceived as such by decision-makers. Many authors seem to agree with this assertion. According to Dutton and Dukerich (1991, p. 518), SIs are "events, developments, and trends that an organization's members collectively recognize as having some consequence to the organization". Dutton and Ashford (1993, p. 397) stated that "No issue is inherently strategic. Rather, an issue becomes strategic when top management believes that it has relevance for organizational performance." And, according to Bundy *et al*., (2013, p. 352) and issue is salient only when it "resonates with and is prioritized by management".

Following Bansal *et al*., (2018), however, one can say that the literature on SIs suffers from an epistemological bias, giving scant attention and importance to substantive (ontological) aspects of issues. Authors that subscribe to the dominant view of SIs seem to disregard that

issues (developments, trends, and events) may exist in "the real world", even if their existence lays outside the experience, knowledge, and cognitive frames of the decision-makers in a firm. However, the academic literature and business press provide innumerable accounts of firms and even whole industries that fail to notice SIs in a timely manner, denoting a "failure in attention" (see, for instance, Rerup, 2009). An understanding of SIs anchored on the perspective that they emerge from "'real' processes with specific temporal and spatial properties" (Bansal *et al.*, 2018, p. 218) implies that decision-makers will fail to notice them, unless their attentional focus and structures match the characteristics of the environment. Bansal *et al.* (2018) posited that an organization ability to identify SIs in their environment depend on attentional grain (the smallest unit of measurement used to observe a process) and attentional extent (the range of measurement used to observe a process). According to them, to identify issues: a) attentional grain must be fine enough to identify abnormalities in the patterns of processes; and b) attentional extent must be wide enough to capture of range of variance in the processes.

2.4.2. Issue categorization

The authors of many of the studies in this sample consider categorization is a central feature in issue interpretation and diagnosis. Miller and Lin (2020), for instance, remarked that "diagnosing strategic issues involves **categorizing** and **labeling** complex situations in ways that inform strategic responses and equip managers to mobilize organizational action" (p. 3, emphasis added). Categories, or "class[es] of objects that seem to belong together" (Smith, 1990, p. 34), a) are linguistic labels attached to mental concepts corresponding to facts about a real or imagined world; b) are related to the concept of schema: while schema refers to the knowledge associated with a concept, a category focuses on the things to which the concept refers to; c) are used by experts (and presumably by managers) to facilitate the interpretation of situations and to link action programs to the issues under consideration, and d) allow for the economizing of cognitive resources, by assigning things to a limited number of classes – therefore reducing their variety – and connecting experiences stored in memory to current issues and situations (Smith, 1995).

Several categorization schemes that "categorize phenomena into mutually exclusive and exhaustive sets with a series of discrete decision rules" (Doty & Glick, 1994, p. 232). or typologies, "conceptually derived interrelated sets of ideal types" (Doty & Glick, 1994, p. 232)

have been proposed, most of them establishing a dichotomous classification for SIs; Table 7 presents a sample of them.

Table 7: A sample of categorization schemes and typologies for SIs found in the literature

Categorization frameworks / typologies	Proposed / used by
Weak or strong (signals)	Ansoff (1975)
Crisis or non-crisis	Dutton (1986b)
Feasibility and urgency	Dutton and Duncan (1987a)
Problems or opportunities	Dutton and Duncan (1987b)
Threat and/or opportunity	Dutton and Jackson (1987), Jackson and Dutton (1988), several others
Feasible or unfeasible	Dutton and Webster (1988)
526 discrete attributes, aggregated in 42 dimensions and 3 classes	Dutton, Walton, and Abrahamson (1989)
Urgency, feasibility, and interdependence	Dutton, Stumpf, and Wagner (1990)
Certainty or uncertainty	Milliken (1990)
Emotional ("hot") or non-emotional ("cold")	Dutton and Dukerich (1991), Liu and Matlis (2014)
Strategic or political	Thomas, Shankster, and Mathieu (1994); Gioia and Thomas (1996)
Level of interest and power to influence, capability to address and impact (high/low)	Perrot (1996)
Favorability, urgency, and influence (FUI)	Julian and Ofori-Dankwa (2008)
Desirability and feasibility (plus threat or opportunity)	Barreto and Patient (2013)

The threat versus opportunity categorization framework originally proposed in the seminal papers by Dutton and Jackson (1987) and Jackson and Dutton (1988) had a significant impact on subsequent studies in SIs. Out of the 66 papers reviewed that were published after Dutton and Jackson (1987), 38 (58%) used the threat versus opportunity categorization in their study of SIs, which is a much higher usage rate than any other categorization scheme or typology found in the literature. The papers that used the threat versus opportunity categorization addressed questions such as:

- Factors influencing issue categorization, including:
    - National culture (Sallivan & Nonaka, 1988; Schneider & de Meyer, 1991; Barr & Glyn, 2004; Wulf et al., 2019)

- o Firm strategic posture (Thomas & McDaniel, 1990; Ginsberg & Venkatraman, 1992)

- o Positions held by managers (Barreto & Patient, 2013)

- o Information-processing structures (Thomas & McDaniel, 1990) and human capital profiles in top management teams (Garcia-Carbonell, Martin-Alcazar, & Sanchez-Gardey, 2018)

- o Equivocality of the information provided to decision makers (Highhouse, Paese, & Leatherberry, 1996)

- o Transient affect states (Mittal & Ross, 1998)

- o Issue framing (Mittal & Ross, 1998)

- o Firm past performance (Martins & Kambil, 1999; Amason & Mooney, 2008)

- o Time spent searching for and the diversity of the information collected on the issue (Anderson & Nichols, 2007)

- o Cognitive processes (Grégoire et al., 2010; Barreto, 2012; Barreto & Patient, 2013; Laamanen et al., 2018).

- The effects of the labeling of SIs on:

  - o Subsequent decision-making processes in general (Sallivan & Nonaka, 1988; Amason & Mooney, 2008), or

  - o Specific themes, such as technology adoption (Ginsberg & Venkatraman, 1992, Grégoire et al, 2010) and environmental strategies (Sharma, 2000), innovation (Haney, 2017).

- Techniques and methods that may improve the discriminating effect or the accuracy of the categorization of SIs, such as:

  - o Delphi method (Förster et al., 2014)

  - o Analogical reasoning (Miller & Lin, 2015; Miller & Lin, 2020).

SIs categorization was also used as a theoretical foundation in studies on entrepreneurship – in which the focus was clearly on the opportunity side of the threats versus opportunities

duality. Those studies included Palich and Bagby (1995), who investigated the categorization of a particular issue as a threat or opportunity by entrepreneurs and non-entrepreneurs. They found significant differences in this categorization: entrepreneurs displayed a higher propensity to label an issue as an opportunity than non-entrepreneurs. They proposed that cognitive differences between entrepreneur and non-entrepreneur could offer an alternative explanation for entrepreneurial orientation, in opposition to the more prevalent explanation for this orientation (a heightened willingness to accept risks). Gartner, Shaver, and Liao (2008) proposed a framework grounded on the SI literature and attribution theory for the categorization entrepreneurs make when they try to start new businesses. Grégoire *et al*. (2010), studied the reasoning strategies executive entrepreneurs use as they try to recognize opportunities for new technologies. Barreto (2012) investigated opportunity formation from an entrepreneurial perspective, drawing on SI interpretation and managerial cognition.

Julian and Ofori-Dankwa (2008) proposed an integrated framework that considered both the threat-opportunity and the feasibility-urgency approaches to SIs. The latter approach was originally proposed by Dutton and Duncan (1987a) but did not find much interest in the academia and was not investigated at length in subsequent studies. In their paper, Julian and Ofori-Dankwa (2008) compared the two approaches and found distinctive characteristics, which are presented in Figure 1 below.

Figure 1: Main characteristics of the threat-opportunity and feasibility-urgency approaches to SI categorization

Main characteristics of	
Threat-opportunity (TO) approach	**Fasibility-urgency (FU) approach**
• Grounded in social categorization theory (Rosch, 1975)	• Based on social construction theory (Berger & Luckmann, 1967; Daft & Weick, 1984)
• Arising from past experience / analogical	• Active, intentional, deliberative
• Non-reflexive – demanding little effort of cognitive resources	• Effortful, attention-demanding
• Issues are characterized as positive/negative, potential loss/gain, controllable/uncontrollable	• Decision-makers consider a) the urgency of taking (or the cost of not taking) action on the issue; b) the feasibility of doing so
• Emotionally influenced	• Data driven, rational, "cold" reflection and analysis

Source: Prepared by the author, based on Julian and Ofori-Dankwa (2008)

Some empirical studies found effects of categorizing SIs as threats and opportunities by decision-makers. Jackson and Dutton (1988) found that managers use different rules when

categorizing an SI as either a threat or an opportunity; the use of different rules implying that they should be considered as two distinct dimensions, not as opposites extremes in the same dimension. In the same study, Jackson and Dutton (1988) also found evidence that managers perceive more vividly information on SIs identified as threats than to information associated with SIs categorized as opportunities, displaying what the authors named as a "threat bias". Opportunity interpretations were also associated with significant and proactive strategic moves, such as changes in product and service portfolios, whose outcomes are generally foreseen as positive (Sharma, 2000; Thomas *et al*., 1993), while threats are associated with expectations of loss (Chattopadhyay *et al*., 2001).

However, some authors manifested concerns about the adequacy of the use of the threat versus opportunity categorization framework in the study of SIs. Investigating how TMTs in higher education institutions interpret issues that may lead to strategic change in academia, Gioia and Thomas (1996) found that issues were not labeled as threats and opportunities. In their context, issues were labeled in more general "strategic" and "political" categories. Julian and Ofori-Dankwa (2008) found that the feasibility-urgency approach is a better predictor of strategic responses (both intended and actual) to issues than the threat-opportunity approach. Smith (1995), concerned with the validity of categories proposed in previous studies, asked managers to verbally define problems in narratives of situations faced by organizations. He found that out of a total of 1376 definitions, opportunity appeared seven times, and threat was never used. Smith concluded that, apparently, "the concepts of threat and opportunity were used no more frequently than in everyday discourse, a finding which seems inconsistent with the claim that they are important issue categories" (Smith, 1995, p. 687). Smith (1995) further theorized that verbal characterizations of problems could be divided in three segments, with increasing levels of informativeness, as presented in Figure 2. To Smith, "a characterization should evoke knowledge that helps one respond effectively to the situation. Attributes like strategic and situation terms like **opportunity** are too general to satisfy this requirement" (Smith, 1995, p. 695, emphasis added).

Figure 2: Types of verbal characterizations of problems

Characterization	Purpose of characterization	Kinds of characterization	Examples
Designator	Designate or denote, usually to communicate	Proper names Problem owner / location	"Marketing problem" "Johnson's problem" "The problem with Model 230x"

Descriptor	Describe in terms of important attributes	Functional areas Situation terms General attributes	Marketing problem Threat / opportunity Crisis Internal / external Technical problem
Category	Evoke relevant schematic knowledge to understand and respond	Element and activities of organizations Situation types	Organizational structure Evaluation Authority-responsibility split Harmful internal competition

Source: Smith (1995)

How to reconcile the divergent results of these studies on the adequacy of the threat-opportunity categorization framework? Perhaps an explanation can be found in the way threats and opportunities were investigated. In many empirical studies, such as surveys and experiments, researchers explicitly asked informants/participants to categorize issues presented to them and went on to test hypotheses that consider this categorization as an antecedent and, to a lesser extent, as a consequence or mediating factor (Chattopadhyay *et al*., 2001; Jackson & Dutton, 1988; Thomas *et al.*, 1993). This practice presents "pre-packaged" issues to managers, even though, as Dutton (1997, p. 90) warned, issues "are not inherently bound and limited. Strategic issues in particular are ambiguous and contested". The effects observed may be more a consequence of research choices and practices, and less of a confirmation of the actual behavior of managers. Rather than asking how managers classify issues, researchers should ask how managers describe issues. It can be the case that SIs have complex, multifaceted meanings, and that these meanings may not be easily reduced to a simple verbal categorization.

2.4.3. Issue interpretation

Most of the papers in this review investigated the interpretation of SIs, or, at least, considered interpretation as a central concept. In their seminal paper, Dutton *et al*. (1983) provided a definition of strategic issue diagnosis (SID) that was subsequently widely used: "SID refers to those activities and processes by which data and stimuli are translated into focused issues (i.e., attention organizing acts) and the issues explored (i.e., acts of interpretation)" (pp. 307-308). By investigating issue interpretation, scholars aim to explicate how, when exposed to similar situations, organizations develop different interpretations to the same issue (Thomas

et al, 1994), reasoning that a major factor leading firms to "respond differently to changes in the environment involves how strategic issues are triggered and interpreted by decision-makers" (Dutton & Duncan, 1987a, pg. 279).

Although published after Dutton *et al*. (1983), the model of organizations as interpretation systems proposed by Daft and Weick (1984) ultimately became the main reference for studies in SI interpretation. Daft and Weick's model comprises three stages, interconnected through feedback loops: 1) scanning: the process of monitoring, collecting and providing environmental data to managers; 2) interpretation: the process through which meaning is attributed to data and shared understandings and conceptual schemes were developed among members of top management, and 3) learning: the process that puts into action and allows the refinement and validation of cognitive theories and knowledge about the relationships between the organization and the environment. Four basic assumptions underlie Daft and Weick's (1984) model. First, organizations are open social systems, constantly seeking and processing information from the environment to detect developments, trends, and events relevant to their survival and growth. Second, the interpretation process is more than the sum of the interpretations of individuals. To Daft and Weick, organizations have cognitive systems, procedural and communication channels, and collective memories that help preserve knowledge, shared cause-effect understandings, norms, and values over time, even if individuals change. These systems, channels and memories determine how issues are interpreted. Third, SI interpretation in an organization is the purview of its top management team. Even when other stakeholders inside and outside the organization try to convey their particular interpretation of SIs and influence their interpretation by the firm, it is the top management team that interprets information for the organization as a whole and has the power and authority to determine what actions will be undertaken in response to this interpretation. And fourth, organizations differ in the mode or process by which they interpret the environment (see Dutton & Ottensmeyer, 1987, for a theoretical typology of SIs management systems). Later, Daft and Weick's model was incorporated into the general construct of sensemaking, which "involves the reciprocal interaction of information seeking, meaning ascription, and action" (Thomas *et al*., 1993, p. 240).

Some authors have proposed extensions and recombination of the original interpretation model by Daft and Weick (1984), as illustrated in Figure 3. These attempts notwithstanding, some limitations in the depiction of the processes through which firms notice, interpret, decide, and act upon SIs persist. There seems to be a "conceptual jump" from individual interpretation

to the implementation of organizational moves, causing several stages in the managerial process to be overlooked, including:

- How a shared understanding on a particular SI is achieved in an organization, out of the individual interpretations of key decision makers.

- If the importance assigned to the SI by key decision makers, when compared to other issues faced by the organization, warrants its inclusion in the strategic agenda.

- How the (collective) meaning (and importance) attributed to the SI is translated into consideration of alternative means to address it.

- How a new "shared understanding" is achieved regarding the appropriate responses to the SIs and on how to implement them.

- How the results of the responses implemented were evaluated (especially if clear and uncontested objectives are not available).

- And, finally, how this process (consensus on meaning and importance, consideration of means, choice of responses, evaluation of results) provides feedback to confirm or disprove the original interpretation of the SI.[1]

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[1] For an exception, see Barr (1998).

Figure 3: Extensions and recombinations of Daft and Weick's (1984) original interpretation model
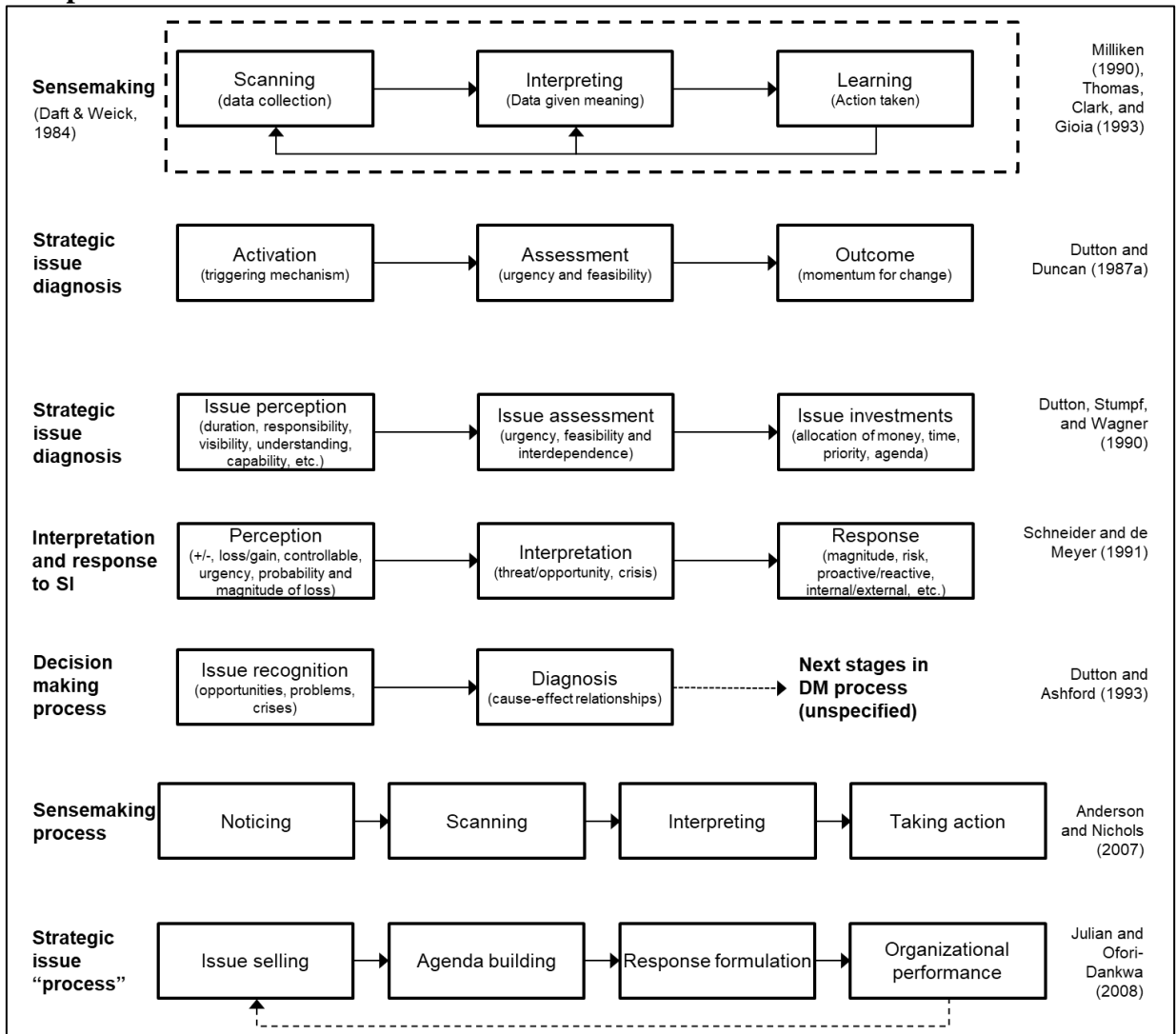
Particularly noteworthy is the limited investigation of consensus and dissent among decision-makers regarding SIs. Strategic consensus is defined here as the common understanding a group of managers reach regarding the strategic priorities of a firm, at a certain moment in time (Kellermanns, Walter, Lechner, & Floyd, 2005). According to Kellermans *et al.* (2005), higher strategic consensus as an outcome of a social process of interpretation is associated in the literature with positive organizational outcomes, such as increased performance, and cooperation in the implementation of strategic moves. Moreover, strategic consensus contributes to heightened levels of commitment to the chosen strategy. Understanding the strategy is not sufficient to achieve cooperation among managers: they must believe in the strategy to engage time, effort, and resources to see it through (Amason, 1996; Wooldridge & Floyd, 1989). Even though the building of strategic consensus is generally

accepted as an important step in the strategy formation process, research on SIs has given scant attention to consensus and dissent thus far. The paper by Knight *et al.* (1999) is one of the few exceptions: the authors investigated how demographic diversity and group processes influenced consensus on SIs within the top management team. Knight *et al.* 1999) concluded that both top management team diversity and group processes had significant impact on consensus on SIs.

Markóczy (2001) is another exception to the dearth of studies on consensus and dissent on SIs. She investigated consensus formation in three Hungarian state-owned enterprises, recently acquired by Western ("Anglo-Saxon") firms, experiencing major challenges associated with their transition to new ownership structures and market orientation. She found that contrary to expectations, the locus of consensus was mainly found in functional groups of managers with high levels of interest in the change (especially those who were the primary beneficiaries of the ongoing changes) not in the TMTs of the organizations in her sample. She also found that consensus (similar understandings regarding SIs) increased during the strategic change, in most of the groups investigated and among the members of these groups. Finally, she concluded that consensus building occurred less by increasing the degree of consensus among members of groups than by increasing the scope of consensus (shared among groups).

Consensus seems to be particularly important when dealing with SIs. SIs are often ambiguous, differences of understanding could not be solved by more information, and goals associated with them are difficult to prioritize. Top management decision-makers may have multiple – even divergent – perspectives and understandings of SIs, arising from the individual schemas they developed due their past experiences and cognitive orientations. Variation in understandings about SIs must be reconciled, before firms proceed in their decision processes (Joseph & Gabba, 2020). It is through social interactions built "on speech, gestures, texts, discourses, and other means" (Cornelissen, Durand, Fiss, Lammers, & Vaara, 2015, p. 11), within the procedural and communication channels of the firm (Ocasio & Joseph, 2005) that decision-makers develop shared cognitions, and it is through these interactions that decision-makers achieve consensus on the meaning of SIs and define appropriate responses to them.

Perhaps an exaggerated attention to interpretation has led scholars to neglect other important processes that should also be investigated, to allow for a better understanding of how organizations deal with SIs. Further theoretical and empirical work dedicated to the processes that follow individual interpretation of SIs could help us address the following questions, which received scant attention in the literature thus far:

- How does the collective agreement on the meaning and consequences of a SI evolve in organizational settings? What are the differences in these sensemaking processes, for issues that are urgent and for issues that are not?

- How do institutional pressures impinge on the ability of decision-makers to reach consensus on SIs that are novel, not conforming to the past experience of the senior decision-makers in the organization?

- How do group process aids, be they structured methods or agreement-seeking behaviors, contribute to consensus on SIs? How can they help defuse emotional and personal conflict?

- When does consensus help or when does it hinder the achievement of good decisions and the identification of responses that positively contribute to firm performance and competitive advantage?

2.4.4. Level of analysis

SIs were investigated at the individual, group, organizational and environmental levels, as shown in Figure 4. At the individual level, studies have shown that decision makers use cognitive categories, usually engaged through labels such as "threats" and "opportunities", to interpret and attach meaning to SIs (Barr *et al*., 1992; Dutton & Jackson, 1987). The attribution of different labels to issues has consequences: empirical results suggest that individuals are more sensitive to threat-consistent information than to opportunity-consistent information about issues (Jackson & Dutton, 1988). Demographic factors reflecting past experiences with similar issues, functional training, and industry tenure (Dutton, 1993; Dutton & Jackson, 1987), and cognitive traits, such locus of control (Thomas et al., 1994), may influence the interpretation of SIs. Past research has shown that contextual factors, such as transient affective states can also play a part in the individual interpretation of SIs. For instance, in an experiment, Mittal and Ross (1998) found a significant relationship between judgments about an issue (issue interpretation) and manipulations of the participant's affective state and the framing of such SI as either a threat or opportunity: the framing of an issue (as either an opportunity or a threat) had a higher effect on participants induced to a negative affective state.

Some studies at the group level investigated processes through which information processing capacity and resources assigned to SIs by the top management team affect issue

interpretation (Thomas and McDaniel, 1990) and the dynamics of strategic agenda building (Dutton, 1986). These studies reflect a widely held understanding that SID is considered an activity that takes place at the top level of organizations (Dutton & Duncan, 1987a; Miller & Lin, 2020). For example, Thomas and McDaniel (1990) found that the information-processing structures and capacity at the top management team influence the way CEOs label SIs and the range of variables they use in the interpretation of SIs. Kuvaas (2002), by his turn, found evidence that in TMTs with higher information processing capacity, managers display a higher level of confidence in their higher ability to control and manage these SIs, and a lower propensity to search for data, when they engage in the interpretation of these SIs. Diversity in the top management team was also investigated: research shows that the relationship between demographic diversity and strategic consensus is mediated by group processes – interpersonal conflict and agreement behaviors (the latter defined as the degree to which top management team members strive to agree on SIs) (Knight *et al.*, 1998). Examining the role of cognitive diversity on environmental issues interpretation among board of directors, Bergman *et al.* (2016) found that the cognitive diversity of the boards of directors has an impact on the SI interpretation, although industry effects seem to be more pronounced, indicating a possible effect of isomorphic pressures. Group behaviors were also found to affect SI management: Dutton, Ashford, O'Neill, Hayes, and Wierba (1997) confirmed that middle managers pay attention to and are influence by the top management team's willingness to listen, when assessing the context's favorability for issue selling in an organization.

At the organizational level, several studies investigated the effects an organization's image and identity on SI processing. Dutton and Dukerich (1991), for instance, investigating a novel and emotional SI, found that the identify and image of an organization's influence the interpretation and motivations for action of individuals, regarding a SI. They also found a reverse relationship: organizational actions and behaviors are influenced, through time, by individual issue interpretation and motivation.   An organization's strategic posture or orientation was also found to influence interpretation of and responses to SIs. Ginsberg and Venkatraman (1992) concluded that strategic posture (in their study, efficiency versus service quality orientations) influenced the adoption of new technology, both directly and indirectly through issue interpretation. Plambeck and Weber (2009, 2010) found that an ambidextrous strategic orientation influenced ambivalence in issue interpretation. Thomas and McDaniel (1990), by their turn, found a relationship between the strategic orientation of the firm and the CEO's interpretation of SIs. Some studies found a relationship between the trajectory of the organization and issue interpretation and decision processes. Amason and Money (2008), for

instance, found that strong past performance is associated with framing issues more as threats than opportunities, and that strong performance leads to less comprehensiveness in decision-making. Denison *et al*. (1996) found that the interpretation of foreign investment in the US (as either a threat of opportunity) was significantly related to some firm characteristics; size, perceived ability to deal with the SI, and international experience. Dutton and Duncan (1987b), in a theoretical paper, proposed relationships between the strategic planning process and the SI array of an organization, and between the SI array to strategic change. According to them, SI processing is operationalized in organizations through administrative routines that include meetings, minutes, memos, and conferences. These routines provide channels for the promotion of individual concerns about issues and for the translation of these concerns into organizational moves. Extending these ideas, Ocasio and Joseph (2005) formulated an attention-based theory of strategy formulation, predicated on several propositions, the first of which states that "decision making is guided by selective attention to organizational issues and initiatives" and the second that "selective attention to organizational issues and initiatives is situated in a dynamic network of operational and governance channels" (Ocasio & Joseph, 2005, p. 41).

Several characteristics of the environment were found to affect SI processing in organizations. Schneider and de Meyer (1991), following Sallivan and Nonaka (1988), found that national culture influenced the interpretation of SIs (as a crisis and as a threat) and the nature of the responses to these SIs (magnitude and internal/external focus of the response). In a case study of two U.S. railroads over a 25-year period, a time span in which these firms experienced a significant decrease in environmental munificence, Barr et al. (1992) found that successful adaptation to a challenging context demands not only noticing emerging issues, but also changes in mental models (cause-effect understandings), as an antecedent to meaningful strategic moves. Studies also found a relationship between the availability of environmental information and SI interpretation. Kuvaas (2002) found that higher availability and diversity of environmental information leads to the perception of issues as controllable, while Anderson and Nicholson (2007) found that the diversity of information found about an issue leads to seeing it as less of a threat. Finally, Litrico and David (2017), in a study of the evolution of the interpretation of noise and emissions issues by stakeholders in the field of civil aviation, examined how actors in civil aviation interpreted the environmental issues of noise and emissions during the period 1996-2010. They found that the frames these actors employed to interpret these issues were influenced by the degree to which they were directly linked to issues in societal discourse and had direct contact with concerned audiences.

Figure 4: Level of analysis in studies on SIs
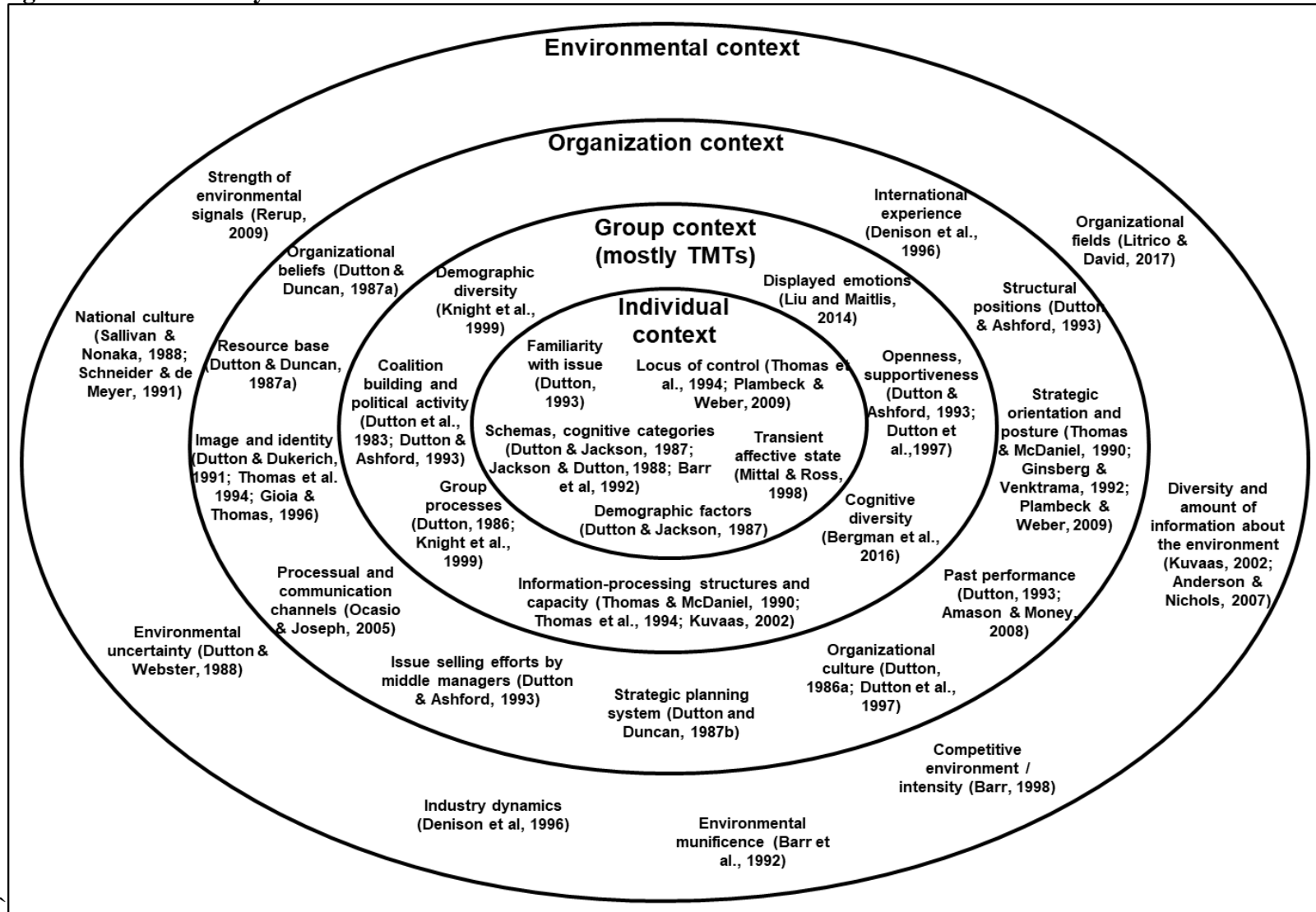
Even though this literature review revealed individual, group, organizational and environmental effects in the processing of SIs in organizations, most studies in this sample were limited to only one level of analysis. In addition, the individual level received the most attention in these papers. Many empirical and almost all experimental studies resorted to manipulations at the individual level (see, for instance, Sallivan *et al.*, 1988; Highhouse *et al.*, 1996; Mittal & Ross, 1998; Anderson & Nichols, 2007). As Joseph and Gabba (2020. p. 284) pointed out, "the focus is on the individual actor — the strategist, the manager, and the "cognizer"— whose own perspective (based on mental representations, beliefs, and experience with the local world) offers some general guidance for making decisions". However, there are some indications that group and organizational effects may be more significant than individual ones. For instance, Thomas *et al*. (1994), concluded that individual-level characteristics did not appear to play a significant role in the strategic interpretation of key organizational issues, after organizational and group contexts were accounted for. They found that only group-level variables have influence on both the strategic and political interpretation of SIs, the specific interpretation varying according to group characteristics, context, and identity.

Studying SI at only one or a few levels of analysis may not provide the necessary elements to explicate the differences in SI interpretation and response observed in firms subjected to similar situations. Particularly, the concentration of studies individual-level may bias our understanding of the antecedents, consequences, and contextual factors in SIs. And as the literature confirm that there is a wide variety of sources of influence on the interpretation of SIs, at the individual, group, organizational and environmental levels, perhaps a multi-level approach could provide greater insight to the underlying processes and mechanisms that guide SIs processing in organizations.

2.4.5. Underlying mechanisms and processes

The literature points to cognitive schemas (under various names) as the most important mechanisms underlying SI processing in organizations. Cognitive theories assume that individuals use schemas (Bartlett, 1932; Piaget, 1952), mental models or data structures in memory to represent knowledge about concepts and relationships and to organize their worlds (Barr *et al*., 1992; Dutton & Jackson, 1987). Past experiences and prior knowledge are inputs to the creation of these schemas, that individuals use to reduce ambiguity and create meaning (Thomas & McDaniel, 1990). At the individual level, schemas are used by managers to make

sense, evaluate the potential impact of SIs and devise responses to them (Barr *et al.*, 1992; Dutton & Jackson, 1987; Jackson & Dutton, 1988). The execution of these tasks involves a probabilistic process of matching data and stimuli associated with the new development, event or trend with cognitive representations stored in memory (Jackson & Dutton, 1988; Miller & Lin, 2020). At the group level, research in SIs has focused on "the construction of shared meaning (Smircich, 1983), negotiated belief structures (Walsh & Fahey, 1986), and the consensual validation of reality (Weick, 1979)" (Thomas & McDaniel, 1990, p. 1990). At the organizational level, studies on SIs point that issue interpretation stems, at least in part, from "modes of interpretation", usually embodied in organizational routines, practices, and strategies (Thomas & McDaniel, 1990).

Two features of schemas or mental models appear to be particularly relevant to SI processing: normative beliefs and cause-effect understandings. Normative beliefs are associated to the attribution of importance to a particular goal for an organization (p. ex.: market share, profitability, growth, reputation) (Chattopadhyay *et al.*, 1999). Normative beliefs contribute to a) the assessment of the probable impact of a development, trend, or event to the ability of the firm to meet its objectives, and b) the decision regarding whether it should be considered a SI and, therefore, added to the strategic agenda of the firm. Cause-effect understandings are relational statements that allow individuals to make inferences about an issue and its antecedents and provide a logic for the resolution of the issue (Dutton et al., 1983).

Existing schemas help firms make sense of SIs when they match their past experience. The store of routinized knowledge creates "modes of interpretation" that help organizations deal with issues that are expected and aligned with past experiences (Weick, 1979, 1988). Some issues, however, are novel and unexpected – for these issues, existing schemas may not provide useful guidance. New interpretations must be developed, and if performance feedback prove that they are accurate, new schemas may arise out of them. In her longitudinal study of how the interpretations and responses of six US pharmaceutical firms evolved in reaction to the 1962 amendments to the Food, Drug and Cosmetic Act of 1938, Barr (1998) provided insights into the evolution of interpretative schemas in firms. She concluded that a) interpretation of concepts unfamiliar to the firm evolved from vague and broad-based to detailed and impact-specific, accompanying how the issue itself unfolded in the "outside world", adding new concepts to the store of causal maps and normative beliefs; b) interpretation of concepts familiar to the firm changed the meaning and purpose of existing causal maps and normative beliefs; and c) there is a complex temporal relationship between interpretation and the strategic adaptation to unfamiliar events: changes in interpretation occur both before and after changes in strategy.

If a SI is novel, however, the use of existing schemas may increase the inaccuracy of its interpretation. If managers pay attention to features of the environment that conform to their current mental models, they may fail to notice and/or to give due attention to important new developments, trends, and events that lay outside their experience. Even if they attend to these stimuli, they may interpret them in relation to current mental models; evidence disconfirming these current models tend to be ignored. And as schemas direct action, the use of current ones in the interpretation of novel issues will limit the consideration of alternative solutions. Finally, even when feedback loops indicate that the application of current schemas could not solve or address these novel SIs, the firm may not react in a timely manner – by the time an old mental model is discarded and replace by a new one, it can be too late to respond to the issue. Adequate response to novel, unfamiliar SIs may hinge on the ability of firms to "unlearn" current mental models and develop new ones (Barr *et al*., 1992; Fiol & Lyles, 1985).

2.5. CONCLUSION

Firms differ in the way the attribute meaning to new developments and events, be they externally or internally originated. The varying interpretations of SIs and the outcomes that derive from these interpretations are influenced by several factors. Moreover, the meaning attributed to SIs and the consensus on organizational moves required to deal with them do not remain static. Interpretation starts with individuals, but a shared collective understanding must be achieved before a SI can be dealt with by a firm. SIs usually do not come prepackaged; for many ambiguous issues, especially the ones constituting novel problems for the firm, it may difficult do initially define its exact meaning and impact on the objectives of the coalition in power and, therefore, to define if and how to respond to them. This difficulty may lead to dissenting views among members of the top management of firms, that must be reconciled, at least to a degree that action could be initiated (Starbuck, 1976). Shared perceptions and cognitive images must be constructed, preceding actions (Daft & Weick, 1984).

In this literature review, I analyzed the state of knowledge and the major conclusions, findings, and contributions from scholars who studied SIs. The gaps identified in the literature suggest that some lines of inquiry could be further explored. Three of them seem to be of particular relevance. First, the dynamic nature of the processes associated with SIs indicates that future studies should adopt a longitudinal approach. Changes in SI processing occur not in a linear fashion but are subjected to successive (convergent and divergent) revisions and loops,

both at the individual, group, and organizational levels, that are not sequential, systematic, or unidirectional (Dutton *et al.*, 1983). Earlier interpretations and decisions may be superseded as new data become available, and when new schemas are developed to better match the features of the issue under consideration. Studies in which data are gathered simultaneously ignore the time lag between issue diagnosis, strategic response, and firm performance. Current performance reflects, at least in part, decisions regarding SIs made several months (even years) ago. For some organizations, reaching consensus on some thorny SIs may take a long time, and marshalling resources to implement the responses devised to tackle them more. Simultaneous data collection also precludes concluding whether consensus on SIs is a necessary condition for performance improvements or whether consensus is reached, at least in some contexts, because of performance improvements achieved after some organizational experiments have been carried out, sometimes without the approval of all key members of the dominant coalition (West & Schwenk, 1996). Therefore, longitudinal studies that track the evolution of shared understandings on the meaning of SIs, on the responses deal with them and the SIs performance feedback loops from the results achieved after the implementation of these responses may illuminate the mechanisms underlying SI processing at organizations.

Second, more studies are required to investigate the group and organizational contexts in which individual interpretations on SIs are reconciled and responses to these SIs are selected, implemented, and their results evaluated. The review revealed that the individual was the focus of the analysis in most empirical studies on SI, even though evidence show that group context has the strongest relationship (in terms of the number of variables found to be significant) to SI interpretation (Thomas *et al.*, 1994). Several aspects of the group context in which SIs are dealt with, especially at the top level of organizations, should receive attention of scholars in future studies:

- The characteristics of the procedural and communication channels of the firm (Ocasio, 1997) that create opportunities for social interactions and debate on SIs.

- Group processes and behaviors (beyond the ones already investigated in the extant literature) that may be conducive to reaching consensus or, on the contrary, that may be detrimental to consensus on SIs.

- The effect of the characteristics of the SIs under consideration on the processes that groups adopt in the pursuit of a shared understanding of the meaning of the SIs and the choices of responses to them.

- The effect of environmental context (characteristics and change) on the resources group dedicate to SIs, the speed with which they make decisions, and the decision-making processes used for SIs. Whether the composition of the decision-making groups impacts their behavior and performance regarding SIs. For instance, studies could investigate the role of external contacts of group members to ascertain if more diverse groups draw upon a larger social and knowledge network when generating ideas to respond to SIs.

- The strategies different team members use to present their understandings on the SIs under analysis, and how they use their political power or persuasion and negotiation skills to create a coalition of individuals sharing the same understandings, especially for highly contentious SIs.

- The influence of roles of individuals within the group and the organization on the adoption, by the group, of their perspectives on the SIs.

- The effect of the congruence between the interpretation of the SI under analysis and the organization's strategy (the interpretation of the SI supporting or disconfirming the assumptions underlying the current strategies) on the responses devised to deal with the SI.

Third, methods used to measure the antecedents, processing and outcomes of SIs should take into consideration their cognitive nature. To this day, no practical method has been devised to measure cognitive processes directly; therefore, scholars engaged in studies on SIs must resort to indirect methods (Barr, 1998). Several indirect methods have been used to empirically investigate the cognitive processes managers use when dealing with SIs, such as listing the dimensions of categories and cognitive taxonomies used by managers to define SIs (Dutton *et al.*, 1989), mapping the causal relationships and influences among concepts associated with SIs (Barr, 1998; Barr *et al.*, 1992; Diffenbach, 1982), and drawing diagrams that help visualize multidimensional, multilevel, and longitudinal aspects of strategic consensus on SIs (Tarakci, Ates, Porck, van Knippenberg, Groenen, & de Haas, 2014).

Causal mapping seems to be one of the most popular methods for the elicitation of cognitive representations, and particularly well suited for the investigation in decision making concerning SIs (Hodgkinson, Maule, & Bown, 2004; Tarakci *et al.*, 2014). Causal maps are a graphical technique for the representation cognitive maps of individuals, comprising two elements: concepts and cause-effect relationships. Concepts represent variables, "things" of

importance in the mental model used to interpret the SI under consideration, and that can take different values. Cause-effect relationships, or causal assertions, link concepts and indicate the direction of these linkages. Causal maps are an integral part of SID (Dutton *et al.*, 1983; Fahey & Narayanan, 1989). They document the interpretative schemas and beliefs that individuals develop, through time, to make sense of their world. Individuals use these schemas to interpret and attribute meaning to the ambiguous data and stimuli they receive on SIs from the external environment and the internal organizational context. Finally, individuals use the cause-effect relationships of causal maps in the selection of responses to SIs, considering the expected consequences of their choices (Axelrod, 1976). Huff (1990), when describing the potential contributions of cognitive mapping to strategic management, highlights the use of these techniques in the study of SIs:

> Examining changes in strategic maps over time could show how new issues are incorporated into existing maps. The details of the organizational process of such incorporation could conceivably be tracked through a series of maps drawn from across the organization. Maps, with their emphasis on relationships among concepts, also have the potential of capturing the coordination of action that is central to definitions of strategy but is very difficult to capture with other methods (p. 41)

Future studies could further explore the use of causal maps as a method for the study of the cognitive bases of SI interpretation and response in organizations. Empirical research could investigate changes in causal maps from individuals in group settings, when these individuals are repeatedly engaged in debate and exchanges on SIs, taking note of the group processes used and other contextual variables of interest, such as demographic and cognitive diversity. Much work is still required to reveal the mechanism at play when divergent individual causal maps are confronted in these settings, the processes through which divergence in concepts and cause-effect relationships are reconciled and the contextual, moderating, and mediating factors affecting these processes.

However, a word of caution is in order regarding the use of causal maps in the study of SIs No consensus seems to exist regarding the best way to elicit the causal understandings of key decision makers (Tarakci *et al.*, 2014). In strategic management in general and in the study of SIs in particular, the elicitation of cognitive schemas and their representations through causal maps have been frequently done through the content analysis of documentary sources (Hodgkinson *et al.*, 2004). Deriving a causal map from documentary material has several advantages: it is inconspicuous, make use of concepts decision-makers themselves chose to

reveal through public discourse and has been proved to be reliable, when used with established coding procedures (Axelrod, 1976; Huff, Narapareddy, & Fisher, 1990; Wrightson, 1976). However, the correlation between causal maps and the underlying cognitive schemas and beliefs of individuals is never perfect (Barr, 1992; Fahey & Narayanan, 1989). This divergence between real cognitive schemas and beliefs and their elicitation via causal maps is amplified when the documentary sources are prepared for a particular audience and, therefore, suffer from impression management (Ashford *et al*., 1998; Barr, 1998). Researchers are urged to exercise caution in selecting sources materials, especially if they were generated for purposes other than a reliable record of the thoughts of key decision-makers on matters associated with SIs.

3. METHOD FOR THE EMPIRICAL STUDY

3.1. INTRODUCTION

To identify the patterns through which the discussions and decisions about SIs occur and evolve at the board level, I conducted a longitudinal qualitative study, whose main data source was the minutes of board meetings of one large Brazilian private, family-owned business group, spanning a period of approximately four years. The minutes and transcripts were content analyzed (Bardin, 2016/1977) to identify the processes used by individuals (the board members) and the group (the board) as they address SIs during meetings. The analysis of the patterns identified in the discussions and decisions at board meetings supported the proposition of a process model for SI interpretation, consensus building, and decision making by boards of directors that will be presented in the next chapter of this dissertation.

I chose the board of directors of a family firm as the research setting for this empirical study, due to the relevance of family firms worldwide, and particularly in Brazil, where the research took place. Approximately 45% of the Brazilian firms with revenues above 500 million US dollars are controlled by families (The Economist, 2015). Also, in Brazil, most publicly traded firms have a controlling shareholder and are part of family business groups (Aldrighi & Postali, 2011; Leal & Carvalhal-da-Silva, 2007).

In this study I adopt a research approach grounded in a process thinking and ontology that Abdallah, Lusiani, and Langley (2019) defined as "performative process story". This perspective considers that processes are the central element in social and organizational life, and observable "things" such as routines, strategies, and structures "temporary instantiations of an ongoing flow of becoming" (p.100). Therefore, central to this study is an analysis of the specific episodes of interactions between board members in each board meeting, and the connection of interactions at several board meetings associated with the same SIs, aiming to reveal the underlying patterns in the social and organizational processes boards use to deal with SIs. The focus is on the fine-grained analysis of communicative practices that make up the (logical) flow of these processes, with less attention paid to the definition of phases and event chronologies, or to the creation of hierarchical taxonomies of codes and dimensions (Abdallah *et al.*, 2019), although phases associated with the story of the board are mentioned, to situate (as a background) the interactions between board members and associated processes.

3.2. SAMPLE

3.2.1. Business Group

In this case study I investigated a Brazilian family-owned business group whose name, for reasons of confidentiality, will remain undisclosed. This business group (BG A) comprises ten firms and was founded more than 50 years ago. It employs over seven thousand people and operates in several sectors, including finance, manufacturing, services, and retail/wholesale. The group has a board of directors made up of inside directors (executive directors and directors who are members of the controlling families) and independent directors (professionals that have no other business relationships with the business groups or family ties with the groups' shareholders). The board is supported by a family business consultant, who is invited to some board meetings.

According to the classification proposed by Westhead and Howorth (2007), this business group can be considered an "average family firm", with a closed-held family ownership structure and family management, albeit with some variations. In BG A two branches of the family have seats at the board: the CEO and members of his family, who among themselves control 70% of the equity of the firm, and another director, who is a cousin of the CEO and represents the other branch of the family controlling the remaining 30% of the group's equity. Therefore, again using Westhead and Howorth (2007) classification scheme, BG A could also be identified as a cousin consortium family firm, and, considering the positions held by the CEO and his siblings, also as a multi-generation average family firm. In their study with 272 family firms in the UK, Westhead and Howorth (2007) found that firms corresponding to these three categories (average family firms, multi-generation average family firms, and cousin consortium family firms) constituted 56% of their sample.

BG A can be identified as a typical case (Gerring, 2006) for a study on processes used to deal with SIs at boards of directors of family firms. It is representative of a broad set of cases among FBs and is therefore appropriate for an exploratory study. The focus on a typical case allows for a deeper exploration of the contextual factors and variances within the case, also contributing to the objective of elucidating the mechanisms for interpretation, consensus building and decision making about SIs in boards of directors.

3.2.2. BG A's Board

BG A's board was created shortly before the first meeting in the series included in this study. The creation of the board took place in the context of a broader reassessment of corporate governance at BG A, stimulated by succession problems, disputes over the distribution of financial results, divergent perspectives and expectations regarding the employment and remuneration of family members in the group, and desire of some branches of the family to exit the business. The creation of the board was also stimulated by the accelerated growth experienced in previous years, achieved mainly by the increase in the number of stores in the retail division, and by diversification, in many cases unrelated to the group's previous businesses. Although the group experienced a significant increase in revenues, earnings did not increase to the same extent. The decrease in profitability, added to the greater management complexity brought about by the new business units, generated a feeling of discomfort among shareholders, worried about losing control of the group's operations. A family business consultant was retained by the controlling families, and this consultant suggested several governance changes that were ultimately approved by BG A's shareholders; among these changes was the creation of the board. Through contacts in the business community at the region of BG A's headquarters and historical geographical base, some candidates for independent directors were identified. After the election of independent and inside directors, the board started to meet regularly; the first meeting for which minutes were analyzed represented the first time the board met.

BG A board is an advisory one: a non-deliberative body whose function is to advise the group's management through suggestions and recommendations. Unlike a board of directors, whose duties are clearly defined by Brazilian laws regulating public firms (rules that are also customarily followed by private firms, when they create their board of directors), the advisory board has no legal character or fiduciary responsibilities, does not deliberate, and does not vote - it simply recommends or suggests (Pina, 2011). The managers of the firm are free to comply or not with the advisory board's recommendations. In the Brazilian business environment, the creation of an advisor board by a family firm is often considered a step in the creation of a more robust governance structure, which will eventually lead to its replacement by a fully-fledged board of directors. Indeed, the most respected Brazilian independent normative body on corporate governance, the Instituto Brasileiro de Governança Corporativa (IBCG) explicitly suggests that the creation of an advisory board is "a transitional alternative to the board of

directors, especially for organizations in the early stages of adopting good corporate governance practices" (IBGC, 2015, p. 56).

BG A's board consists of inside and independent directors. Table 8 presents information on the members of the board.

Table 8: Members of the board at BG A

Type of board member	Board member	Description	Board membership
Inside Directors	President of the Board (PoB)	Son of the founder, majority shareholder and CEO of the group.	Since the first meeting, in November 2012
	Vice-president of the Board (VPoB)	Director with wide managerial experience, cousin of the CEO, representative of the other branch of the family.	Since the first meeting, in November 2012
	Inside Director 1 (ID 1)	Brother of the CEO	Since the first meeting, in November 2012
	Inside Director 2 (ID 2)	Brother-in-law of the CEO	Since the first meeting, in November 2012
	Inside Director 3 (ID 3)	Son of the CEO	From March 2014 onwards
	Inside Director 4 (ID 4)	Son of Inside Director 1, nephew of the CEO	From March 2014 onwards
Independent Directors	Independent Director 1 (IND 1)	Former top executive of a global company operating in America, Europe and Asia, wide experience in management and focused on financial advice.	Since the first meeting, in November 2012
	Independent Director 2 (IND 2)	Degree in engineering and doctorate in Management, wide experience in strategic business orientation.	Since the first meeting, in November 2012

The independent director IND2 was also the supervisor of this dissertation. Besides the inside and independent directors listed in Table 8, the board secretary (a niece of the CEO, daughter of one of his sisters) also took part in all board meeting analyzed in this study. However, she did not participate in the discussions, and therefore no interventions by the board secretary were recorded or coded.

3.3. DATA SOURCES AND COLLECTION

One of the difficulties in research on boards is that their discussions and deliberations are private. To understand the roles and processes in boards, researchers usually resort to inferences about their decision-making processes, based on some theoretical assumptions, and then try to validate these inferences using public, observable data, such as documents that present board structure and composition, or letters from the chairperson of the board. The uncertainty associated with the inferences and assumptions used in these studies render their results questionable (Schwartz-Ziv & Weisbach, 2013). An alternative method, applied in this study, is the use of the minutes of board meetings. Minutes of meetings have the advantage that they are real-time, non-intrusive ways to collect textual indicators of interactions, interpretations, and decisions (Barr, 1998). The underlying assumption, as described by Barr (1998, p. 648), is that what "decision-makers discuss in written communications substantially reflect concerns of importance…thus avoid[ing] the unintentional imposition of the researcher's own beliefs about what concepts should be important". Another advantage of meeting minutes is that, when compared to letters to shareholders, another type of document commonly used for content analysis in the strategy field, they are less prone to be distorted by impression management (Parhankangas & Ehrlich, 2014). Meeting minutes are also more appropriate when the intention is to understand cognitive phenomena (Abrahamson & Hambrick, 1997). Meeting transcripts can reveal details of the discussions, and using content analysis techniques, support the identification of the decision processes and practices adopted by individuals and groups (Carley, 1997).

The primary data sources for this study were therefore the minutes of BG A board meetings. These minutes document 36 out of the 37 board meetings that took place from November 2012 to February 2016, averaging 0.925 meetings per month. Minutes from the December 2015 meeting were not available and therefore were not incorporated into this analysis. Meetings usually lasted a full day and were held at BG A headquarters, and their

minutes totaled 443 pages of text, in their original format. The minutes are not a literal transcription of actual interventions by board members and invitees, but a condensation of such interventions as recorded by the board secretary. The mediation of the board secretary creates the risk that these minutes were editorialized, causing more contentious issues not to be completely or reliably recorded, more emotional interventions to be toned down, and some nuances of the dialogue between board members to be left out. However, in a private conversation with one of the board members who attended all the meetings during this period, I was able to confirm that the minutes of the meeting were accurate records of board interactions, despite the condensation performed. This information gave me the confidence to use the meeting minutes as the primary data for this study.

Most meeting minutes analyzed followed a similar template, which included:

- Start of the meeting and welcome to the participants by the chairman of the board;
- Voting on the approval of the minutes of the previous meeting;
- Presentation and approval of the meeting agenda;
- Presentation and analysis of financial results;
- Discussion of non-recurring issues and topics;
- Compilation of suggestions for topics to be addressed at the next meeting;
- Evaluation of the meeting;
- Synthesis of discussions and decisions.

Voting on the minutes of the previous meeting took place in 35 of them, except, for obvious reasons, in the first one. This procedural segment of the meeting was essentially ritualistic, as the minutes of the previous meeting were approved in all but one of the meetings in this sample. This exception is, however, notable as it follows a meeting whose minutes reveal acrimonious exchanges and negative emotions displayed by board members, resulting from an escalation of conflict not observed in any of the other meetings. I will return to this incident later in this report. The presentation and approval of the meeting agenda was also a ritualized procedure: the proposed agenda was approved in all meetings in this sample. The presentation and analysis of financial results did not occur at the very first meetings, but soon became an integral part of the agenda of all subsequent meetings. The financial figures and ratios were presented and explained by the Controller of the group, who, although not a member of the board, participated in this segment in all meetings from the moment the presentation and analysis of the financial results was included in the regular agenda of board meetings. During the presentation of financial results some SIs were identified, pointed out as causes of poor

financial performance – for instance, declining margins or high indebtedness. The SIs identified in the analysis of financial results were generally not discussed in depth during this segment of the meetings; this discussion was usually scheduled for the next meetings and included as one of the items in the section dedicated to non-recurring issues and topics. This procedure, however, was abandoned in some meetings, when board members became concerned with the financial stability of the group, at the time facing the consequences of a serious economic crisis affecting the Brazilian economy. I will also refer to this change in procedures later in this report. The section dedicated to non-recurring issues and topics is where most of the discussions about SIs took place. Besides SIs, the other non-recurring topics discussed in this section were mostly procedural: for example, confirmation of the calendar of board meetings for the next year. The evaluation of the meeting was initially a ritualized procedure, with board members declaring their satisfaction with the content of the discussions and expressing their high expectations for the results of these discussions. However, as the meetings progressed, the tone and character of the evaluations changed, reflecting the challenges faced by directors in performing their duties and the emergence of conflicts between them. The evaluation of the meeting was not recorded for the first time in the minutes of the 11th meeting, apparently because the discussions at this meeting took longer than expected and there was no time for the assessment. However, the evaluation was no longer carried out and recorded in the minutes after this meeting. I will return to this issue later in this report. Finally, the last section of the minutes summarizes the main discussions that took place and decisions made in the focal meeting and in previous ones. This section does not fully reproduce the discussions and decisions that have taken place on SIs, rather serves as a compilation of relevant aspects of the meetings to date, to facilitate the review of the history of board meetings.

The minutes were supplemented by additional secondary, documental data. These data include e-mails exchanged between board members and attached files, news published in the general press, supporting materials from presentations by external parties during board meetings, and other miscellaneous financial data and analysis from the major firms within BG A. Although not explicitly cited or presented, these documents also inform the analysis and conclusions of this study.

3.4. DATA ANALYSIS

The data analysis methodology used in this study was based on propositions from theoretical essays and procedures used in empirical investigations on interactions, conversations, and decision making in small-group settings, here adapted to study the practices use by a board of directors to discuss, deliberate and follow-up on previous decisions about SIs (Beck & Fisch, 2000; Currall, Hammer, Baggett, & Doniger, 1999; Denis, Dompierre, Langley, & Rouleau, 2011; Harvey, Currall, & Hammer, 2017; Jarzabkowski & Seidl, 2008; Kaplan & Orlikowski, 2013; Liu & Maitlis, 2014; Maguire & Hardy, 2013; Mengis & Eppler, 2008; Thomas, Sargent, & Hardy, 2011; Schwartz-Ziv & Weisbach, 2013). I used ATLAS.ti software to manage the data for the analysis phase. In addition to ATLAS.ti, I also used Excel to create tables to summarize data such as meeting structure, meeting participants, and the SIs discussed in meetings.

The minutes of the board meetings were content analyzed and coded. The codes were generated based on the analysis of the minutes of the meetings and, when applicable, on coding schemes found in existing empirical and theoretical studies. Although coding schemes found in previous empirical studies and theoretical essays were considered, I tried to approach the process of coding using an inductive, interpretative approach, discarding pre-ordained notions of which categories and definitions might be best for this study (Strauss & Corbin, 1990). Subsequently, I reviewed the results of previous codification efforts and adjusted, if necessary, the coding scheme to achieve a better fit to the data. I performed several iterations of this coding – review – adjustment cycle, until a stable coding scheme was achieved, and the codes proved to be comprehensive and mutually exclusive (Currall *et al.*, 1999). As in other interpretative studies, I grouped these "first-order" codes in "second order" categories (Gioia & Chittipeddi, 1991), to facilitate the identification of patterns, relations, and practices. This process was used, with varying numbers of cycles of iteration, to five dimensions: strategic issues, business units, participants, process stages and decisions, and communicative practices. All these codes were created in ATLAS.ti. I present below more details of the codification efforts for each of these dimensions.

Strategic issues (SIs). Although the analysis of the minutes of the board meetings was guided by the definition of SIs presented earlier in this document – "emerging developments, trends or concerns perceived as affecting the achievement of the organization's objectives" (Dutton, 1986a, p. 3) – I abstained from exercising judgment about the nature of the issues discussed by the board by separating them into strategic and non-strategic. I argue that, due to

the nature of the board as an advisory one, all issues that were incorporated in the agenda of the meetings and discussed in the sections dedicated to non-recurring items were strategic by definition and should be treated as such. I initially created codes for new SIs anytime they were discussed at length during a meeting (usually this discussion was documented in the section dedicated to non-recurring items). I then went back to the minutes of previous meetings and checked whether the issue was mentioned at those meeting, even if in passing; if it was, I coded these interventions with the code corresponding to the newly created SI. The SIs discussed by board meetings participants vary substantially, including a review of the strategic direction for a particular business unit, the steps required to set up of a risk committee for the group, or whether BG A should start a new retail business, to name a few. Therefore, I created a second-order category to classify the SIs according to their type. These categories were initially based on the orientation of the SIs – either towards the internal business processes and functions or towards the external environment (Daft, Sormunen, & Parks, 1988; Garg, Walters, & Priem, 2003). In subsequent iterations this second-order categorization was expanded, to more faithfully capture the nature of the SIs discussed.

Business units. Most of the SIs discussed by the board were associated with specific business units. I, therefore, created codes for each of them and applied these codes to the participants' interventions that referred to these business units. The creation of this code structure was made easier by the fact that a brief presentation listing all business units was made at the first board meeting, to the benefit of the independent directors who, at that time, were still getting to know the organization. Only minor changes in group structure occurred during the period in which the meetings included in this sample took place; these changes were incorporated in the coding scheme for business units. Codes for specific business units were supplemented by additional codes that were applied to the few SIs that were associated with the whole group, or to one of its divisions. A second-order category was created to group business unit codes into the three divisions to which they belong: trade (both retail and wholesale), service, and industry.

Participants. Each participant in the meetings received an individual code and all interventions of each one of them were identified with their individual codes. The coding scheme adopted encompasses regular board members, other regular participants who were not board members (such as the Controller of the group), and people who occasionally participated, to provide information on issues the board was discussing, submit status reports and present to the board preliminary or final results of the projects in which they were involved. Most intervention of these eventual participants were associated with SIs. For situations where the

meeting minutes record a group decision, such as a collective decision to stop the discussion on an SI and resume that discussion at a future meeting, I created codes for the board as if it were a single participant. I also created codes to document interventions by subgroups of the board, such as when other members voted on a motion proposed by the chairman of the board. First-order codes for participants were also grouped in second-order categories, reflecting their role and association with BG A (Currall *et al.*, 1999). Examples of these second-order categories applied to participants include senior inside director, junior inside director, independent director, internal guest, external guest.

 Process stages and decisions. The model of organizations as interpretation systems proposed by Daft and Weick (1984) and the seminal empirical study published by Mintzberg and colleagues on strategic decision processes (Mintzberg, Raisinghani, & Théorêt, 1976) were the main references for the generation of codes for the stages through which the discussions on SIs advanced during board meetings, and decisions made on these SIs. Daft and Weick's model comprises three stages, interconnected through feedback loops: 1) scanning: the process of monitoring, collecting and providing environmental data to managers; 2) interpretation: the process through which meaning is attributed to data and shared understandings and conceptual schemes were developed among members of top management, and 3) learning: the process that puts into action and allows the refinement and validation of cognitive theories and knowledge about the relationships between the organization and the environment. Later, Daft and Weick's model was incorporated into the general construct of sensemaking, which "involves the reciprocal interaction of information seeking, meaning ascription, and action" (Thomas et al., 1993, p. 240). Mintzberg *et al*. (1976) proposed a strategic decision process model comprising three phases divided into seven routines, plus eight additional routines used throughout the decision-making process. I adapted these models, generating a preliminary list of one-level, non-hierarchical process stages and decision, which I then applied to board participants' interventions during the debates on SIs that took place at board meetings. The original model proposed by Mintzberg *et al*. (1976) ends with the "authorization routine" of the "selection phase". However, as the conversations at board meetings go beyond the selection of responses to SIs, I extended the preliminary coding scheme to include additional process stages that capture conversations on the implementation of responses to those SIs. I also defined second-order categories for process stages and decisions, using Mintzberg *et al*. (1976) and Jarzabkowski and Seidl (2008) as references. Mintzberg *et al*. (1976) noted that the strategic decision process does not proceed at a steady pace, but is subject to "*interferences, feedback loops, dead ends, and other factors*" (p. 263). To account for these disturbances in the flow of

decision processes, they incorporated into their model six dynamic factors associated with delays, stoppages, and restarts. A preliminary analysis of the minutes of the board meeting confirmed that many conversations on SIs experienced interruptions. I therefore created a list of codes for procedural decisions, using Mintzberg *et al*. (1976) as an initial reference, and used these codes, whenever applicable, to the interventions of board members.

   Communicative practices. Communicative practices are defined here as the types of speech acts that take place in face-to-face interactions between two or more individuals, who have normative expectations, in a defined space-time continuum. Interactions between individuals are usually defined as comprising three functional aspects: task-oriented, procedural, and socio-emotional (Beck & Fisch, 2000). The *task-oriented* aspects involve the objective and argumentative information exchange required for analysis, problem-solving and rational decision-making (Schermuly & Scholl, 2012). *Procedural* or regulatory aspects are concerned with the management of the conversation and include speech acts such as procedural suggestions and questions, and interventions leading back to the topic being discussed (Thomas, Bull, & Roger, 1982). Socio-emotional aspects refer to the relationship between participants, expressed in their conversations, or feelings manifested verbally by an individual during the interactions. *Socio-emotional* aspects are divided into positive, such as when one of the participants interact in a friendly and warm way, and negative, which include personal attacks and the use of derogatory language (Beck & Fisch, 2000; Schermuly & Scholl, 2012). Before conducting an analysis of the communicative practice of board members, I studied existing coding systems for behavioral interactions, such as Bale's IPA (Bales, 1950, 1970), SYMLOG (Keyton & Wall, 1989), Fisch's CCS (Bech & Fisch, 2000) and TEMPO (Futoran, Kelly, & McGrath, 1989), and coding schemes inductively created, described in empirical studies (Currall *et al*., 1999; Thomas *et al*. 2011). I then generated a preliminary list of codes for communicative practices of BG A board meeting participants based on these coding systems. These codes were applied to the first board meetings. After this application, I revised the codes used again and generated a new list, which was applied to all board meetings. The codes were grouped into second-order categories, according to the models of the coding systems that were previously analyzed.

   In addition to the creation of the coding schemes described above, the analysis of the minutes of board meetings involved several additional steps. First, the minutes were prepared for processing with ATLAS.ti. I separated the minutes of each meeting into individual files (previously they were all in a single file), eliminated all non-textual elements (text boxes, dividing lines, tables) from these files, anonymized the text, replacing the names of participants

with the codes previously created for meeting participants in ATLAS.ti, and separated the interventions of participants in sequential blocks of text. If a person who attended a meeting had not previously received a code, I created a new participant code for them, and added that code to the list in ATLAS.ti. I imported the meeting minutes into ATLAS.ti and then used the program's "focus group coding" feature to automatically associate all blocks of text that follow a participant's acronym with the code created for that person. The files containing the codes automatically generated by ATLAS.ti for participants were reviewed for consistency and corrected if necessary.

Second, I reviewed the minutes, now in ATLAS.ti, coding the blocks of text according to the code structure already created: in addition to the codes for participants applied using the "focus group coding" feature, I manually inserted into the blocks of text associated with participants in all meeting, whenever applicable, codes for business unit, strategic issue, communicative practice, process stage and decision. This coding procedure was repeated a few times, during which the coding schemes were reviewed and improved. I also created hyperlinks in ATLAS.ti between blocks of text (quotations, using the program's terminology) representing interventions by different participants, to document when one participant supported a previous intervention by another participant, when one participant presented information that complemented information provided previously by another participant, and so forth. While coding the meetings, I created in ATLAS.ti memos recording my overall assessment of the debates and individual interventions at each meeting, and memos listing my observations of the discussions for every SI, in all meetings where such discussions took place.

Third, I investigated the patterns in which the codes appeared in the conversations on SIs. I looked for commonalities across the discussions of SIs, trying to identify patterns of interaction. By using this procedure, I was able to achieve a better understanding the decision-making process the board used to deal with SIs and the behavioral interaction dynamics underlying this process.

4. RESULTS OF THE LONGITUDINAL INVESTIGATION OF THE PROCESSES THROUGH WHICH BOARDS INTERPRET AND DECIDE ON STRATEGIC ISSUES

4.1. INTRODUCTION

Given that SIs are the focus of this study, the presentation of the research results begins by exposing the findings related to them. Progressively, I add aspects related to the other codified dimensions to the presentation of the results.

4.2. STRATEGIC ISSUES

Forty-six SIs were identified in the minutes of BG A meetings. The first strategic issue appears at the first board meeting and the last emerges at the last meeting. Most of the SIs for BG A are associated with internal context of the organization. These internally oriented SIs range from issues related to the group's operations, such as problems in the layout of the group's largest industrial plant to issues associated with governance and structure, such as creation of a risk management process or governance for family relationships in the group. A small number of SIs were oriented towards the organization's external environment. For example, only one strategic issue oriented towards the general external environment arises during all the analyzed meetings: the economic and political crisis that the country was going through at that time, which had significant negative impacts on the group's revenues, costs, and profitability. SIs of the group's task environment, relating to customers, competitors, suppliers, and creditors, for example, received little attention from the board. No SIs associated with competitors appear in the analyzed minutes; Discussions regarding creditors are only registered within the scope of an internal issue, the high level of indebtedness of the group, considered a risk for the maintenance of the credit lines required to finance the group's retail businesses. Minimal attention is given to current or potential customers of the group's business units, which are not the subject of any strategic issue; at most, some customers are mentioned when difficulties in selling products from a more problematic business unit of BG A are discussed. Discussions on suppliers also received little attention: most were associated with the risk of vertical integration of the supplier of a chain of retail stores that sold almost exclusively the merchandise of that supplier, which was the biggest source of revenue growth during the period of the meetings.

Even in this case, the discussions in the board did not analyze the strategies adopted by the supplier (a multinational high-tech company) in other foreign markets similar to Brazil or the factors that could mitigate the risk of vertical integration: they emphasized the dilemma between carrying out investments necessary to expand this chain of stores and, in this way, sustain the increase in revenues, versus the impact of this expansion on the levels of indebtedness. The threat of vertical integration of the partner emerges as an argument to support the proposals for the expansion of the chain of stores, in opposition to the voices that defended prudence regarding the group's financial exposure.

Of the set of SIs derived from the organization's internal environment, the majority deals with topics that can be associated with corporate or business strategy. These issues include, for example, the debate over the opportunity to acquire a chain of stores in a state in which BG A's chain of department stores had no presence, opportunities to create new retail and distribution businesses, and discussions about continuity of a business that produced an intermediate input for footwear manufacturers, which for some time had low or negative returns, small revenues and whose target market had suffered a drastic reduction due to the massive entry of shoes from abroad into Brazil. Of the total of 46 SIs identified, 22 of them can be classified as associated with strategies for specific business units, divisions or for the group.

Only three of the 46 SI's identified in the minutes can be unequivocally considered as positive developments, or opportunities. One of these SIs is the aforementioned discussion about the acquisition of a chain of department stores in another state. A few SI's have a neutral character, such as the implementation of the group's Enterprise Resource Planning (ERP) system: although potentially beneficial for the quality of managerial information and contributing to the adherence to operational processes, the ERP implementation does not seem to be interpreted either as positive or negative: the issue does not receive sustained attention from the board, which seems to consider it a chore to be to be discharged with as little effort as possible, ostensibly to allow more time to be devoted to other more pressing issues. Most of the other SIs are of a negative nature. There are several examples of SIs that can be characterized as problems, crises, or threats, including the continuity of the real estate business, severely affected by the economic crisis in the country, the debates on the high levels of indebtedness, or the preoccupation with the high cost for financing the private label credit card issued by the group's financial arm.

The analysis of the minutes reveals a high level of interconnection between the SIs discussed by the board. For instance, they show that pre-existing SIs can give rise to new issues, which emerge from the debate and interpretation of issues that are already on the board's

agenda. An example of this *sequential emergence* between SIs can be found in the discussion below, documented in the minutes of the third board meeting. At that meeting, during a debate on the best strategy for implementing an ERP system (SI ERP), three other SIs emerged, which will later be discussed by the board: the feasibility of a business producing intermediate goods for the footwear industry, which will be called Business A, (SI Footwear), the problematic layout of the group's largest industrial plant (SI Layout) and the business portfolio and strategy of the industry division (SI Industry Strategy):

Meeting 3:

VPoB: Comenta sobre a criação de um time de pessoas-chaves de cada área que irão trabalhar na implantação do software de gestão. **[SI ERP]**

IND2: Comenta que implementaria o software da seguinte maneira: back office, varejo e indústria, sendo que na indústria não implementaria o software para o chão de fábrica **[SI ERP***], pois ele visitou a fábrica e se preocupou com o que viu, pois aparentemente há bastante estoque, o CD está no lugar errado* **[SI Layout***], o Negócio A pode ser um negócio fora do foco* **[SI Footwear]***, sendo que a resolução destas questões pode aumentar a capacidade de produção e melhorar o fluxo do negócio. Sendo assim, como há muitas peculiaridades nos processos que a própria empresa desenvolveu, entende que é muito prudente começar pelo back office.* **[SI ERP]**

VPoB: Comenta sobre os processos do chão de fábrica e os problemas que poderiam ser evitados com a implantação do ERP, trazendo segurança para os processos. **[SI ERP]**

IND2: Comenta que o chão de fábrica está assim pois a empresa cresceu muito da forma que foi possível, sendo que uma organização e um estudo de layout poderiam ganhar muito na eficiência do processo produtivo. **[SI Layout]**

IND2: Comenta ainda sobre o CD que não deveria estar no meio da empresa, pois a maioria dos produtos que estão ali dentro não são da empresa e o movimento dos caminhões também é complicado, pois descarregam, mas depois carregam, causando um tumulto desnecessário no meio da empresa. **[SI Layout]**

PoB: comenta sobre o aproveitamento de espaço da área do *Negócio A que é necessário para a continuidade da atividade.* **[SI Layout] [SI Footwear]**

IND2: Questiona se o Negócio A tem futuro, se é significativo para investir tempo e energia. **[SI Footwear]** *Questiona ainda se o espaço ocupado não seria mais rentável sendo utilizado para outra atividade ou negócio, pois para ele parece que para ganhar eficiência tem*

que liberar espaço, melhorar fluxo e controle, resolvendo a maior parte de lançamentos errados. **[SI Layout]**

PoB: comenta sobre os prós e contras do Negócio A. Comenta que se tirar a atividade daquele lugar o negócio terá que ser vendido, pois não compensa investir no negócio, mas ele também não dá prejuízo. A nova tentativa é abrir mercado externo.... Avalia que podem tentar a entrada nos países ainda carentes destes produtos visando distribuir em grande escala um produto padrão da empresa... Comenta ainda sobre porque entraram na atividade e as possíveis soluções. **[SI Footwear]**

IND2: Diz que com o raciocínio de PoB demonstra-se que talvez a continuidade deste negócio está tirando o foco dos negócios que merecem atenção.... Comenta ainda sobre os prós de acabar com este negócio, mão de obra, espaço, foco; melhorando os gargalos dos setores que têm futuro e podem crescer muito; portanto, vale à pena viabilizar este negócio que não enxergam muito futuro e tirar o foco dos bons negócios? **[SI Footwear] [SI Industry Strategy]**

PoB: Comenta que se deve exaurir todas as possibilidades deste negócio, antes de fechar. **[SI Footwear]**

IND2: Sugere fazer uma análise fria do Negócio A para ver a definição do seu futuro o que poderá melhorar o restante dos negócios. **[SI Footwear] [SI Industry Strategy]**

PoB: diz que já fizeram esta reflexão, mas que ainda tem que avaliar o mercado automobilístico... **[SI Footwear]**

IND2: Diz que poderiam colocar este negócio ao lado do sistemista, ganhando redução de estoque para o parceiro e melhorando em todos os aspectos os demais negócios dentro do grupo. **[SI Footwear] [SI Industry Strategy]**

PoB: Diz que está bem observado e deverá ser avaliado. **[SI Footwear]**

IND2: Diz que acha que iniciar a implantação pelo back office diminuirá bastante os riscos. **[SI ERP]**

VPoB: diz que deverá ser feita agora uma análise dos valores de cada proposta. **[SI ERP]**

In addition to demonstrating that the debate of a given strategic issue can result in the emergence of others, the previous excerpt presents another aspect of the relations between SIs, their *interdependence*. The unsatisfactory results and the little relevance of Business A to BG A indicate to IND2 that its closure will result in gains for the organization, allowing both to rationalize the physical arrangement of the production facilities in this plant, as well as to focus managerial attention on the business units of the industry division more relevant to the overall

results of BG A. The layout rationalization at the group's main plant would, in turn, enable better operational performance for the business units of the industry division that shared the physical space of this plant, which would contribute to expand the strategic options for these business units, and, ultimately, for the whole division. The rationalization of the factory layout and the creation of new strategic options for the industry division, however, depended on the decision regarding the continuity of the business that produced intermediate goods for the footwear industry – a complete dependence, in the case of the factory layout, and a partial one, in the case of strategies for the industry division.

While the relationship of interdependence characterizes a horizontal association between SIs, the minutes of BG A also reveal a relationship of *subordination* between SIs, in which a broader issue contained or was subdivided into issues of a narrower focus. An example of this relationship occurs between the efforts to define a strategy for the Trade division (SI Trade Strategy), which included the definition of a strategic direction for each of the division's business units, including DepStores (SI DepStores Strategy). The differences in perspectives and lack of information for decision making regarding the most appropriate strategic direction for DepStores, in turn, gave rise to an initiative to understand the factors influencing the chain's operational performance, followed directly by the board (SI DepStores Performance). Generally, the broader issues emerge first, followed later by more focused issues, which emerge as the board debates, seeks to make sense, and tries to develop a shared understanding of the original issues. The excerpts below, extracted from the minutes of different meetings, demonstrate the subordination relationship between SIs.

Meeting 8:

VPoB: Inicia apresentando quais parâmetros utilizados para fazer o planejamento estratégico do varejo. **[SI Trade Strategy]**

...

IND2: Diz que a maior fragilidade hoje seria especificar a estratégia e não tanto o planejamento estratégico, desta forma, diz que nas Lojas de Departamentos, por exemplo, o mais importante seria terminar a definição da proposta de valor, esclarecendo as ações do planejamento estratégico. **[SI DepStores Strategy]**

Meeting 9:

VPoB: Inicia a apresentação da proposta de valor das Lojas de Departamentos. **[SI DepStores Strategy]**

...

ID2: Questiona VPoB sobre o porquê de a proposta de valor das Lojas de Departamentos não ter sido finalizada ainda. Acredita que falta consenso sobre os produtos que deverão ser vendidos nas lojas. **[SI DepStores Strategy]** *... Fala sobre os exemplos de coisas erradas que acontecem tanto na proposta de valor, quanto na exposição, quanto no armazenamento dos produtos, que poderiam, se bem trabalhados, dar um grande resultado nas Lojas de Departamentos.* **[SI DepStores Performance]**

...

IND2: Questiona sobre qual será o encaminhamento destas questões. **[SI DepStores Strategy] [SI DepStores Performance]**

Meeting 34:

VPoB: Diz que as Lojas de Departamento terão um grande problema no próximo ano, seguindo a tendência deste ano, considerando a crise econômica, mas também às ineficiências de cada uma das lojas e do sistema como um todo. Acredita que a gestão das lojas não está sendo feita da maneira ideal, pois não está sendo estratégica. Falta avaliação de produtos mais vendidos, falta melhora nos atendimentos, verificação de custos etc. **[SI DepStores Strategy] [SI DepStores Performance]**

Meeting 36:

VPoB: começa a apresentação das lojas considerando o EBITDA. Apresenta o ranking das melhores e piores lojas (dos últimos cinco anos). ... Apresenta as 11 lojas que estão com EBITDA negativo. Fala sobre cada uma delas e suas particularidades. Acredita que a maioria das lojas pode ter seu resultado revertido. **[SI DepStores Performance]**

Meeting 37:

VpoB: Apresenta o resultado das lojas que estavam com EBITDA negativo, mas que receberam algum tipo de atenção especial e tiveram ações para melhorar seus resultados. Demonstra que em sua grande maioria as lojas melhoraram e passaram a ter seu EBITDA positivo. **[ID DepStores Performance]**

In the relations of sequential emergence and subordination between SIs, the issues that arise first are not discarded or replaced by new issues when they are incorporated into the strategic agenda of BG A. Both the initial issues and the ones that that emerge later maintain

their identity and continue to be discussed and monitored by the board, even if this monitoring does not occur with the same intensity or frequency. In other cases, however, the analysis of the minutes makes it possible to identify the *recombination* of SIs. Recombination comprises both the division and the consolidation of SIs. When a strategic issue is divided, new issues emerge that subdivide it, each new issue keeping part of the meaning of the original one. When SIs are consolidated, on the other hand, issues previously discussed in isolation are aggregated into a broader theme, integrating subjects, interpretations, and meanings. An example of the division of a strategic issue is the separation of discussions on the management model for BG A (SI Management Model), initiated when the board discussed the proposal for a new organizational model presented by an external consultancy, into two others, each one of them associated with part of the meaning of the original issue: the organizational structure of BG A (SI Organizational Structure), and the definition of levels of authority and decision-making processes for the board (SI Board Decision Processes). An example of consolidation, on the other hand, appears when various SIs associated with improving operational performance (e.g., SI Inventories, SI Headcount) are, albeit momentarily, absorbed into an overarching strategic issue focusing on cost reduction, when the negative effects of the economic crisis in Brazil reach BG A, causing financial losses and an increase in indebtedness (SI Cost Reduction). More complex recombination may occur, comprising both division and consolidation. In the example above, the SI Management Model gives rise to two different SIs, SI Organizational Structure and SIU Board Decision Processes. In parallel, another strategic issue identified in one of the first meeting, SI Management Processes and Tools is also divided, few meetings later, into two other issues, SI Management and Decision Processes, and SI Tools For Managerial Analysis. As the discussions regarding management processes advance, SI Board Decision Processes and SI Management and Decision Processes, become intermixed, and are then combined (I chose to maintain the name of the latter after this combination).

The minutes also reveal that a SI can undergo a process of *change of meaning* as the debates and deliberations on it advance, even if it is not the object of recombination. Given the subjective nature of many SIs, one would expect the meaning of a SI would change over time as the group involved advances in their diagnosis and interpretation (Dutton, 1986a). The existing literature on SIs does not propose a direction for this change; in the discussions in the BG A board, however, a progressive movement towards greater specificity in the meaning of SIs is perceptible. This is the case, for example, of discussions about the need for synergy between the businesses of the industry and trade divisions (SI Synergy). As the discussions on this SI advance and its meaning evolves, what was initially a conceptual proposition becomes

progressively more tangible, focusing, in the end, on efforts to enable the sale of a certain line of furniture manufactured by one of the industry division business units at BG A's DepStores:

Meeting 2:

PoB: Inicia sua explanação apresentando os números do grupo, especificando receita bruta, margem e resultado.

Comenta sobre a situação atual e futura da empresa.

...

CC: Passa-se a discutir os números do grupo, bem como avaliar quais negócios poderão crescer e receber investimentos.

...

IND2: ressalva que a capacidade de gestão da empresa diminui a cada ano em que a empresa cresce. Aponta que se deve voltar o olhar para a administração destes negócios priorizando aqueles que possuem sinergia, pois senão a gestão fica muito complicada. **[SI Synergy]**

Meeting 12:

IND2: Comenta da importância da sinergia entre negócios da Indústria e Varejo de BG A. Em especial, analisou brevemente os principais fornecedores da Loja de Departamentos. Comentou da importância da sinergia entre os diversos negócios e da melhor exploração dos canais. ...

PoB: comentou da necessidade de se projetar uma linha específica para a Loja de Departamentos que não entre em conflito com os demais clientes. **[SI Synergy]**

Meeting 17:

Conselho: analisou-se a importância da sinergia entre negócios da Indústria e Varejo de BG A, com o consequente aumento no resultado. Foi sugerido organizar, para começar um comitê de sinergia, entre Loja de Departamentos e indústria para verificar as possibilidades, ganhos e ações iniciais a serem implementadas. Este comitê será gerido por ID2. **[SI Synergy]**

Meeting 24:

CC: Discute sobre os móveis planejados e móveis impressão. Discute sobre indicadores que deverão ser adotados para fazer com que as estratégias sejam realmente implementadas.

Discutem sobre a venda de móveis impressão para Loja de Departamentos para equilibrar o negócio de impressão. **[SI Synergy]**

Meeting 26:

PoB: Inicia falando sobre o progresso da compra dos móveis impressão pelas Loja de Departamentos nos primeiros meses do ano. Comparando os dois primeiros meses, o resultado é positivo, considerando que as Lojas de Departamentos estão comprando mais produtos da indústria de BG A. **[SI Synergy]**

4.3. BUSINESS UNITS

The attention of the directors is directed primarily to SIs associated with the main business units, with greater consequence and impact for the achievement of the organization's objectives - revenue growth, and maintenance of profitability. The SIs associated with the larger business units are also discussed more frequently and intensively than the SI's associated with smaller units. This behavior is also reflected in the SI's associated with BG A divisions: the SIs associated with the larger divisions, industry and trade, take a significant part of the group's discussions; on the other hand, few SIs were identified associated with the services division, which has small revenues when compared to the other two.

The attention of directors is also directed to SIs associated with problematic business units. For instance, the business unit dedicated to selling IT products from a leading international manufacturer that was faltering in the market was discussed several times by the board, despite its small turnover. The performance of a business unit seems to be a factor that negatively influence the frequency and intensity of discussions on SIs associated with this business unit, regardless of its size.

4.4. PARTICIPANTS

BG A's board meeting minutes record interventions from 36 participants, of which 33 were identified by name: two senior inside board members, four junior inside board members, two independent directors, six external guests and 19 internal guests (BG A employees). In addition to these 33 participants identified by name, the minutes record interventions by the board itself (discussions in which the board engages, without identifying interventions of

specific board members), by the entire board minus its chairman (only in the segment dedicated to the approval of the minutes of the previous meeting) and, in a few cases, individual interventions by unidentified board members or participants. The latter was not considered significant for data coding purposes.

The frequency of directors' interventions seems to reflect their power, direct interests, training, and position held. The directors that hold power in the group (PoB and VPoB) dominate the discussions, among internal directors. Junior internal directors contribute little. The influence of direct interests, training, and position occupied can be evidenced by the participation of several of the board members: IND2, with a "wide experience in strategic business orientation", intervenes in several SIs, but participates especially in issues of a strategic nature. IND1, who holds "wide experience in management and focused on financial advice" deals mainly with finance and control issues. PoB intervenes on practically all issues, but especially on those involving the group's industrial BUs, under his direct management. VPoB intervenes in a similar way to PoB but especially in matters of trade, his area of responsibility. The few interventions by ID4 are practically all related to the real estate business, under his management.

The directors' participation also seems to reflect expectations for the roles they occupy, and for the relationship between these roles. Expectations for the role of independent directors, for example, seem to directly influence the intensity of their intervention in board discussions and the nature of these interventions, generally oriented towards questioning decisions and actions of internal directors, or towards recommendations and suggestions. Cognitive and behavioral aspects, however, seem to combine with the role of directors, leading to a greater or lesser frequency of their interventions and on the level of criticism they manifest to the actions and decisions of owner-managers who also are members of the board. IND1, for example, consistently intervenes less frequently and vehemently than IND2, despite the importance attached to the former's participation, as an expert in financial matters, in discussions on the causes and possible responses to SIs that arise from the moment the financial results begin to point to problems that may jeopardize the sustainability of the group's business. On many occasions, however, both independent directors intervene when discussions on a SI takes place, reinforcing and complementing each other's interventions. The excerpts below, from different meetings, exemplify the influence of the expected role structure in the interventions of independent directors.

Meeting 1:

PoB: Acha importante BG A ter iniciado o Conselho Consultivo e acredita que o Conselho e os Conselheiros Externos vão poder contribuir muito para a empresa.

...

ID2: Sai da reunião satisfeito com as colocações dos Conselheiros Externos.

Meeting 2:

IND2: Gostou da reunião, sendo que um dos papéis dos conselheiros externos é exatamente questionar as ações, provocando discussões visando que os próprios diretores encontrem as soluções.

Meeting 15:

CC: continua discutindo como a situação econômica e política do país poderá afetar a empresa.

IND1: atenta para o problema de crédito que será enfrentado pelo mercado neste e no próximo ano.

IND2: reforça que o importante é analisar os riscos.

IND1: observa que os grandes fornecedores podem mudar o negócio, ou seja, a Apple pode assim que quiser cortar relações e resolver abrir lojas próprias tirando este faturamento do grupo. Alerta para a gestão destes riscos.

...

IND2: diz que não se está dizendo para não fazer os investimentos, mas os riscos devem ser geridos e considerados para garantir o futuro da empresa. Explica novamente o conceito de gestão de riscos.

...

IND1: observa que comércio e indústria são uma empresa só, não podendo ser olhadas em separado, assim a gestão de riscos deve ser feita em conjunto.

...

FBCon [family business consultant, who participate in a few of the meetings]*: Coloca suas percepções sobre a dinâmica do conselho consultivo. Atenta que os conselheiros internos devem ouvir um pouco mais.*

...

CC: Discute o papel dos conselheiros externos e internos.

In addition to the examples of positive influence mentioned above, the minutes reveal a lower intensity than would be expected in some interventions, resulting from the roles played and areas of influence of board members in the organization. For example, in discussions about the business strategies of the trade division, there are proportionately few PoB interventions, even though his role as chairman of the group indicated that matters relating to that division would also be his ultimate responsibility. At the same time, VPoB intervenes little in discussions regarding SIs directly related to the industry division, possibly less than would be expected from an executive of his seniority and power within the organization. There seems to be an implicit agreement between them that one should not interfere in matters related to the responsibility of the other. As a result, discussions on the strategies of these two divisions record a much higher proportion of interventions involving IND2, as a specialist in matters related to strategy, and PoB, in the case of the industry division, and of IND2 and VPoB, in the case of the trade division.

4.5. PROCESSES AND DECISIONS

In this section I will describe how the board of BG A handled the SIs it addressed. This section is divided in three segments. First, I will present the general stages and decisions identified in the process the board used to discuss and decide on SIs. Second, I will present some general features of these processes, which occur in several of the processes and stages presented previously. In the third part, I present details of the successive phases, or "temporal brackets", encompassing several meetings, within which I found similarities in the treatment SIs and that were marked by differences and discontinuities at their boundaries (Langley, 1999; Langley & Truax, 1994).

4.5.1. Processing stages and decisions

The minutes contain several episodes in which the board deals with SIs in the *consideration* stage. At this stage, issues are brought to the attention of the board, triggering an initial sensemaking process through which the board tries to access if the issue warrants further scrutiny, based on its importance, or salience, immediacy, and expected consequences. A few SIs were brought to the attention of the board as a result of environmental scanning; an example would be the issue associated with political and economic crisis the country was facing and the

consequences of this crisis to the group's financial results. The mechanisms created to direct and channel discussions during board meetings were also responsible for the identification of SIs. As of the fourth meeting, a segment of the agenda was dedicated to reviewing the financial results of the group and its business units. When the economic crisis hit the group and the financial results started to deteriorate, issues associated with the operational and financial performance of the most problematic business units emerged, which began to be regularly discussed in board meetings. Some SIs were discussed by the board due to the sponsorship of a director, who demonstrated personal commitment to it, considered the issue important because of its close association with the director's responsibilities in the organization, or both. An example of personal commitment would be the idea that the layout of the group's largest manufacturing plant should be reviewed and that the group should explore the synergy between its retail and manufacturing arms, both issues championed by IND2, one the independent directors. An example of SI initially considered by the board due to its importance vis a vis the responsibilities of a director was the debates on the creation of a new retail technology business, defended by VPoB, the head of the trade division. As described earlier, some issues emerged sequentially, as the board, engaged in a sensemaking effort associated with an already known issue, identified other complementary issues which were then deemed worthy of consideration.

The minutes show significant variation in the mechanisms by which the board deliberated whether one new SI should be *confirmed*, and therefore incorporated into the board's agenda, or *not confirmed*, and as such not to be brought to the attention of the board at future meetings. Issue sponsorship by an influential board member, such as PoB, VPoB or IND2, often caused the issue to be included on the board's agenda, with the issue scheduled for discussion at subsequent meetings. Likewise, issues arising from sensemaking exercises on other issues, which took place at one or several board meetings and involved multiple board members, were generally considered important and therefore included on the board's agenda. When the board was created, several SIs were already being dealt with by the group's senior management and, therefore, were automatically incorporated into the agenda of the board. Examples of these issues were the implementation of an ERP solution, the creation of a formal risk management process and associated structure, and the creation of an ethics code for the group. Some issues, especially those associated with or triggered by a crisis, were swiftly assessed, with few resources spent on their analysis and consideration, and then incorporated into the board's agenda; an example would be the decision to address the issue of theft in chains of retail stores dedicated to high-tech products, which had reached alarming proportions. Often, issues that

underwent consideration were later incorporated into the agenda of the board, with very few being explicitly discarded.

In some situations, however, the decision to incorporate an issue into the agenda of the board was not a straightforward one. For some SIs, reaching consensus on their existence and on the need to incorporate them into the group's strategic agenda involved significant debate. And in some cases, even after being debated in several meetings, there seems to be no clear consensual perspective regarding their incorporation into the strategic agenda of the board. An example is the debate on the strategy for some of the business units in the trade division. Drawing on his expertise, IND2 repeatedly gives his perspective on this matter, stating that the goals and objectives of the division, mostly associated with revenue increase through the opening of new stores, were not based on a sound strategy, in which considerations of the competitive landscape and positioning of the group's retail operations were accounted for in a systematic and comprehensive manner. This perspective was strongly contested by VPoB, the head of the trade division, who insisted that the business divisions did indeed have strategies, supporting this assertion with the presentation of some tools frequently used in strategy formulation, such as vision and mission statements, definition of target customer segments, and SWOT analyses. Ultimately, the repeated debates pitting these two conflicting perspectives on the formulation of strategies for the retail businesses led to the incorporation of the associated issues – first, what constituted a strategy and, second, what was the strategy for these business units – into the agenda of the board.

Most of the time spent in debates on SIs was used in the *issue interpretation* stage. The proportionally longer time spent in issue interpretation was due, in part, to the difficulty the board encountered in reaching consensus a) on the meaning of the SIs it addressed, after the (explicit or implicit) decision to incorporate them into the board's agenda, and b) if responses to these issues were necessary. Several examples have already been provided; another one involves the discussions on expanding exports of furniture manufactured by one of the group's business units, to overcome the problems experienced in the domestic market, which was strongly affected by the economic recession. While advocated by IND2 and, at least in theory, supported by PoB, the president of the group and the head of the industry division, no final consensus has been achieved on the feasibility of this initiative, due to concerns expressed by PoB and other members of the organization, on whether manufacturing costs could be reduced to make additional exports profitable even in the face of possible future fluctuations in exchange rates, or whether this initiative could create potential future liabilities for the group, thus aggravating the losses already incurred in that business unit.

One of the consequences of the difficulty in finding shared understandings about some SIs is the progressive accumulation of issues on the agenda of the board, which must discuss and deliberate on them. As the time capacity of the board for dealing with SIs is limited (the board meets approximately 10 times a year) and few issues can be addressed systematically in one meeting, the handling of many issues is spaced out, and many have their discussions postponed to future meetings, repeatedly in some cases. *Postponement* decisions, however, also appear to be part of a deliberate process, in which more contentious issues or issues for which owner-managers do not expect or desire the intervention of the board are scheduled for discussions in the distant future.

One strategy the board has used to manage the size of the strategic agenda it must contend with was the *termination* of SIs. The minutes record decisions to discontinue the discussion or the follow-up of SIs, providing, in some cases, explanations as to why this discontinuation occurred. This is the case of the issue of the layout of the group's largest factory. Originally raised by IND2, it was briefly discussed at the third meeting, when it was decided that the issue would be discussed again at the next meeting. At the next meeting, PoB (ultimately responsible for all issues related to the industry division) informed that a new development in the plant would potentially enable an improvement in layout. Based on this information the board then decided to postpone the discussion of the issue, scheduling it for six months in the future. The discussion was then repeatedly postponed, until the decision to terminate the issue was recorded in the minutes of meeting 16, as the issue had been "surpassed". In other instances, however, the minutes do not record the termination of the issue, which simply disappear from the board's agenda. SI disappearances occurred predominantly at the boundaries between the periods in which I divided the meetings, which will be presented later in this document.

When the board reached consensus on the interpretation of a SI, it then decided on whether a *response was required*. For all issues confirmed by the board (i.e., the board did not decide to terminate the issue) a response was deemed necessary; in other words, no issue was considered only demanding monitoring. In many cases, the decision to demand a response to the issue was not explicitly recorded in the minutes; but could be inferred from the activities that follow them. For instance, the idea of creating of a new retail technology business was initially brought to the attention of the board by VPoB at the second board meeting, and his intervention immediately incorporated this issue into the agenda of the board. At the next meeting, VPoB again requested the attention of the board to this issue (that was not scheduled for discussion at that meeting) and after some deliberations, obtained the agreement of the board

to pursue this business opportunity – the board confirmed the SI and decided that a response to it (the exploitation of the opportunity to create a new chain of retail stores) was required.

The next stage in processing SIs was *response design*. As explained earlier, the difficulties experienced by the board in reaching a shared understanding about the SIs discussed and, consequently, about the responses to them, resulted in a smaller number of issues reaching the response design stage. And while in some cases the design of a solution was achieved with relative ease, in others it required extensive discussions and lengthy deliberations, sometimes involving actors other than board members, inside or outside the organization. An example of a response quickly designed (in this case by the board itself) was the creation of a "crisis committee", composed of several members of the top and middle management of BG A, to search and implement retrenchment initiatives such as cost and asset reductions, during a particularly difficult period for the group at the height of the economic crisis the country was facing. Other responses involved lengthier procedures, either to search for and select among several alternative the most appropriate response for a particular SI, as in the case of the selection of the ERP solution to be implemented, to adapt a ready-made solution to the particular circumstances of the group, or to develop a custom-made response to a SI, as in the case of the development of a new code of ethics. For SIs that demanded custom-made responses, in no case was more than one developed.

The minutes do not allow observing the process through which responses to SIs were developed, when this development was delegated to other members of the organization who do not participate in the board meetings, such as middle managers, or to external entities, such as management consultancy firms. In general, however, the minutes record that the process they employ is materialized in instruments such as formal reports and presentations, which are then submitted and appreciated by the board. Such instruments, however, were not extensively used when the board discussed and deliberated on responses to SIs under the direct responsibility of board members, especially PoB and VPoB. Besides not being supported by these formal instruments, designing responses to SIs under the direct responsibility of the board members proved to be more complex and time-consuming. In many cases, debates are recorded in several meetings, in which information is provided, proposals are formulated, and positions are expressed, often repeatedly, without the board being able to make significant progress in the analysis and decision on available alternatives. An example can be found in the discussions about the negative performance of the group's DepStores, recorded in the minutes from the first to the last of the meetings. This issue has been characterized as strategic from the outset, but the magnitude of the problem increases as the stores' results worsened, influenced by the

economic downturn that has an amplified effect on consumers' discretionary purchases. Several attempts to establish a shared understanding on the measures necessary to reduce losses are recorded in the minutes, with initiatives such as closing stores, selling items with low inventory turnover at a discount, and training and motivating store managers, being proposed. However, the board does not reach a consensus on the actions required for a turnaround in the stores' performance. The lack of consensus in the selection of turnaround initiatives for DepStores led VPoB, on its own, to implement limited solutions on several occasions, which were not able, at least during the time interval in which minutes are recorded, to counter the losses from that business unit.

Once the response was designed, and especially if this activity was performed by outside parties, the board then deliberated on its *approval*. The minutes record approvals for most response designs presented, but also record a few instances in which the *response was not approved*. This was the case, for example, with the group's code of ethics. The initial version presented to the board by the middle managers responsible for its development was evaluated and severely criticized during one of the first board meetings. The board did not approve this initial proposal and requested a revision, within a period of two months. After this deadline, the team involved presented an updated version, which this time was considered adequate by the board. The board then gave the team involved a new deadline for the complete development of the code of ethics. A few meetings later, the code was then presented in its entirety to the board, along with the planning for its communication and implementation and the governance structures defined for its management. The code of ethics, the governance structure, and the plan for the implementation of the code were then formally approved by the board.

When the response was developed by a board member outside of regular meetings, or by the board itself during meetings, the response approval process was less formal and structured, if at all. An example of a board member-designed response in which the response to the SI is not appreciated by the board is the launch of the new chain of technology stores, mentioned earlier in this document. Once the board's consent was obtained for the launch of these stores, VPoB proceeded to design the store's concept and, subsequently, to start the launch of the first stores. An additional example, this time demonstrating a response designed by the board and which had formal approval, is the redesign of the organizational structure for the group. Initially developed by a management consultancy, the original design is rejected by the board. The board takes it upon itself to design a new structure for the group and devotes attention to debating and analyzing alternatives for this new structure. This effort culminates in the selection of a new

organizational design, which is approved by the board. The board delegates to the CEO (PoB) the task of communicating and implementing this new approved structure.

Once the response to a given SI is approved, the board in some cases engaged in monitoring the *response implementation*. Not all response implementations were monitored by the board; in other situations, the board exercised a minimal follow-up of the implementation. For example, after the final version of the code of ethics and the plan for its implementation were approved, none of the minutes of subsequent meetings recorded any discussion of this issue. In other cases, however, the directors tracked the progress of the implementation; this is the case with the implementation of the selected ERP solution. Monitoring the implementation of the ERP, however, was not carried out systematically: few meetings record presentations of the project's progress, and these few presentations and ensuing debates, besides not taking place regularly, suffered several postponements. It is important to note that these delays in monitoring the implementation of the ERP seem to reflect not a low importance attributed by the board to the project, which represented an expressive investment for the group, but was more likely a consequence of the difficulty in managing numerous SIs that, simultaneously, demanded the board's attention. It is also worth mentioning that, since the board struggled to develop shared understandings regarding the SIs and the responses to these SIs, few approved responses reached the implementation stage, when compared to the total number of SIs identified in these meetings.

The minutes reveal that the board of BG A also decided, on some occasions, to *terminate the responses* to SIs, either in meetings in which their *design* was discussed, or later, during the *implementation* of the approved responses. These terminations occurred when the conditions that led to the decision to approve the responses changed, or some unexpected event made the board members rethink their understanding of the issue and associated response. One example of termination after a response was approved and under implementation occurred when the board decided to halt the implementation of a new chain of retail stores, Stores X, which was designed to sell merchandise from a single supplier of consumer electronics and smartphones. These stores would be in direct competition with another chain of stores the group owned, Stores Z, which sold similar products from another leading international brand. After the board consented on the launch of the second chain of stores and their implementation started, the group was warned by the manufacturer that supplied Stores Z that it would cease to sell its merchandise to BG A if the group proceeded with the launch of the new retail stores. The following excerpts record the discussions that took place in the board when the reaction of the

supplier of stores Z to BG A's initiative to launch stores that would sell products from its main competitor became known.

Meeting 6:

VPoB: comenta sobre os últimos acontecimentos do negócio da abertura das lojas X. Explica que os gestores da empresa Z entraram em contato e informaram que BG A não poderia abrir lojas X, sob pena de a empresa Z não fornecer mais produtos para as lojas do grupo. Explica que pesquisaram sobre os litígios da empresa Z e concluíram que é uma empresa famosa por sua veia contenciosa. O contrato com empresa Z hoje não pede exclusividade. Para tanto, quer saber a opinião dos demais conselheiros sobre abrir ou não as lojas X, considerando o risco de a empresa Z passar a abrir lojas próprias e o grupo ficar sem Z ou X.

VPoB: diz que terá uma reunião com os gestores da empresa X, estreitando laços, mas dirá que não poderá abrir as lojas da marca, apesar de achar que seria um ótimo negócio. Diz que está pensando em abrir mão do negócio das lojas X, mas quer negociar novo acordo com a empresa Z, com maior prioridade para o BG A, a fim de compensar o negócio perdido.

...

IND2: diz que a situação ideal seria a empresa ter todo o portfólio de tecnologia nas suas mãos, como é com as grandes revendas de automóveis, por exemplo, para não perder os clientes, que não são mais tão fiéis a marca e sim às últimas novidades. Diz também que a empresa poderá fazer novos acordos com a empresa Z, mas quando o contrato terminar eles podem dar as cartas conforme seja mais interessante para eles, independente do que se havia falado.

VPoB: diz que nesses contratos deverá haver a previsão de indenização caso haja descumprimento de algo acordado. Garante que as lojas próprias da empresa Z não abrirão próximas às lojas Z de BG A.

IND2: diz que amarraria o crescimento das lojas Z nas cidades de médio porte. Diz também que acha uma boa ideia vender produtos da empresa X dentro das lojas de departamento do grupo. Finaliza dizendo que o melhor seria ter garantias maiores com a empresa Z, como aumentar o tempo de contrato, melhorar a priorização de fornecimento, entre outras garantias.

CC: decidiu que a empresa deve continuar com as lojas Z e vender produtos da empresa X dentro das lojas de departamento.

In the above discussion, the board decides that the implementation of the new stores should not proceed, which implies discontinuing the response to the SI (a new business venture) previously perceived as attractive for the group. In this case, the interruption of implementation implies, at the same time, the termination of the response and of the SI that gave rise to it. From that moment on, both the SI and its response would no longer be part of the board's agenda and would never be discussed again.

In addition to discussing SIs at their different processing stages and deciding on the transition between these stages, the board also made procedural decisions regarding the processing the SIs and the responses to these issues. These procedural decisions often involved scheduling discussions at future meetings. They appear at various points in the minutes: recorded in the segments in which the issues and responses are debated, in the segment of the minutes reserved for recording the proposed agenda for the next meeting and, from the third meeting onwards, in a final segment of the minutes, in which discussions and decisions taken by the board on SIs at the meeting for which the minutes were prepared and all previous meetings were recorded, in a summarized way. Discussions on SIs were scheduled for future meetings for several reasons, some of which are explained in the minutes. For example, in some cases, when the board determines that some study or presentation should be done, scheduling the discussion of the issue for a future date gives the responsible person time to perform that activity (*execution time/delay*). In other cases, the postponement is due to the need to synchronize the discussion with some future event or development, internal or external to the group, with an impact on the analysis that the board expects to carry out (*event synchronization*). In some other cases, the postponement was caused by failure to perform some activity that would provide information required to support discussions on a SI; the extra time provided by the postponement would allow the activity to be redone and its output revised (*execution failure*). In a few cases, the minutes record that it was not possible to address the issue at the meeting, even though this discussion was scheduled, due to lack of time (*scheduling conflict*). Finally, and in these cases, implicitly, there are situations in which a SI has its discussion reprogrammed because more time was required for analysis (*comprehension / evaluation time*) or due to impasses caused by political conflicts not yet resolved between board members (*political impasse / conflict*). In many cases, however, there are no clear explanations as to why discussions on SIs and responses to those issues had been rescheduled. For example, many minutes record, in the segment summarizing discussions and decisions, the the discussion of some SIs have been rescheduled for future meetings, as if these decisions were the result of deliberations in this same meeting, even though the minutes do not record, in their previous

segments, that these issues were addressed at the meeting. In addition, there are inconsistencies between the schedule of future discussions recorded in the summary of discussions and decisions and what is effectively defined as the agenda for the next meeting, in the same minutes. And in some cases, what is discussed in a meeting is different from what had been scheduled, and no explanation is provided for this divergence (*agenda failure*). The analysis of the minutes allows us to infer that, in many cases, the failures observed in the scheduling of discussions recorded in different segments of the minutes and divergences between what was scheduled and discussed result from errors in the management of agendas and/or in the documentation of the meetings. However, in some cases, it is possible that these misunderstandings represent a deliberate action, through which specific SIs have their discussion postponed, in some cases repeatedly.

4.5.2. General features of the processing of SIs at BG A board meetings

The discussions on SIs at BG A board meetings do not follow a linear sequence, which necessarily moves to the next stage whenever an earlier processing stage is completed. In many cases, discussions on a SI can move forward or backward. For example, a SI for which a decision had already been taken - the implementation of an ERP to address the need for more consistent financial information and business processes - and which, consequently, would already be at a stage of defining the most appropriate response - the choice of software - is the object of reconsideration and reinterpretation, in the first board meeting, mainly at the initiative of the independent directors. In this specific case, it is understandable that this reinterpretation was made, since the board was formed after the decision to acquire an ERP and the independent directors, performing their expected role, wanted to understand the reasons and circumstances that led to this decision. However, this type of behavior is observed later, in several situations, such as, for example, when the board seems to come to a consensus on the need for improvement in the board decision-making processes and in the identification of necessary actions for this improvement but, a few meetings later, engages in a sensemaking exercise regarding the meaning and implications of an improvement in these decision-making processes.

The minutes show that the debate on SIs does not just go back and forth in successive meetings; they provide evidence that, in the same board meeting, several processing stages can emerge in the interventions of different participants. Different board members can make interventions that convey distinct stages of understanding and processing for the SI, at the same

meeting. Moreover, when the SI seems particularly problematic or complex, the same board member can make interventions that seem to indicate multiple stages in the processing of the same SI, apparently reflecting the difficulty in connecting, in the participants' mental schema, discrepant observations and beliefs about this issue in a coherent frame. The excerpt below provides additional support to these observations.

Meeting 4:

CC: inicia a conversa falando sobre a família empresária e ações para resolver alguns conflitos familiares. Fala-se sobre a possibilidade de fazer uma reunião com os núcleos familiares antes do workshop que havia sido marcado para o dia 20/04/2013, para avaliar os objetivos de cada família.

[The board meeting minutes record here a discussion (members taking part in this discussion are not identified by name), in which the idea of holding meetings with different family branches of the controlling family is debated. This segment of the minutes can be interpreted as confirming the common understanding among the board members that the group's situation required the implementation of a family governance model, through which the interests of different branches of the family would be accommodated. The debate focused on the timing of these meetings and whether they would enable the president and majority shareholder to identify the objectives these family branches had for the organization, as a necessary step towards designing the governance model for the family business. The idea of a family business governance model is taken for granted; what was under discussion was the implementation of the response defined for this SI, specifically the steps by which such model would be implemented.]

IND2: afirma que o maior problema do grupo, seguindo exemplos de várias grandes empresas é o alinhamento dos objetivos da família empresária, pois os números e gestão estão bons.

FBCon: reafirma a importância de trabalhar a família empresária que no momento é o maior problema do grupo.

[These two interventions, one reinforcing the previous one, seem to be associated with an earlier stage in the processing of a SI, in which its meaning and importance for the organization are appreciated and defined. In this specific case, in the interpretation of the two directors, the SI is sufficiently important to integrate the board's agenda: VPoB even states that it is "the biggest problem of the group", implying that it should receive high priority.

PoB: afirma que dever-se-á conversar novamente, para ver qual evento deverá ser feito em primeiro lugar.

[In this intervention, the interpretation of the SI as an important matter does not seem to be at stake, however, at the same time, there seems to be doubts regarding the best course of action to respond to it. PoB questions the realization of events that previously seemed already incorporated into the implementation of the family business governance model. His intervention seems to imply that the design of the response is not yet complete, demanding extra attention and deliberate sensemaking efforts.]

IND1: afirma também a importância de ter um representante de cada núcleo no conselho de administração, preparando as futuras gerações para o futuro da empresa, exemplificando com outros casos semelhantes.

IND2: afirma a importância do regramento das relações dos sócios e herdeiros com a empresa.

[In these interventions, IND1 and IND2 seem to want to contribute to the development of a more complete and coherent response to the previously identified SI. Implicitly, these interventions reinforce the need for a more comprehensive sensemaking effort to design the response to the SI; these additional sensemaking efforts would possibly demand additional debates, preceding any next step.]

CC: suspendeu o workshop do dia 20/04/13 para posterior avaliação dos diretores do grupo sobre os próximos passos no desenvolvimento da família empresária em uma reunião com FBCon, que ocorrerá em 10/04/2013.

[The board concluded that the next steps towards implementing the governance model for the family business require further analysis, with the participation of an external expert who has already been working with BG A and its directors on this issue. The conclusion of the debate seems influenced by the recent interventions of PoB, IND1 and IND2, which causes a "cycle back" in the processing of the SI, from response implementation to response design.]

As explained above, several of the SIs addressed by the board of BG A are interdependent. This interdependence is reflected in their processing at the board meetings: in many situations, discussions on different SIs take place in parallel or in an interrelated way. In addition, the interdependence of SIs also makes their systematic treatment difficult, as the discussions often move from one SI to another, without the debates on the former having reached any decision or a level of collective consensus that allows advancing in its processing. The following excerpt demonstrate an instance of debate in which several SIs are discusses in sequence.

Meeting 33:

Control2 [Group Controller]: *apresenta um novo orçamento e projeções para 2015, a fim de se ajustar às considerações dos gestores.*

PoB: explica quais alterações pediu para a Control2.

Control2: informa que foram feitas as seguintes alterações:

...

Control2: apresenta o endividamento projetado com as alterações e sem as alterações.

CC: discute qual fórmula é a melhor para demonstrar o endividamento projetado.

...

IND2: fala que independe da fórmula utilizada, mas não se pode perder o senso de urgência. Diz que quer ficar atualizado de como andam as resoluções do conselho, considerando que quando o Grupo voltar a crescer deve fazê-lo de forma sustentável e eficiente.

IND1: diz que deve-se atentar para as diversas atividades que o Grupo desenvolve, pois torna-se difícil de gerir e acaba afetando a média do negócio.

Several SIs are mentioned in this short excerpt. The discussion is recorded in a segment of the meeting originally dedicated to the budget for the next year, considered a SI by the board (deserving a specific segment on the meeting's agenda). The first two interventions by participants, however, are related to criticisms made to the methods hitherto used to calculate inventory turnover, which led to their revision. Both SIs - tools for managerial analysis and decision-making (such as inventory turnover ratios) and inventory management - were, at the time, considered SIs for BG A. The new methods for calculating inventory turnover, in turn, had an impact on the indebtedness ratios projected for the group, another SI in the agenda of the board during the serious economic crisis that the country was going through. After that, the minutes record interventions by the independent directors, who express their concerns with the decision-making process in the board (IND2) and with the complexity of the group's portfolio of businesses (IND1) - both SIs. Although not all discussions on these SIs are characterized by depth in their analysis and debate, they allow us to confirm that the interdependence of SIs is reflected in their processing by the board and in the interactions between the board members.

The analysis of the minutes of board meetings suggests factors that contributed to the difficulty the board had in achieving consensus on the interpretation of many SIs and in deliberating on the responses to these SIs. One of these factors seems to be the divergence in

the mental models board members used in interpretations of SIs. Another was the lack of time pressure when the board had to deliberate on SIs that did not require an urgent response. This deliberation was even more difficult when the SIs involved the direct interests of the shareholders who occupied senior executive positions, or which threatened deep-held beliefs about the organization's values and identity. Once the impasse was established in the development of a collective understanding about the meaning and consequence of a SI with these characteristics, the board found it difficult to overcome it. The excerpts below show an impasse resulting from the clashes between the perspective of some directors on the long-term economic viability of the group's wood furniture business unit, versus the perspective of the director responsible for this unit (PoB), for whom considerations of economic rationality are counterweighted by non-economic or socio-emotional objectives, including the preservation of the group's identity.

Meeting 2:

IND2: questiona sobre Lojas C [chain of furniture stores]: considerando-se que com determinado número de lojas, viabiliza-se o negócio, entretanto, só o negócio de linha alta, então, por que não fazer móveis mais baratos para acompanhar os estofados vendidos para as grandes redes?

PoB: diz que o processo e as máquinas são diferentes. Diz ainda que móveis de madeira não podem ser retirados do portfólio, pois representam a alma do negócio da empresa, entretanto existe um grande problema: a incompatibilidade da equipe de vendas com o produto. Fala ainda que deveria haver uma equipe focada na linha madeira.

IND2: entende que para melhorar o resultado dos móveis de madeira deveria ter, em conjunto, um produto de massa para diluir o custo fixo do negócio trazendo o ponto de equilíbrio mais para baixo.

PoB: insiste que deverão mudar o perfil do representante, mais focado em um nicho de mercado especializado, com funcionários e não mais representação. Também diz que é muito difícil conseguir deixar um móvel de madeira mais barato, pois a matéria prima é cara, mas a empresa está buscando achar uma solução.

IND2: concorda que deve haver as duas linhas, a A e a D, uma com margem maior e outra de menor margem e maior volume, diluindo o custo fixo, baixando o ponto de equilíbrio.

ID2: concorda com IND2.

PoB: também concorda com a linha de raciocínio.

Meeting 16:

ID2: ... Diz que o negócio de madeira também não está com bons resultados.

PoB: diz que o negócio de madeira é um dos negócios "mãe" da empresa e não pode ser desativado.

ID2: diz que talvez seria interessante fazer móveis mais condizentes com o resto do portfólio.

PoB: diz que não consegue produzir com mais baixo custo.

IND2: diz que concorda que deveria haver mais coerência entre os produtos do portfólio.

Very rarely did the board use, when discussing SIs, structured methods of task-oriented conflict, such as dialectical inquiry or devil's advocacy, or agreement-seeking processes, including open discussion and examination of the assumptions underlying board member's interpretations. The board also did not use extensively in the debates on these SIs reports, studies, and analyses, commissioned from members of the board, other employees, or external consultants, presented either before or during board meetings. Thus, most of the discussions associated with these SIs were only supported by verbal intervention by board members, exchanging information and opinions, and not in written documents or structured presentations. In a few cases, attempts have been made to introduce some structure to the debates on SIs, almost exclusively by independent directors. For example, to provide some additional perspective on the issues of family business governance, management model, management policies and processes, and organizational structure, IND1 prepared and delivered a formal presentation on another family-owned business group, where he had previously been a senior executive. IND2 also sought to introduce similar approaches to stimulate more structured decision-making on business strategies in the board, facilitating workshops with the participation of managers of some of the group's industrial business units to discuss their strategic directions and imperatives and, on another occasion, presenting a strategic exercise for one of the group's business units in each of the industry and trade divisions, as a suggestion to how other business units should structure their strategic planning and formulation. However, in none of these cases did the board follow up on the initiatives of the independent directors, and the discussions related to these issues continued mostly using the model of verbal debate unsupported by formal analyses or reports.

In contrast to the approach adopted for SIs that directly involved owner-managers or aspects of legitimacy and identity, structured resources to support decision-making did appear in the minutes when these issues are delegated to lower levels of the organization or when the

issues do not directly involve board members. For example, interim versions of the BG A code of ethics are brought to the board for consideration, in formal presentations made by the middle managers responsible for their development. In the discussions that follow the presentations, the directors critically evaluate the interim version of the code of ethics, supporting their comments with references to standards for this type of document, their experience in the development of codes of ethics for other organizations, and other tangible elements. This also occurs with the ERP implementation: when asked to inform the board on the main decisions and the progress of the implementation, the managers involved bring formal and structured presentations to board meetings. The use of these support instruments seems to positively contribute to the efficiency of board's sensemaking and decision processes, accelerating the achievement of shared understandings regarding the responses to the challenges posed by SIs and the way in which these responses should be implemented.

Although the meetings have a structure that, at least in principle, should direct the attention of the directors to the discussion and deliberation on specific SIs that are part of the agenda for the meeting, in practice their debate does not follow these rules, occurring in practically all segments of the meetings. As mentioned before, the minutes contain specific segments dedicated to the discussion of SIs, which had been previously scheduled or, in some cases, which were carried out outside the defined agenda. In these segments the most substantive discussions on SIs are usually found, and it is in these segments where debates and discussions aimed at developing a common understanding tend to advance further. However, other segments of the minutes also record discussions on SIs, although, for the most part, with less depth and attention. The introduction into the routine of the board meetings of a segment dedicated to the review of the financial results of the group's business units was important for the identification of SIs associated with business units achieving unsatisfactory performance. Although, during the review of financial results, there is usually no in-depth discussion of these issues, many of them are later the subject of extensive debates, in sensemaking exercises that can proceed through several meetings and different processing stages.

Exploitation of the results of the performance review of the group's business units to identify SIs to be incorporated into the board's agenda is hampered, however, by the lack of objective criteria for evaluating these results. Except for some generic benchmarks, such as profit or loss, or level of indebtedness, there are no other targets, financial or operational, that are used to compare observed and desired performance. Likewise, objectives and goals and benchmarks are not used to indicate whether the strategic direction defined for the business unit is being pursued and target reached. The discussions and decisions on SIs are usually based on

subjective evaluations, exchanges of opinions and references to mental schemas and cause-effect understandings held by board members. At BG board meetings, objective means for estimating the impact of SIs and deciding on their incorporation into the organization's strategic agenda are used sparingly. Likewise, these means are seldom used to evaluate the proposed responses for the SIs under analysis.

4.5.3. Phases of SIs processing

In her essay on process studies, Langley (1999) identified seven generic approaches for the analysis of process data, that she, following Weick (1979), called "sensemaking strategies". One of them, which will be used next in this document, is "temporal bracketing". In this approach, the time during which the data were collected is divided in successive periods, characterized by continuity in activities and patterns within each period, and discontinuities at the boundaries between them (Langley & Truax, 1994). According to Langley (1999), "beyond its descriptive utility, this type of temporal decomposition also offers interesting opportunities for structuring process analysis." (pg. 703). In this study, this approach is used as a means to understand how and why the BG A board's processing of SIs changed over time (Abdallah, Lusiani, & Langley, 2019).

4.5.3.1.   Phase One: From Sensemaking to Conflict

This first phase of SIs processing runs from the first of the board meetings to the 14th meeting, an interval of approximately 15 months. This period is marked, initially, by intense discussions, during which the independent directors sought to form their understanding of the organization and the internal directors provided their knowledge and perspectives on the group and its challenges. As the meetings progress, however, the difficulty in developing shared understandings on some sensitive issues, combined with interventions that challenge power dynamics within the organization, led to open conflicts that paralyzed the board, until new interaction patterns and work practices are put in place, in the second phase of SI processing.

During this first phase, different means are used to provide external directors with greater knowledge of the organization, both at board meetings and outside of them. The minutes of the first meetings record, for example, presentations about the group and its business units, made by the group's senior executives (PoB and VPoB). In addition, the minutes mention visits to

some of the group's facilities by the independent directors. During these presentations and information exchanges, inside directors engage in extensive sensegiving (Gioia & Chittipeddi, 1991; Schildt, Mantere, & Cornelissen, 2020), presenting their perspective for each of the group's business units, including their business models, critical success factors, current problems and their causes, competitive positioning, and challenges. In these interactions, they seem to try to convey their mental models, beliefs, values, and goals, and to influence the sensemaking processes of the new directors. Independent directors, in turn, do not behave as mere recipients of information during these interactions: not only do they question inside directors about their statements, but also offer, in some situations, alternative interpretations that, although still in a limited fashion, challenge the perspectives and understandings of internal directors. In general, however, these initial exchanges in which some SIs are already identified – although not explored in depth – take place in an open way and devoid, for the most part, of negative or emotional bias. Directors, both internal and external, seem genuinely interested in identifying and debating distinct mental models and interpretations in their collective sensemaking process, with the aim of reaching richer interpretations and understandings.

In this initial period of intense sensegiving and collective sensemaking, some issues that were already being addressed by the organization before the constitution of the board are brought to its attention. For example, SIs such as the selection of an ERP software for the group, the implementation of corporate risk management processes and routines, and the creation of a code of ethics are discussed during board meetings. In the initial debates on these pre-existing SIs, there is still a limited intervention of independent directors, possibly not yet sufficiently familiarized with the internal workings of the group. Their interventions are based on examples and situations they have already experienced and their cognitive repertoires, also associated with previous experiences (Ocasio, 1997). The intensity of these interventions by independent directors on SIs already underway seems to be directly proportional to their direct interests, training, and professional experience, with IND1 focused more on governance and financial control issues, and IND2 on strategy.

Also in this initial period, the processes and routines used in board meetings are progressively created or expanded. To the initial format of the meetings, new segments are added that will become regular in all subsequent meeting minutes, such as a review of the financial results of the group and its main business units and a summarized record of the main discussions and decisions on SIs. In the case of financial results, the minutes of this first phase record quick discussions that do not go through all the units of the group, possibly because the

financial results in general were, at that time, still positive and, consequently, did not lead to the identification of SIs associated with the operational performance for most business units in the group. The segment dedicated to the evaluation of the meeting initially records positive feedback and enthusiasm for the work being done, and little consideration or thoughts about the board's practices and processes. Progressively, however, the records in this segment of the minutes begin to show some interventions that indicate divergences between inside and independent directors, which will be exacerbated as the meetings continue.

The less attention paid to operational issues allowed the board to focus time and effort on issues associated with governance and strategy. Attention to issues of strategy is materialized in workshops to discuss the strategic direction for some of the business units of the group's industrial division, facilitated by IND2, and in the discussion on the prospects for another business unit of the same division, resulting from a visit by IND2 to the largest plant of the group, in which he identified problems in the plant layout, in part associated with this unit. These discussions, while allowing rich interactions, from the point of view of exchanging information, are not followed by specific actions, nor do they give rise to decisions. The workshops to discuss SIs related to the business units of the industrial division of BG A were supposed to be followed by similar events for the group's trade division, but this idea was not taken forward. A few meetings later, and in sync with the group's planning and budget calendar, the board begins to discuss the guidelines and assumptions for the strategic planning of the industrial and trade divisions, which are presented by the directors responsible for them, respectively PoB and VPoB. As the discussion on these issues of strategy advance, the assertions of these internal directors, especially VPoB, regarding both the content of the strategies and the process employed to develop these strategies are challenged, mainly by IND2 but also by ID2. The excerpt reproduced below exemplifies these interactions.

Meeting 8:

VPoB: Inicia apresentando quais parâmetros utilizados para fazer o planejamento estratégico do varejo:

- Referenciais estratégicos - missão, visão;

- Macro ambiental – oportunidade e ameaça;

- Fatores chave de sucesso;

- Análise SWOT (potencialidades, fraquezas, oportunidades e ameaças).

IND2: Diz que na análise da matriz SWOT deverá haver seis itens em cada um dos fatores, no máximo, pois após os cruzamentos, com o número de fatores atuais, se teriam 80

ações, o que torna o planejamento estratégico sem foco e inviável. Desta forma, ele diz que esta matriz deveria ser feita para cada negócio em separado. Continua dizendo que a maior fragilidade hoje seria especificar a estratégia e não tanto o planejamento estratégico, desta forma, diz que na Loja de Departamentos, por exemplo, o mais importante seria terminar a definição da proposta de valor, esclarecendo as ações do planejamento estratégico. Questiona ainda quem participa do planejamento estratégico.

VPoB: diz que somente o nível 1.

IND2: Afirma que se deve envolver um grupo maior, não na decisão, mas na comunicação para direcionar as ações de um número maior de pessoas, implementando de forma eficiente o planejamento estratégico. Questiona: quando o PE fica pronto, para onde ele é encaminhado? Ele é discutido antes de ser enviado para as ações? Diz que acredita que as decisões estratégicas são tomadas antes das análises estratégicas.

VPoB: Diz que as análises são feitas antes das ações.

IND2: Questiona o que vem antes deste PE? A macro meta?

VPoB: Diz que sim.

IND2: Sugere então um bom plano de comunicação deste PE para nortear as ações das pessoas.

VPoB: Conclui dizendo que fica feliz de que o PE esteja sendo feito de maneira correta e que irá criar um workflow para que as ações sejam tomadas.

It is noticeable, in the interactions recorded when the board is discussing these SIs, that inside directors adopt a progressively more defensive attitude in relation to current practices and previous decisions. At the same time, the interventions of independent directors become progressively more incisive. In their interventions, independent directors use their expertise in some disciplines to influence the board's collective sensemaking process. At the same time, their knowledge is used to support the criticisms they make, rebuffing the established interpretations and understandings of inside directors (see the previous excerpt, which exemplifies this behavior).

While acknowledging the importance of the board to the group, senior level inside directors seem to resent the restriction on their managerial discretion imposed by the need to present, defend and debate their initiatives on the board and, consequently, the slower speed with which they manage to conduct their activities. This tension between control on one hand, and speed and freedom of action on the other is reflected in some decisions on SIs that are made on the sidelines of the board, and that are only communicated by senior executives at meetings.

The other directors have limited opportunities to discuss and contribute to the interpretation of these questions and the definition of the most appropriate responses to them. This decision-making on SIs outside the board meetings gives rise to debates, recorded in some minutes, about the rules for decision-making in the board and about the need for consensus before decisions. These themes also become a SI. The following excerpt exemplifies these discussions.

Meeting 6 (during the debates on the implementation of ERP software):

VPoB: informa um conflito diante da dinâmica da implantação do software. Diz que entende que é necessária uma nova pessoa dentro do financeiro que conheça SAP, pois não há profundidade na condução do assunto.

IND2: diz que deve haver um tripé, consultoria que implementa, empresa e consultoria que alinha a implementação e empresa.

PoB: informa que existe um comitê e não apenas uma pessoa que está à frente da implementação do software.

IND2: sugeriu que este assunto volte na próxima reunião para tratá-lo de forma mais aprofundada.

IND1: diz que nenhuma decisão pode ser tomada sem o consenso da diretoria, pois isso enfraquece a tomada de decisões e, portanto, a gestão da empresa.

At the same meeting (during the evaluation of the meeting):

ID2: Aavalia que as discussões e o consenso deveriam ser feitas nestas reuniões e não ser feita antes e após apenas informadas;

VPoB: Avalia que as principais questões podem ser discutidas e tomadas na reunião da diretoria, de forma pontual e com uma pauta inclusive;

PoB: Acha que ID1 resumiu muito bem e deve-se buscar cada vez mais o consenso.

As the meetings succeed each other, the directors' interventions become increasingly antagonistic, and the debates on the meaning of SIs and the responses to them more frequent and intense. In the absence of a shared understanding on various SIs, there is little progress in their processing, and SIs accumulate on the board's agenda. Some issues, which do not involve direct interests of the inside directors and which, for the most part, were delegated to middle managers of the group, are still addressed in a structured way and the sensemaking process adopted for them allows the board to reach consensus on their interpretation and necessary responses. One of these SIs not under the direct responsibility of the board members, however,

is one of the catalysts for an open and direct conflict, which emerges clearly at meeting 14, and which will influence the course of discussions on SIs from then on. At meeting 13, the partners of a management consultancy present to the board a proposal for a new organizational model for the group, oriented to business units, without the divisions in which these units were previously grouped, and a new managing accounting structure comprising a new chart of accounts and a new list of cost centers, which would allow the segregation of financial results for each of the group's business units. The proposal is quickly debated, but the board does not deliberate on it, choosing to discuss it again at the next meeting.

At the beginning of meeting 14, which took place in February 2014, and even before the scheduled discussion on the strategic planning for the industry and trade divisions, which were on the agenda, IND2 informs that he reviewed the strategic plans for both divisions and concluded that they do not have strategies, only growth targets – unrealistic ones, in his view, considering the prospects for the country's economy for the year. This assertion is disputed by VPoB, who presents arguments to support his sales forecasts and store opening proposals. As the meeting progresses, IND2 again comments on the strategies for the two divisions of the group. Although in his critiques IND2 addresses the strategies of both the industry and the trade divisions, he reserves his most scathing remarks for the latter. Again, IND2's claims are disputed by VPoB. As the interventions take place, an increase in animosity and the emergence of emotional conflict is noticeable, initially polarized in the IND2 - VPoB dyad. The review of the previous month's financial results is abandoned, and the board discusses the strategic plans of the industry and trade divisions and associated capital investments, leaving aside the previously defined agenda. ID2 (a junior level inside director when compared to PoB and VPoB) joins IND2's criticism of the strategy proposals for the trade division, centering his negative comments on the lack of a formal value proposition for DepStores. This intervention is poorly received by VPoB; the minutes record successive interventions by ID2 and VPoB, who expose diametrically opposed and conflicting points of view regarding this issue. The conflict at this point involves 3 actors on the board: IND2 and ID2, opposing VPoB. The board decides to postpone the discussion on strategic planning - which formally did not take place - until the next month's meeting.

The minutes of meeting 14 record that after the heated discussions on strategy the board then addresses another issue, the code of ethics for the group, then under development. The board then discusses the next item on the agenda, the management model for the group proposed by the management consultancy. Discussions focus on the future organizational structure and the higher-level positions that the structure contains. During the discussions, IND2 suggests

that ID2 take over the management of DepStores; this proposal, if approved, would represent a considerable reduction in VPoB responsibilities, with a corresponding loss of power. IND2's proposal is debated by the board and after this debate PoB invites ID2 to take over the management of DepStores. It is important to note that ID2 is a member of the PoB family group, which controls BG A, with VPoB being a minority shareholder. ID2 promises to think about this invitation. The minutes do not record any VPoB intervention after IND2's initial proposal that the management of DepStores should be assigned to ID2.

Meeting 14 (during the review of financial results from the previous month):

IND2: fala que analisou os Planejamentos Estratégicos e achou que não há planejamento, somente meta de crescimento. Fala que será um ano de poucos dias, que 60% dos executivos brasileiros falam que a taxa de juros vai subir e 23% acham que o desemprego vai subir. Diz que a Microsoft está se sentindo ameaçada, pois os computadores terão suas vendas diminuídas. A atividade industrial vai cair.

VPoB: diz que as vendas dos computadores (notes) vêm caindo, mas com o crescimento do mercado de tablets na verdade esse mercado vem crescendo como um todo.

IND2: fala que a empresa foi feita por essa geração que foi muito empreendedora e cresceu muito, mas o nível de gestão não acompanhou.

VPoB: diz que a atual geração vem estudando e se preparando, e a nova geração idem.

IND2: fala que móveis é um negócio sem marca, com muita concorrência, com grande poder do fornecedor. Portanto, entende que nesse negócio a logística deverá ser o foco. Falta para a fábrica ter premissas estratégicas para cada negócio. Entende que os planejados devem se voltar para a DepStores, não dependendo de grandes players. Diz que nenhum negócio é ruim, somente estão mal posicionados. Por outro lado, fala que não entende por que se começou a vender Brand H [audio, video and power cables and accessories]. É um novo negócio? Quem faz a gestão? Para que vender apenas um novo produto?

VPoB: diz que Brand H na verdade não é um novo negócio, e sim apenas um fornecedor que está sendo desenvolvido com o foco interno e com alguma oportunidade de vendas para fora do grupo, num negócio b2b sem investimento de porte e sem a contratação de sequer um único funcionário, sendo que alguns produtos já estão sem estoque porque as Stores Z venderam tudo.

IND2: continua observando que estão abrindo lojas pequenas no Negócio Z. Por quê? A Z vai abrir lojas nas grandes capitais e qual a estratégia diante disso?

VPoB: diz que a Z abriu apenas uma unidade no Brasil, sendo que acredita que deva abrir mais, mas num país continental que nem o nosso desprezar a oportunidade de ser o maior cliente do produto que tem a marca mais valorizada no Brasil não me parece a melhor estratégia.

IND2: questiona sobre HardStores [chain of hardware stores]: quais são as medidas para enfrentar um mercado em declínio?

VPoB: diz que sempre existirão indústrias e sempre existirá alguém para vender para elas, salvo se o Brasil realmente quebrar. Assim a HardStore vai se adaptar ao mercado e brigar para estar entre as de melhor gestão e resultado, como já e hoje.

IND2: observa que falta estratégia, somente existem números e previsão de abertura de lojas.

Para VPoB, esta afirmação não é verdadeira, pois basta ler todos os PE's feitos ao longo dos últimos anos para se saber que tem estratégia e gente pensando o negócio. No varejo a estratégia se alinha com os fornecedores, e se comunica com os clientes via um marketing agressivo e inteligente. Entende que convém uma boa leitura do PE que será entregue, entretanto, concorda que se deve melhorar ano a ano.

IND2: continua observando que a empresa está crescendo, mas este é um ano com poucos dias, vai haver uma confusão política, há compromissos financeiros importantes na empresa, investimentos necessários. Entende que os negócios são bons e que tem muita coisa para fazer no sentido de melhoria de processos, mas a empresa cresceu de uma tal maneira que precisa haver uma revisão estrutural.

VPoB: entende que uma revisão estrutural precisa acontecer para fortalecer a gestão e não torná-la fraca. Diante de um mercado tão competitivo uma gestão fraca poderia ser igual ao insucesso da operação. Para ele existem sugestões fortes para o organograma da Management Consultancy. Para ele tanto no plano de contas quanto no organograma o trabalho deles ficou abaixo da média.

Para @IND2, BG A é uma ótima empresa, com uma atividade empreendedora fortíssima, mas está na iminência de perder o controle.

Para VPoB, se o conselho continuar a plantar desavenças e diferenças na administração que foi bem até hoje, pode acontecer.

...

CC: continua a discussão sobre planejamento estratégico e investimentos.

...

ID2: ressalta que a empresa tem negócios demais, falta foco. Diz que as ações acabam sendo feitas, mas que não se está olhando cada negócio a fundo. Entende que estão inchando o negócio, mas que a conta será paga logo à frente. Entende que não há proposta de valor em nenhum negócio, não se conhece o foco, o cliente, falta profundidade na análise de cada um dos negócios.

VPoB: diz que se passou dois anos discutindo a proposta de valor da DepStores, não entendendo o que falta.

ID2: continua demonstrando um vídeo de propaganda da DepStores e diz que não tem nada a ver com o consumidor que se atinge, pois não há uma proposta de valor do negócio. Mostra as lojas da DepStores e demonstra os problemas das lojas e do centro de distribuição.

Para VPoB: vídeo com fotos e filmagens de 3 anos atrás (algumas) não faz sentido. Entende que todo o varejo tem problemas com as lojas antigas, custando caro manter tudo 100%. Para ele a DepStores ainda não dá lucro suficiente para deixar todas as lojas dentro do novo padrão, por isso está sendo feito passo a passo, com investimentos significativos no setor. Informa que somente nesse ano são 3 milhões de reais no PE.

VPoB: explica como foi feita a mudança da DepStores e o porquê de alguns problemas apontados. Diz que o ID2 deve ser mais ativo, pois quando vê algo errado deve falar e fazer.

CC: resolveu trazer a discussão sobre planejamento estratégico na reunião de março, junto com a discussão do fluxo de caixa, após reunião a ser realizada no dia 18/03 pelo comitê de riscos.

Meeting 14 (from the segment dedicated to the discussion of the management model proposed by the management consultancy):

PoB: demonstra o trabalho feito pela Management Consultancy com a sugestão do novo organograma.

Após breve análise da sugestão, IND2 diz que acha que a previsão de um diretor de novos negócios não será necessária, bem como entende que não deveria se colocar como responsável alguém que não fosse sócio.

CC: discute sobre se a sugestão apresentada é a melhor para o grupo.

IND2: sugere que a indústria continue com o PoB (diretor presidente), que ficaria com a indústria e administrativo financeiro; serviços de tecnologia e HardStore seria do VPoB; DepStores e Suply Chain ficaria com o ID2; Construção Civil e serviços financeiros com ID1..

CC: discute sobre o papel do ID2 no organograma.

...

A Diretoria [PoB] decidiu convidar para gerir a DepStores, ID2, que ficou de dar uma resposta sobre o convite.

Although the minutes of this meeting do not record the outcome of the discussions on the strategy of the trade division, nor on the organizational structure of the group, the analysis of the minutes of the following meetings shows that this meeting represented a moment of rupture in the group processes within the board, with direct impact on the way the board dealt with SIs, from that date onwards. As Deutsch (1969, p. 11) observed:

> Destructive conflict is characterized by a tendency to expand and to escalate. As a result, such conflict often becomes independent of its initiating causes and is likely to continue after these have become irrelevant or have been forgotten. Expansion occurs along the various dimensions of conflict: the size and number of the immediate issues involved; the number of the motives and participants implicated on each side of the issue; the size and number of the principles and precedents that are perceived to be at stake; the costs that the participants are willing to bear in relation to the conflict; the number of norms of moral conduct from which behavior toward the other side is exempted; and the intensity of negative attitudes toward the other side.

In the case of the board of BG A, the conflict expressed at that meeting had long-lasting and negative effects on the quality of the processing of SIs and the decisions that the board was able to make, and on the board's ability to mobilize analytical and creative skills of its members to joint discuss and deliberate on SIs.

4.5.3.2. Phase Two: From Conflict to Control

The second phase of processing SIs runs from the 15th to the 24th meeting, an interval of approximately 11 months. This period is initially marked by attempts to resume the board's operating routines that were affected by the crisis that marked at the end of the first phase. These attempts do not bear fruit and, as a result, the board ends up adopting new ways of working and interacting, which lead to a change in the focus given to the treatment of SIs. The issues associated with strategy formulation, the focus of the conflict that emerged in the previous phase, end up being discarded and replaced by the monitoring of the main initiatives to implement the strategies of the group's divisions, apparently adopted without the board being able to deliberate on them. As a backdrop to these changes in routines and in the way the board

deals with SIs, there is a worsening in the group's financial results, which leads to the emergence of new SIs, which are then regularly discussed by the board.

The minutes of meeting 15, the first of this second phase, record the attempt to repair the relations between board members and the board's operating dynamics, after the open conflict that arose at the previous meeting. These minutes are marked by some unique features, which are not repeated in the minutes of any other meeting. This is the only meeting at which the minutes of the previous meeting are not approved by the members of the board. It records that VPoB requests that the minutes of meeting 14 be reviewed, committing to forward to the secretary of the board his notes from that meeting. It can be speculated that the version of the minutes of Meeting 14 made available for this study may have been expunged of some interventions originally recorded, thus eliminating more contentious parts and verbal exchanges that, if put on paper, would damage even more the strained relations between some of the board members. This meeting also records the only change in the composition of the advisory board of BG A that occurs during the entire period covered by the minutes in this sample: two new inside directors, ID3 and ID4, both members of the PoB family group, start to participate in the meetings, in permanent character. FBCon, a family business consultant, also participates in this meeting. Although the participation of this consultant was scheduled for some meetings later, when the board would complete another year of operation, he was invited to participate in this meeting to observe the interpersonal dynamics during the meeting and collaborate to mitigate the consequences of the conflict manifested in the last meeting.

According to the minutes of meeting 15, after the presentation of financial results (which are starting to get worse, although not yet acutely), there is a discussion of the country's economic outlook, during which IND2 and IND1 recommend the creation of an enterprise risk management process. The discussion on risk management begins during the presentation of the financial results and continues in the segment dedicated to the discussion of cashflow and working capital, a SI that would be included in the agenda of almost all meetings from this meeting on. During these discussions FBCon makes his first relevant intervention, offering "suas percepções sobre a dinâmica do conselho consultivo. Atenta que os conselheiros internos devem ouvir um pouco mais." This intervention seems to activate a reaction from VPoB, which until then had barely participated in the meeting. The minutes record that he mentions the issues that bothered him at the previous meeting (although the minutes do not describe these issues). VPoB also says he felt "underestimated" by the comments of other board members during the previous meeting, implying that the issues that bothered him were related to power in the organization. The minutes record that IND2 and PoB explained their interventions on

organizational structure at the previous meeting and, in the case of PoB, what motivated him to suggest the name ID2 to head DepStores. FBCon intervenes again, trying to repair relations between directors, saying that "entende que está havendo um cabo de guerra entre a gestão e até mesmo no Conselho. Pede para esta força ser usada em prol da empresa."

Meeting 15 continues, and the board discusses the organizational structure previously proposed by the management consultancy. VPoB suggests the creation of a retail business unit, similar to the business unit suggested for industry – the creation of which would preserve his power in the organization. The board engages in discussions about organizational structure, involving aspects such as a shared services center and new vice presidencies, among other issues. The board also discusses decision-making processes in the group, in addition to organizational structure. The minutes record interventions by IND1 and IND2, who call for strategic decisions to be reached through consensus. The board discusses the need for consensus and common goals among owner-managers. What is discussed is not recorded in the minutes.

FBCon makes an impactful intervention: saying that " "não vê efetividade nas reuniões do conselho consultivo e deve haver um alinhamento nos objetivos da gestão para dar continuidade aos trabalhos do conselho." The board then decides that FBCon will schedule a workshop with the senior partner of the culture, strategy, and leadership practice of an international human resources consultancy, with extensive experience as a workshop facilitator, so that he can engage the inside directors in an exercise of "alinhamento do pensamento estratégico do grupo para poder dar continuidade às reuniões do conselho consultivo."

At meeting 15, SIs are discussed in a disorganized way, more so than in previous meetings. What starts as a presentation of financial results is followed by discussions on the political and economic crisis, risk management, organizational structure, decision-making processes, in rapid succession. The structure and practices adopted previously in board meetings, even if partially, are not observed at this meeting, probably still as a consequence of the damage to interpersonal relationships that occurred at the last meeting. The minutes, for the first and only time, do not record any topic for the agenda of the next meeting: the continuation of the meetings and, consequently, the processing of issues by the board, seem to depend on this workshop with the senior partner at the human resources consultancy. But the minutes of the next meetings show that this workshop is postponed due to scheduling conflicts, and finally apparently discarded, not being mentioned again in the minutes. Board meetings continue to take place, and the segment of the minutes containing the agenda for the next meeting reappears at the minutes of meeting 16.

The minutes of the meetings immediately following meeting 15 show few substantive discussions. Apparently, the conflict has dampened the board's energy and productivity: minutes are shorter, with fewer debates on SIs. Discussions that took place in past meetings during the review of financial results, where some SIs had emerged, are greatly reduced. On the other hand, concerns about the economic and political environment appear to be on the rise. At meeting 16, for example, PoB presents to the board a report from an industry association on the economic scenario for Brazil, which is quite negative. At meeting 22, an economist from an investment bank makes a presentation on the outlook for the country's economy - again, quite pessimistic. Concerns about the impact of the economic crisis on the group's financial results lead the board to devote attention to new SIs, all of them associated with financial controls, in addition to continuing to monitor the evolution of the national economy.

At meeting 18, the first of several discussions on cash flow takes place, during which the need to reduce inventory levels is mentioned, to free up working capital that would otherwise have to be obtained through financing, increasing the indebtedness of the group. The directors, especially the independent ones, reiterate the need for prudence in the group's financial management. However, even with the numbers indicating the need to decrease expenses and discretionary investments, PoB informs that the investment in the factory in the Northeast region will be made, leaving no room for questioning regarding this decision. PoB's position as chairman of the board, president of the company and majority shareholder seems to imply that his decisions are not subject to review or questioning by the board. The cash flow issue becomes a recurring item at subsequent meetings.

Due to the difficulty in achieving consensus on more contentious SIs, and the disruption of the work routines of the board caused by the intensification of conflict between board members, the backlog of issues to be addressed continued to grow. The board attempts to manage this backlog. The minutes of meeting 16 record that an inventory of outstanding SIs is carried out. The minutes of this meeting record 10 SIs as pending. However, at least two other issues are disregarded in this inventory, and disappear from this and all subsequent minutes. Part of meeting 17 is devoted to a status review of outstanding SIs. Decisions regarding their scheduling at subsequent meetings and assignment of responsibilities to board members are taken, in an attempt to resume the processing of SIs, disturbed by the intense conflict that broke out a few meetings ago, which led to the interruption of some discussions then in progress. While the inclusion of the discussion of outstanding SIs in the board's agenda represents a step forward, the discussion of almost all of them is scheduled for the next two meetings, clearly disregarding the board's capacity to process SIs, which by then should already be known. Sixty

days later, at meeting 19, virtually the same list of SIs (which were not discussed) is rescheduled, several of them for the meeting to be held in 60 days. Again, it looks like an effort to put some order in the backlog of SIs, but without consideration to the board's capacity to handle them. At meeting 21, however, several of these issues are eliminated from the minutes. It is not clear whether the elimination of these SIs is a result of a deliberate decision to reduce the backlog of issues still to be addressed by the board, represents an assessment that some of these SIs are no longer relevant, or even an acknowledgment of the board's inability to reach consensus and deliberate on them.

Reproducing a pattern observed in the first phase of the processing of SIs, several discussions are recorded in the minutes on the strategic direction for business units. On several occasions, IND2 reiterates his criticism of the shortcomings of business unit strategies, now supplemented with criticism of the lack of integration of these strategies (however flawed they may be) into a coherent corporate strategy. In some instances, IND2 is supported by both ID2 and IND1, although their criticisms were expressed with less emphasis and are focused on aspects such as the complexity involved in managing a diversified group. These claims about the lack of coherent strategies are contested by VPoB and, to a lesser extent, by PoB. The complexity in the management of the group, in turn, gives rise to discussions in which the directors consider the need to focus on the group's core businesses, which implies a reduction in the number of business units created over the years, or the exploitation of synergies between businesses, particularly the greater use of the group's retail chains as sales channels for the industry division's products. At meeting 17, a proposal was made for a study of products that could be sold in the group's stores, to be led by PoB and VPoB, who are expected to present results within 60 days. This is one of the rare opportunities, recorded in the minutes, in which board members decide to create cross-functional mechanisms, such as task forces and working groups, to address SIs with the participation of more than one board member, with expected results and defined deadlines. In most cases where the responsibility for the presentation of some study or analysis is assigned to a board member, this assignment is individual.

Surprisingly, considering its role as a catalyst for the conflict that arose at the end of the previous phase, the board manages to advance the discussions on organizational structure. During meeting 16, the issue is again brought to the attention of the board. In this discussion, in which the proposals that gave rise to the crisis in the previous phase (which implied removing business from the responsibility of the VPoB) are not discussed, the board decides to create vice presidencies, to be occupied by members of the group. The organizational structure is

finally defined and approved at meeting 17, according to the extract of the minutes of that meeting, presented below.

Meeting 17:

ID3: inicia a apresentação do novo organograma de BG A. Apresenta a estrutura organizacional da empresa. Explica quais os números que poderão ser vistos em cada negócio. Apresenta cada um dos cargos e competências.

CC: discute sobre a apresentação.

CC: decide que o novo organograma deverá ser comunicado pelo presidente do BG A (PoB).

Along with the discussions on organizational structure, the board also debates issues related to management and decision-making processes, involving the level of authority of the board, type of decisions in which the board should be involved or that should be under the responsibility of management, in addition to whether consensus was required when making decisions at the strategic level. The issue of decision-making processes at the level of the board occupies the directors for some meetings, until, at meeting 20, ID3 brings a study on "decision-making at the board level"; in fact, he presents the duties of the board according to the articles of association and suggests that only levels of authority should be changed. At the end of the discussion, the board decides that the "implementation of new levels of authority" will be gradual, and the duties of the board will be revised "in due course". This SI disappears from the minutes of the board from that moment on. Questions about the desirability and/or need for consensus within the board, however, will continue to be debated in many meetings, without a shared understanding being reached. The most powerful inside directors, PoB and VPoB, clearly oppose what they perceive as limits on their managerial discretion, differing, however, in the way they manifest (or do not manifest) this opposition. This topic will be discussed in greater detail later in this document.

At meeting 17, in one of many debates on the strategies of the industry and commerce divisions and their business units, IND2 proposes to present to the board a strategic analysis focusing on the mattress business unit. Apparently, this is an attempt to make tangible, for the group's executives, the strategy formulation process that IND2 believed should be adopted, and, at the same time, to demonstrate how the instruments that the group's managers used did not support the definition of coherent strategies. The study is presented at the next meeting. The study is apparently well received by the other directors, and the new information, analysis and

perspectives embodied in the material brought to the meeting and in IND2's communicative practices stimulate a renewed debate, in which PoB, who is responsible for this business, engages directly. The debate at this meeting reinstates, at least in part, characteristics observed in the first episodes of sensemaking in the first board meetings, although it is not followed by any decision or definition of next steps. There is no record of PoB's commitment to follow the proposed strategy formulation process. IND2 informs that he will present, at the next meeting, a similar exercise for DepStores. As scheduled, IND2 presents the strategic study for DepStores at meeting 19. The minutes register praise for the work presented, but there is no mention of debates, or any intervention by directors during this presentation, not even by the VPoB, who is responsible for this business. The minutes inform that this SI will be discussed again in 60 days but does not make clear what exactly will be discussed. Another segment of meeting 19 is dedicated to suggestions for the strategic planning of the retail business. VPoB presents the 2014 financial and operational results for the store chains and a comparison of these results for the years 2013 and 2014. The board discusses issues such as the impact of new stores on forecasted results and the situation of some store chains that recorded losses. VPoB brings two options for retail strategies for the coming year - one more aggressive and the other more conservative (opening of fewer stores). IND1 and IND2 recommend prudence. There is no record of PoB intervention in these discussions. The information that VPoB will "start the strategic planning" (for the retail businesses) closes this segment of the minutes. There is, apparently, no integration between the strategic study for DepStores presented by IND2 and the (preliminary) proposals of VPoB, nor evidence that the methods used in the study of IND2 will, in any way, be used in the strategic planning that VPoB intends to develop for the same store chain.

The board discusses the strategic planning of the industry and trade divisions at subsequent meetings. PoB presents the assumptions, directions and plans for the industry division and VPoB does the same for the trade division. There is minimal intervention by the two main executives during their counterpart's presentations, even when SIs are discussed that have given rise to debates in which the board failed to reach common interpretations and understandings. Nor does there seem to be a focus on harmonizing the strategies proposed for the two divisions and their main business units. Additionally, the analysis of the minutes indicates that the proposals of the two executives did not consider IND2's suggestions for strategic formulation: they record IND2 interventions during the presentations, with criticisms of both the content and the process through which the plans were developed, which reiterate interventions from previous meetings and present new suggestions. PoB and VPoB responses

to these criticisms are recorded, but these responses, especially from VPoB, do not seem imbued with the animosity that marked previous discussions. PoB presentations seem to be disjointed, unfocused; important issues for the strategic planning of the industry remain undefined, even after several meetings. VPoB presentations, in contrast, appear to be more structured. But IND2's criticisms are more frequent and sharper during presentations on the trade division's strategy. The following excerpt exemplifies the interactions on strategic planning for the trade division:

Meeting 23:

VPoB: inicia falando sobre como são feitos os planos de ação do planejamento estratégico do varejo/atacado para 2015.

Começa demonstrando o orçamento [de DepStores] para 2015. Fala sobre as metas que haviam sido impostas para este ano e que ficaram muito próximas ao realizado. Apresenta as metas para 2015. Passa a apresentar o planejamento estratégico de 2015. Apresenta a matriz GUT da DepStores. Fala sobre as fraquezas e forças do negócio.

IND2: questiona algumas dessas afirmações.

VPoB e IND2 continuam esclarecendo ponto a ponto as premissas apresentadas no planejamento estratégico.

IND2: questiona quais são as macro ações que resultam da tabela GUT apresentada.

VPoB: diz que ao longo da apresentação essas questões serão respondidas.

VPoB: apresenta as metas anuais de faturamento, giro de estoque, margem de contribuição, EBITDA, resultado líquido, produtos descontinuados, inadimplência, etc.

Fala que as estratégias são baseadas nos seguintes pontos:

...

IND2: fala sobre as lojas deficitárias, pois acredita que tirando elas dessa situação, já se tem um resultado perto do ideal. Crescer melhorando eficiência.

CC: discute sobre as estratégias que serão adotadas para o próximo ano, sendo que há quase um consenso sobre melhorar a eficiência das unidades que já existem, não aumentando o número de lojas, principalmente devido à crise econômica que está apontando.

VPoB: volta a mostrar o orçamento das DepStores.

These discussions on strategic planning for the industry and trade divisions continue until the 24th meeting, when they end. Apparently, the strategic directions for these divisions are chosen by the executives responsible for them, without the board being able to effectively

deliberate, reach consensus and decide on them. Specifically, business units with negative results are the subject of more frequent discussions, but these discussions and the sensemaking episodes they contain do not give rise to the identification of causes and possible solutions, nor to the request for studies and analysis to be carried out by members of the board or other parties, with defined deadlines and results. Meeting 24, like the others at the end of this phase, seems marked by low energy, little progress and understanding. IND2 brings to discussion the board's work process, comparing what they do against what he understands to be the board's responsibilities. The meeting ends with a list of "important issues" – initiatives associated with the implementation of the strategic directions of the industry and commerce divisions, which should, from now on, be followed up in subsequent board meetings.

4.5.3.3.   Phase Three: From Control to Crisis

The third phase of SI processing comprises seven meetings - from meeting 25 to meeting 31 - within a 7-month interval. This is a transitory phase, which begins with the board abandoning attempts to discuss complex SIs, for which it was not possible to reach shared understandings, due to divergent individual interpretations and the failure to resolve impasses, which are replaced by attention to more practical issues, associated with the implementation of strategies that were adopted, even without deliberation by the board. This initial focus, however, is soon overcome by the attention to the negative consequences of the economic crisis on the group's businesses, which give rise to a new model for dealing with SIs, which will be maintained in the next and final phase of SIs processing.

Meeting 25, the first of this new phase, is mainly dedicated to the discussion of the issues registered as "important" in the previous meeting. The presentation of financial results of the business units of the group does not give rise to substantive discussions on SIs between board members. Conversely, all "important" SIs are discussed in a segment dedicated to them, with greater or lesser emphasis. These issues have a more practical character than the SIs that received the board's attention in the previous phase. Even when the issue had already been debated in previous phases, as is the case of synergy between the industry and retail divisions, the discussions now focus on actionable, tangible aspects – for example, in this case, the percentage of sales of the industry's products in its own retail stores that should be achieved, or the development of products specifically aimed at the market segments served by the group's stores. A segment of the meeting is dedicated to the discussion of the political and economic

crisis that the country is going through. The minutes record that this issue should be taken up in subsequent meetings, indicating the priority that the issue has assumed in the agenda of the board. The minutes, however, reveal that there are still no shared understandings on the possible impacts of the crisis, noting that " "ninguém sabe dizer o que acha sobre o momento político". SIs that until the previous meeting were listed in the segment of the minutes synthesizing discussions and decisions disappear,   confirming that the more complex or difficult to understand issues were abandoned or overcome - among them, the strategic direction for the industry and trade divisions, and an investment opportunity in a chain stores in another state – replaced by more tangible, less abstract issues on which board governance can be, at least potentially, more productively applied. Still in the synthesis segment, several remaining issues are rescheduled forward - displaced by the new "important issues", which are scheduled for discussion at the next meeting.

For a while, the board continues to use this approach to SIs processing, in which attention is devoted essentially to issues considered "important". And the attention on these issues, eminently practical and objective, seems to influence the sensemaking processes in the board, which also seems to focus on more operational aspects during the discussion of other SIs. For example, at meeting 26, the discussion on the authority for decision making in the board is resumed, but this discussion leads to another discussion, focused on how to extend credit in retail sales. In addition to deliberating and deciding on the constitution of a credit policy committee, which seems consistent with the board's role, the board also discusses and decides on the acquisition off a software tool for credit analysis, a decision that would normally be taken at the level of managers of the business units involved.

In parallel, however, the group's financial results continue to deteriorate. This situation leads to greater debates in the segment of meetings dedicated to the review of financial results, which progressively begin to attract greater attention from directors. These discussions increasingly include sensemaking episodes in which board members try to develop a common understanding of the crisis in the external environment and its consequences for the group. The differing individual understandings seem to converge towards a consensus on the financial perspectives for the year, which board members believe to be quite negative. The independent directors reiterate the need to reduce costs and investments, although, initially, these recommendations are met with resistance from the group's top executives. The greater attention to financial results, now elevated to SIs, also leads board members to focus on tools used in financial analysis, such as financial reports and indicators used in them. In some cases, revisions are requested on these reports and indicators, ostensibly to better adapt them to the nature of

the group's operations, but at least indirectly, improving results that were substantially worse when calculated using the previous methods. As the discussions on negative results proceed and board members engage in sensemaking focusing on the causes of these negative results, the first concrete proposals for cost reduction emerge, which, at least initially, are not yet considered in depth. The follow-up of issues previously considered "important" receives less attention from directors: for example, at meeting 27, only two of the four SIs initially defined as important are discussed.

As of meeting 28, the minutes show that board members dedicate their time almost entirely to discussions regarding the financial performance of the group, its divisions and main business units. Board members engage in intense sensemaking efforts, during which they offer ideas for practical, tactical, and short-term actions aimed at increasing revenues, reducing costs, and increasing integration between industry and retail, among others. Most discussions on SIs associated with the negative performance of group units seem to follow the problemistic search approach (Cyert & March, 1963), with consideration of solutions initially executed close to current operations and activities. Some more radical proposals emerge, however: IND2, for example, proposes to suspend the implementation of the ERP, but this idea does not gain support in the board. The consequences of the economic crisis seem to force an alignment between inside and independent directors on the need for action and consensus on the interpretation of some issues, if not on the responses to them: the board manages to reach consensus and make decision on some SIs in a short period of time, unlike the previous phase of issue processing. For example, the board discusses the impacts of the crisis on the real estate market and decides that some projects by the group's real estate business unit should be halted, all in a single meeting. The excerpt below describes the processing of the discussions on retrenchment at the real estate business unit.

Meeting 28:

[Control2 presents the financial results of the real estate business unit]

ID3: fala que estão preocupados com o mercado imobiliário.

ID4: questiona se poderia e deveria parar a obra de um empreendimento de luxo que ainda não foi iniciada, devido às condições de mercado.

CC: acredita que deveria se parar a obra, mas vão conversar melhor à tarde.

...

[In a segment of the minutes reserved for the discussion of the strategic direction / retrenchment alternatives for the real estate business unit}

ID4: questiona se param as obras que ainda não iniciaram ou se dá continuidade, no caso Double e Elo.

CC: discute e acredita que ambas as obras devem para até melhorar a questão dos financiamentos para imóveis;

CC: decidiu que as obras dos empreendimentos A e B devem para até a economia e o mercado imobiliário melhorarem.

In most of the discussions recorded in the minutes, several SIs are addressed simultaneously, which seems to show the elevated interrelation between SIs in this moment of crisis, which makes their interpretation and definition of responses for them even more difficult. Less attention is paid to SIs previously considered "important", as they are not oriented towards the immediate solution of performance problems. Other SIs then still on the agenda of the board are discarded. The proposal to create a crisis committee is initially formulated by IND2 at meeting 28.

The ERP implementation becomes a recurring topic: the use of consulting services and the full-time allocation of employees from several areas of the group to the project team inflate the organization's expenses for the duration of the project. The minutes of meeting 29, for example, record an extensive discussion in which board members suggest suspending or postponing the third wave of the project, measures to which ID3 opposes. Some board members point out problems in the implementation of the ERP, which prevent the group from realizing the expected benefits. ID3 promises to present the gains already obtained with the ERP and a plan for reducing implementation costs. The discussion on this issue appears to follow a relatively structured process – the problem (the SI) is identified, options (responses) are preliminarily discussed, and a study is requested to further assess the issue and possible responses. This process is not observed for the vast majority of SIs on the board's agenda, especially those of direct interest and involvement of owner-managers. The study promised by ID3 is presented at meeting 30. In the discussion that follows, board members conclude that the problems are not directly associated with the ERP, but rather with the lack of adaptation of the processes and organizational structure to the new system. As a result of this shared understanding, the board decides that a new study on staff levels should be prepared, possibly as a step towards future layoffs. However, neither the person responsible nor the deadline for the presentation of this study on staff levels are defined.

With the progressive worsening of the group's financial results and increasingly negative forecasts for cash and indebtedness positions, discussions about the need for urgent action

become more intense. Some ideas for generating additional income are investigated by the board, such as, for example, the alternative of intensifying exports of wooden furniture. The actions recommended, especially by independent directors, are oriented toward immediate cost reductions. In several episodes of sensegiving recorded in the minutes on the discussions on cost reduction, the independent directors reiterate the need to reduce the high inventories in the trade division, which require financing, thus increasing the group's indebtedness levels. In his interventions in the discussions on this SI, while recognizing the need to reduce inventories, VPoB retorts that any inventory reduction must be done with care, not to put into risk the revenue-generating capacity of the division's businesses. Discussions about cost reduction and inventories intensify, until at meeting 31, the managers of two of the group's main retail chains are called at the request of IND2 to participate in the board meeting, apparently without prior planning. IND2 asks them about opportunities for cost reduction, focusing mainly on inventories. The managers summoned report some actions already underway to address costs, but point out the difficulty of significantly reducing inventories, sustaining the same position previously defended by their immediate superior ((VPoB). The board discusses what can be done to reduce costs until, apparently in an attempt to overcome impasses, it decides to accept IND2's proposal from a few meetings ago and creates a crisis committee, but with the name of Improvement Committee. Participants of this committee are appointed, and a first meeting is scheduled, with a defined agenda and objectives. In addition to several of the members of the board, the new committee has the participation of middle managers from different areas of the organization. The final meeting of the phase seems to mark the adoption of a new model of SIs processing, oriented towards immediate actions to face the crisis, which puts aside issues whose treatment would potentially generate results in the medium and long term. Discussions seem more objective, pragmatic, direct, and sensemaking efforts focused on issues on which consensus and decisions can be quickly reached.

4.5.3.4. Phase Four: Crisis Management

Five meetings are included in the fourth and final phase of SIs processing identified in this study: from meeting 32 to meeting 37, a period of seven months. This phase begins with the board focused on discussing and deliberating on operational issues, and monitoring responses to these issues, with the aim of containing financial losses. However, responses designed to address these operational-level issues provide modest results, and losses

accumulate. The initial emphasis on operational issues diminishes as meetings take place, possibly due to frustrated expectations, and discussions of issues of a strategic nature are reintroduced to the board's agenda. This shift in focus is accompanied by the resurgence of impasses that once made it difficult for the board to deal with SIs of non-operational nature. The board apparently failed to find ways to improve its work processes and interaction patterns, leading to reduced levels of engagement, energy, and efficiency. The sample of meetings analyzed ends, preventing verifying whether the board managed to escape this downward trend of paralysis, conflict, and inefficiency.

In the first meetings of this phase, the board devotes its attention mainly to reviewing the financial results of the group's business units and the progress of the committee formed to develop actions to combat the crisis. The board's attention focuses on operational issues, critical for the maintenance of the financial health of the organization, then going through a period of decline. The segments of the minutes dedicated to the review of the financial results record in the first meetings of this phase several episodes of sensemaking and sensegiving in which members of the board seek to broaden their interpretation of the group's business performance, which remained negative, and identify responses for the improvement of these results. When the results of the business units are presented, the managers responsible for them (mainly PoB and VPoB) try to anticipate criticism of the conduct of these units' operations, presenting explanations, pointing out causes - exogenous, in many opportunities - and presenting the actions that are already being taken to reverse the negative results. Debates on the need to reduce inventories continue, with the same actors intervening, reiterating positions they had previously expressed.

The activities and results of the crisis-fighting committee, which was named the Improvements Committee, are presented to the board; activity reports for this committee are incorporated into the minutes of the first meetings of this phase. The analysis of the Improvements Committee's activity reports allows to conclude that, although many managers and employees of the group were mobilized, the results achieved were limited. Most of the actions proposed by the committee are local, small-scale, with insignificant benefits: the main cost reduction obtained was the reduction of overtime in administrative areas, which had grown significantly after the ERP implementation. The board apparently stops following the work of the Improvements Committee; records relating to that committee no longer appear in the minutes of meeting 36.

As already noted in the previous phase of SI processing, on many occasions several issues are debated practically simultaneously: the discussion starts with a SI, passes quickly through

a sequence of other issues, eventually returning (or not) to the original SI. This way of dealing with SIs is frequent not only during the review of financial results (in which revenue, EBITDA, and profit or loss figures for the group's business units are reviewed), but also in the segment of the meetings dedicated to the review of additional financial indicators, such as cash position, debt levels and inventory turnover, which became a regular segment in the minutes as of the meeting 18. The intervention of a board member may include several SIs, in quick sequence. And the intervention of the next board members, in turn, sometimes addresses the original issues, but, on other occasions, change the focus of the discussion to other issues. Interventions usually reiterate already known positions. As the meetings go on, many of these discussions become ritualized, repetitive. The excerpt below reproduces a discussion with these characteristics.

Meeting 34 (in the segment dedicated to discussing the budget for the last two months of 2015 and the first quarter of 2016):

*Control2: Apresenta o orçamento projetado para o primeiro trimestre do ano de 2016 para a **Trade Division**. Neste orçamento sugerido a receita líquida seria praticamente igual ao primeiro trimestre de 2015.*

*Control2: Fala sobre os estoques da **Trade Division**.*

...

*IND1: fala que acredita que os números projetados estão conservadores, está correta, mas diz que a **Trade Division** deveria virar o ano com um estoque bem menor.*

VPoB: diz que pode diminuir os estoques, mas não será fácil.

*Control2: apresenta o resumo do endividamento projetado da **Trade Division** em dez/2015 e em mar/2016.*

CC: discute sobre as ferramentas para reduzir a dívida.

IND1: diz que a melhor ferramenta no momento é diminuir os estoques, pois descontar cartão é um bom meio, mas no momento o ideal é diminuir o estoque, considerando que o próximo ano deverá ser muito ruim e a conta de cartão deve ser preservada para qualquer emergência.

VPoB: concorda, mas diz que não vai comprometer a operação.

ID3: pede que o conselho aprove uma política de endividamento para o grupo.

The dynamics in the discussion of SIs exemplified above seems to frustrate the directors, who manifest, on some occasions, criticisms of the way the board performs its activities,

criticisms that also reiterate observations already made in the past. After the flurry of activities and energy at the beginning of the fourth phase, in which the Improvement Committee is created, and many interventions by directors with ideas aimed at improving the group's performance are recorded, the board returns to previous patterns in which positions are reiterated and little progress is observed in the sensemaking process. The board also does not advance in the development of work processes for interpreting SIs and proposing responses to these issues - including the analysis of causes of problems, study of alternatives, deliberation, and choice of solutions. There is also little evolution, until the end of the sample of analyzed meetings, in the management of activities of the board, including definition of the person responsible for the execution of activities, determination of deadline and allocation of resources, and establishment of goals. SIs that had been abandoned when the board's focus shifted to combating the crisis began to return to the agenda of meetings, progressively. But the same difficulties and impasses observed in the past also reappear. At meeting 33, IND2 suggests hiring an external consultant to "better understand the group's business and point out ways to improve the group's results."

Difficulties in dealing with SIs cause further delays in their processing and a backlog of outstanding issues that must be discussed and on which the board mut deliberate. The board seems to adopt a strategy of discarding backlogged issues, which is applied to issues for which a shared understanding cannot be reached, have lost their salience, or, due to the time that has elapsed since the issue arose, have been overtaken by some later event. In this way, SIs that had been identified in previous meetings are no longer discussed; in some cases, disappearing completely from the minutes.

4.6. COMMUNICATIVE PRACTICES

In this section I present an analysis of the communicative practices used by board members, as recorded in the minutes of the meetings. Some caveats deserve mention before this the analysis is presented. The minutes of BG A board meetings do not record verbatim the interventions of the participants, but represent a condensation focused on the content of these interventions, documented using the standard norms of the Portuguese language. Thus, in the analyzed minutes, the task-oriented aspects receive greater emphasis, while procedural aspects and the socio-emotional aspects are recorded sparingly. Consequently, the analysis presented below focuses primarily on the task-oriented aspects of board members' communicative

practices. The rare speech acts recorded in the minutes in which socio-emotional aspects are salient, however, receive special attention in this analysis, particularly when these interventions seem to have importance in the development and maintenance of relationships between board members or to significantly affect them. As the previous sections in this document attest, the discussions between board members are sometimes confrontational, and the interventions recorded in the minutes include sharp criticisms and rebuttals. Due to their focus on the content of the discussions between board members, the minutes seldom report interventions of procedural or regulatory type, such as, for example, joking or expressions of positive feelings, which could be used to keep the board running smoothly and help alleviate tensions, even during heated discussions. Therefore, I tried to be judicious in presenting findings that point to exacerbated conflict or disruptions in communications between board members, reserving them for situations where evidence appears repeatedly in the analyzed minutes.

At the first board meetings, where independent directors were still getting acquainted with BG A, many of the interventions recorded in the minutes involved independent directors *requesting* and inside directors *providing information*. The provision of information, however, is not purely factual, but, in many cases, implies the *interpretation of facts* and the *expression of personal opinions*. These interventions by inside directors can be perceived as sensegiving episodes, in which they seek to induce independent directors to adopt the same mental models that have historically been used in the interpretation and identification of responses to SIs. Independent directors, however, actively *question the logical consistency, underlying cause-effect understandings, and assumptions* in inside directors' interventions. In some situations, they also venture *alternative explanations*, mainly based on their personal experiences and knowledge, challenging the sensegiving attempts by inside directors. The following excerpt exemplifies one of these initial exchanges of information between board members.

Meeting 1 (discussions on DepStores, during a presentation on all business units to the independent directors):

Control: apresenta o DRE de DepStores. Comenta que um dos maiores problemas é o regime de competência, bem como a dificuldades dos processos que acabam deturpando os números.

IND2: questiona sobre o maior problema na DepStores.

CC: entendem que é o estoque.

Control: diz que existem problemas em unidades que possuem, CDC e CDCI: problemas em cadastro, parametrização de sistema, diferenças de critérios.

Para IND2, o maior problema diz respeito ao cadastro e integração dos dados, sendo que existe a necessidade de resolver o problema original para depois resolver o sistema, ou seja, existe a necessidade de achar a causa fundamental do sistema, do processo.

VPoB: aponta a distância entre operação e contabilidade; havendo a necessidade de as informações da contabilidade e do financeiro serem mais coesas.

IND2: acha que se existe um problema contábil deverá se ir até a fonte (chão de fábrica) para tentar resolver o problema.

VPoB: explica o planejamento estratégico da DepStores, com a intenção de crescimento médio de 25% anual; outro grande objetivo é melhorar a margem, considerando a linha de produtos e poder de barganha que existe.

As discussions progress, the initial exchanges of information between independent and inside directors undergo a subtle change, and the interventions of directors take on a slightly different nature. These interventions start to involve, for example, the *provision of additional explanations or clarifications*, the *elaboration or complementation of meanings* initially proposed by other directors, or the *positive or negative evaluation*, in whole or in part, of previously formulated proposals or interpretations. When there is disagreement between directors, it seems to raise concerns that conflicts may impair the maintenance of a pleasant atmosphere during board meetings. The drive to avoid conflict leads, in some situations, to *shortening discussions and compromise*, rather than to task conflict that could result in broader and more inclusive interpretations. An example of this preoccupation with the maintenance of good atmosphere and the smooth running of the board can be found in the excerpt from meeting 3 presented previously, describing a debate on the best strategy for implementing an ERP system for the group. In that excerpt, the discussion on the ERP implementation gives rise to a discussion on the feasibility of Business A, a business unit producing intermediate goods for the footwear industry (another SI), in which IND2 and PoB participate. Initially there is an exchange of objective information about the business, with IND2 asking questions and PoB answering. IND2 then tries to present arguments that support his idea that this business should be dropped from BG A's portfolio of businesses. PoB does not agree. The parties seem to move towards a conflict. However, a way out is created by the suggestion, by PoB, of an investigation of the automotive market for this product. IND2 takes this opportunity to propose a study of the business "ao lado do sistemista". PoB agrees with IND2's proposal, saying it will be evaluated. The conflict is avoided, although some of the questions formulated by IND2 remain unanswered.

In a few situations the roles are reversed, with independent directors becoming the information providers. This change occurs when independent directors organize *presentations on a topic of their expertise*, with the aim of stimulating discussions on SIs for which their knowledge has direct application, can be used to challenge the status-quo, and help expand the perspectives of inside directors for these issues. This is the case, for example, of the presentation that IND1 makes at meeting 9 on the management and organization model of a family business group in which he had worked as a top executive, and of the studies on strategies for some of the group's business units presented by IND2 at meetings 18 and 19, in which he reveals the methodological approach that, according to him, should be used for strategy formulation in the organization. The minutes record only a few interventions by inside directors during these presentations, in which they provide clarifications and provide additional information that complement or challenge, in some respects, the examples, assertions, and lines of reasoning the independent directors use in their presentations.

The minutes reveal a limited use of communicative practices oriented towards the facilitation of consensus, such as *open discussion and examination of the assumptions* underlying board members' interpretations, or *systematic questioning*, one of the elements of the Socratic method (Kachaner & Deimler, 2008). When they are used, this is done almost exclusively on the initiative of independent directors. For instance, at meetings 5 and 6, IND2 facilitates workshops in which managers of some of the group's industrial business units, invited to these meetings, and board members, discuss the strategic directions and imperatives for these business units. During these workshops, IND2 formulates several questions to induce participants to verbalize their mental models and stimulate the consideration of new perspectives for the formulation of strategies for these business units. In his interventions, IND2 also *complements and synthesizes information* previously provided and exerts sensegiving, providing his interpretation for these issues. However, in none of these cases did the board follow up on the initiatives of the independent directors, and the discussions related to issues continue mostly using the model of verbal debate unsupported by these structured methods.

As explained previously, the minutes very rarely document *procedural-type interventions*. For the most part, interventions of this nature are recorded in the segment of meetings dedicated to their evaluation, which appear in the minutes from the first to the tenth meeting; after this latter meeting, evaluations are no longer recorded. The minutes of the first meetings in which the evaluations are carried out record *system maintenance interventions* (Curral *et al*., 1999), in which the directors express their *positive expectations for the work of the board*, their *satisfaction with the progress achieved*, *praise the participation of other*

directors, and *remind others of their common goals*. The excerpt below documents the board members' assessment of meeting 2, recorded in the minutes of that meeting.

Meeting 2 (segment of the minutes dedicated to meeting evaluation):

ID2: gostou muito, pois falaram sobre foco e finalmente olharam os resultados de todas as empresas com maior profundidade. Achou excelente.

ID1: achou bom.

VPoB: acha que haverá uma evolução natural no aprofundamento das reuniões e assuntos. Acha que devem prestar mais atenção no fluxo de caixa e os valores devem ser mais exatos. Gosta quando as discussões são bastante aprofundadas.

PoB: achou boa a reunião. Acha que devem discutir sobre os sistemas de gestão e fluxo de caixa a fim de concluir a melhor forma desta implementação para que a empresa não padeça. Deverá haver uma disciplina da empresa, uma mudança de dentro para fora. Acha que deve começar a diluir a gestão, pois poucos decidem sobre tudo.

IND2: gostou da reunião, sendo que um dos papéis dos conselheiros externos é exatamente questionar as ações, provocando discussões visando que os próprios diretores encontrem as soluções;

IND1: achou boa a reunião e achou que hoje pode se compreender melhor a dinâmica da gestão e da empresa e deve-se planejar a parte financeira um pouco mais para tomar decisões baseadas em números mais exatos.

However, as the meetings progress, the directors begin to adopt a more critical perspective on the meetings and the procedures used by the board when discussing SIs. Although positive evaluations continue to appear, the minutes record interventions in which inside directors, especially PoB and VPoB, *admonition* the board to increase the speed of the decision-making process, previously under the exclusive purview of the senior inside directors, now suffering interference and delays due to the debates that take place in the board. On the part of independent directors, especially IND2, the interventions recorded in the minutes reveal frustration with the lack of objective responses and actions to the criticisms made to the strategic direction of the group's business units, as well as the lack of a defined corporate strategy. In some instances, the independent directors try to *hold inside directors to account*, demanding action from them. The excerpts below present evidence of this change in perspectives when board members evaluate the meetings, employing different communicative practices.

Meeting 3:

IND2: Boa reunião e a visita à planta do grupo foi ótima.

IND1: Muito boa, pois foram falados vários pontos importantes, que serão resolvidos aos poucos um por um, vários pontos operacionais.

VPoB: Ficou com sensação de não ter definido algumas questões, principalmente financeira; acha que devem se preparar mais para as outras reuniões.

Meeting 4:

IND2: Diz que existem muitas questões de fundo a serem resolvidas. Lay out, foco nos negócios principais, melhoria nos gargalos. O plano de investimentos é furado e o planejamento estratégico não está estruturado, está somente na cabeça dos gestores. Para ele a gestora da BU L, por exemplo, cumpriu uma determinação, mas não avaliou o negócio. Tem negócios que deveriam ficar separados, pois estão fora dos principais negócios da empresa. Falta a visão e preocupação macro do negócio. O planejamento estratégico não está estruturado como estratégia. Sobre a questão familiar achou muito importante este assunto vir à tona, pois é o maior problema da empresa.

...

VPoB: Acredita que devem ser tomadas as decisões. As reuniões estão sendo produtivas.

...

PoB: Deve-se continuar conversando sobre todas estas questões, entretanto as decisões sobre a família (principalmente admissões) neste momento devem ser dadas soluções mais rápidas.

Arguably because of the slow decision-making process on the board, inside directors start to adopt the practice of *communicating a decision* when, after debates, a response proposed to a SI is not explicitly rejected by the board, or when the board is unable to reach a consensus on such response. The excerpt below exemplifies two instances in which inside directors communicate decisions.

Meeting 3:

PoB: diz que ao menos 10 mil metros quadrados deverão ser construídos para melhorar imediatamente os gargalos da indústria. Fala também sobre City X e uma área de terra que a empresa possui lá e a possibilidade de abrir algo lá. Fala também sobre o CD de City Y que

poderia industrializar parte de alguns produtos (colchões), sendo essas atitudes imediatas devido à urgência das decisões.

...

IND2: sugere agendar uma data para analisar e avaliar qual será o futuro da indústria e depois do varejo para compreender melhor o planejamento estratégico da empresa para ficar mais visível quais as prioridades de cada negócio e até para assim analisar os investimentos. Sugere pegar três equipes especialistas em cada negócio principal para entender as prioridades, visando a análise do futuro.

...

ID2: entende que deve haver uma nova indústria que atenda o varejo para não misturar com os estofados mais nobres que a empresa produz.

...

PoB: comenta que está preocupado com várias questões mesmo que devem ser discutidas.

Diz que o investimento no Nordeste vai ser feito, esta decisão está tomada. Também o investimento de dez mil metros aqui vai ser feito. O restante deve ser discutido.

VPoB: quer discutir sobre a Stores X. Fala sobre a possibilidade de investimento e explica os termos para decidir se farão ou não os investimentos. Explica a dinâmica com a Z. Problema do produto Z é a pulverização (encontra-se produtos Z em várias lojas).

IND2: comenta sobre a tendência de todas abrirem lojas (Alpha, Beta, Z), sendo que o ideal seria ter todas as bandeiras, pois elas mesmo se canibalizam, mas os clientes seriam todos da empresa.

VPoB: diz que haverá conflito negocial, pois ambos são inimigos (X e Z), havendo risco de desgaste com a Z mais na frente. Diz que seguirá então com o plano de investir nas Stores X.

As explained previously, after the creation of Stores X started, the manufacturer that supplied Stores Z warned that it would cease to sell its merchandise to BG A if the group proceeded with the launch of the new retail stores. After some deliberations, the board decides that the implementation of Stores X should not proceed. The minutes of the meeting in which the previous decision to pursue this business opportunity is reversed record, in the segment dedicated to its evaluation, several *procedural proposals* by directors arguing that decisions should be achieved by consensus and not communicated, as in the case of Stores X. This procedural issue, regarding the need or not of consensus in board decisions will be debated

throughout the meetings of this sample, without the board being able to deliberate definitively on it.

The effects of the discussions regarding Stores X seem to represent a learning experience for the board and lead to a change of attitude regarding decisions that are communicated, at least when the communications come from VPoB. At the same meeting where this SI is debated and the previous response reverted, VPoB brings up a possible new business for the group: the distribution of tires of another brand. VPoB *communicates* to the board a response already defined for this SI, including, for instance, the volume of tires in the purchase orders to be issued to the manufacturer, and where in the organizational structure of the group this new business would be placed. However, the other directors *challenge* the decision to pursue this new business, which seems to be totally new to them. VPoB *reiterates* his position and confidently answers the questions of other board members. As the discussion proceeds, however, the interventions of the other directors turn out to be clearly contrary to the new business. These criticisms are politely phrased and avoid emotional conflict; the other board members present *rational and nonpersonal arguments* against the new business. These (various) interventions take the process of this SI back to the stage of interpretation. Clearly on the defensive (after the Stores X fiasco), VPoB retreats from the assertiveness with which it presented this new business, presenting arguments in its defense but, at the same time, *agreeing reluctantly* that the arguments of other board members should be considered.

In many discussions, there is no continuity in the participants' interventions when dealing with the same SI. An intervention by a participant presenting a *proposal*, *analysis*, or *opinion* is not, in many cases, followed by a direct response; on the contrary, the next intervention may not be related to the previous one. Several attempts to stimulate the creation of a shared understanding, or to obtain relevant information for strategic decision making are ignored. In some situations, the inside directors adopt a *stonewalling* practice, avoiding presenting data that would allow for a more informed discussion of the pros and cons of the SI, and open space for its objective evaluation, or *deviating the discussion* from the line of reasoning or inquiry proposed by other board member. When not stonewalling, senior level inside directors also use the information asymmetry between them, managers directly involved with the SI under discussion, and independent directors and other members of management, who do not know the issue in detail, to *dismiss* suggestions received (due to alleged technical or commercial infeasibility). An example of these behaviors of board members in their communicative practices can be seen in meeting 4, during the discussion about the continuity of a business that

produced an intermediate input for shoe manufacturers (Business M), with the participation of the manager responsible for this business unit (GerQuím).

Meeting 4:

GerQuím: inicia a apresentação informando que Business M é uma questão complicada, pois é questão de moda e a moda atual pede Intermediate Input de diferentes materiais e não injetados.Informa todos os problemas que ocorreram nos últimos tempos em cada negócio com os principais clientes. Fala também sobre a indústria automobilística.

IND2: questiona a gestora sobre o negócio. Questiona se o negócio fosse dela, se ela continuaria com ele.

GerQuím: Segundo ela sim, pois ainda tem algumas coisas para melhorar no negócio que poderá dar resultado.

IND2: fala sobre a situação econômica do país, e questiona: desviar o foco de outras áreas para essa é um bom negócio? A negociação da indústria automobilística é muito complicada (margem) e sapatos também pela situação atual. Se continuar deverá haver um plano de negócio. Assim, todo o esforço investido neste negócio vale à pena? É foco da empresa?

PoB: traz algumas informações sobre Business M. Fala sobre as patentes requeridas pela empresa, o que poderia melhorar muito a situação do negócio, pois outras empresas teriam que pagar royalties para BG A. Diz ainda que não se faz mais investimentos no negócio. Afirma que o aumento do espaço físico com a extinção deste negócio talvez não seja tão importante, pois alguns negócios terão que ser regionalizados. Desta forma, o maior valor seria a mão de obra que poderia ser realocada e está faltando em todos os setores.

...

IND2: afirma que deve-se pensar muito se a empresa deve continuar com este negócio avaliando o grupo como um todo. Questiona se este esforço não deveria se fazer para o negócio de Business I ao invés dos Business M, que é a raiz da empresa, onde a empresa tem know-how, tem o canal de vendas, onde não é o mercado que coloca a margem, entre outros.

VPoB: questiona a gestora sobre a perspectiva de futuro do negócio.

CC: Fala-se sobre como era o negócio no passado.

IND2: fala sobre os novos negócios que vem surgindo, como fazer móveis injetados.

GerQuím: afirma que seria inviável, pois as matrizes são caras e a quantidade de cada produto pequena.

IND2: pede para que analisem o negócio da empresa Oppa Design. Finalizando, pede para que se faça este exercício de se questionar sobre a importância de manter foco neste negócio ou passar a focar em outros negócios que são mais importantes para a empresa. Este negócio não será sempre marginal?

GerQuím: fala sobre os custos que ela entende estarem rateados errados, o que prejudica o resultado do negócio.

VPoB: pergunta sobre prazo para fechamento ou continuidade do negócio.

PoB: diz que isto seria incoerente.

IND2: pede que se faça um plano de negócios para Business M.

PoB: concorda. Diz ainda que pretende reavaliar em quatro meses o negócio na reunião do conselho consultivo, devido à abertura da fábrica no Nordeste (onde está o novo setor calçadista).

CC: voltará com este assunto na reunião de julho, com a apresentação dos números e evolução do setor.

Over the course of the meetings, the communicative practices of the inside and independent directors grow continuously apart, in a process that seems to match the phases of SIs processing previously described. The inside directors directly involved in the discussions *reiterate* previous interpretations, *dismiss* new interpretations, *undermine* the arguments presented that challenge previous interpretations and responses, and *reify* interpretations, resorting to statements that invoke socio-emotional or cultural aspects that establish a non-negotiable meaning for SIs and responses. The following excerpts exemplify PoB's *reified* communicative practices, when asked about the future of one of the group's businesses.

Meeting 2:

IND2: questiona sobre Stores Q, considerando-se que com determinado número de lojas, viabiliza-se o negócio, entretanto, só o negócio de linha alta, então, por que não fazer Product W baratos para acompanhar os estofados vendidos para as grandes redes?

*PoB: diz que o processo e as máquinas são diferentes. Diz ainda **que Product W não pode ser retirado do portfólio, pois representa a alma do negócio da empresa**, entretanto existe um grande problema: a incompatibilidade da equipe de vendas com o produto. Fala ainda que deveria haver uma equipe focada em Product W.* (Emphasis added)

Meeting 16:

Questionado sobre a aprovação da ata da reunião anterior, PoB diz que tem algumas considerações como a afirmação de que Brand Q não seria um novo negócio.

ID2: diz que entende que mais uma vez falta foco, que Brand Q pode dar resultado, mas novamente tira-se o foco do negócio principal do grupo. Diz que o Product W também não está com bons resultados.

*PoB: diz **que Product W é um dos negócios "mãe" da empresa e não pode ser desativado**.* (Emphasis added).

For their part, independent directors, especially IND2, adopt communicative practices that include *challenging* and *undermining* established interpretations and responses to SIs, *proposing* new interpretations and responses, and *holding to account* inside directors for not adopting identified responses to SIs. Interventions in which independent directors challenge current interpretations and responses become more incisive, reaching, on several occasions, *questioning the consistency or veracity* of the information provided. These interventions are rejected by inside directors, especially by VPoB. The following excerpt illustrates the communicative practices of the independent director IND2, when questioning the VPoB strategic planning proposals for the trade division, and the VPoB interventions in defense of his proposals.

Meeting 8:

VPoB: inicia apresentando quais parâmetros utilizados para fazer o planejamento estratégico do varejo:

- Referenciais estratégicos - missão, visão;

- macro ambiental – oportunidade e ameaça;

- fatores chave de sucesso;

- análise de swot (potencialidades, fraquezas, oportunidades e ameaças).

IND2: diz que na análise da matriz swot deverá haver seis itens em cada um dos fatores, no máximo, pois após os cruzamentos, com o número de fatores atuais, se teriam 80 ações, o que torna o planejamento estratégico sem foco e inviável. Desta forma, ele diz que esta matriz deveria ser feita para cada negócio em separado. Continua dizendo que a maior fragilidade hoje seria especificar a estratégia e não tanto o planejamento estratégico, desta forma, diz que na DepStore, por exemplo, o mais importante seria terminar a definição da proposta de valor, esclarecendo as ações do planejamento estratégico. Questiona ainda quem participa do planejamento estratégico.

VPoB: diz que somente o nível 1.

IND2: afirma que se deve envolver um grupo maior, não na decisão, mas na comunicação para direcionar as ações de um número maior de pessoas, implementando de forma eficiente o planejamento estratégico. Questiona: quando o PE fica pronto, para onde ele é encaminhado? Ele é discutido antes de ser enviado para as ações? Diz que acredita que as decisões estratégicas são tomadas antes das análises estratégicas.

VPoB: diz que as análises são feitas antes das ações.

IND2: questiona o que vem antes deste PE? A macro meta?

VPoB: diz que sim.

IND2: sugere então um bom plano de comunicação deste PE para nortear as ações das pessoas.

VPoB: conclui dizendo que fica feliz de que o PE esteja sendo feito de maneira correta e que irá criar um workflow para que as ações sejam tomadas.

The minimal use of communicative practices that *build* on the meanings and interpretations of other meeting participants, *synthesize* points of view, offer avenues for *conciliation*, or that *contribute to the maintenance of a good atmosphere* in the functioning of the board (especially after the abandonment of meeting evaluations), and the progressive *antagonism in the interventions* of inside and independent directors lead to *personal attacks* and *manifestations of negative emotions*, which result in emotional conflicts such as those recorded in the minutes of meeting 14, mentioned above. Notably absent from the minutes are interventions associated with communicative practices of a *regulatory or procedural nature* reinforcing the need to focus discussions on the *exchange of non-personal arguments* and *limit conflict at the task level* or helping directors *reexamine the assumptions and mental models* underlying their interpretations of SIs.

After the establishment of the conflict and clearly marked divergent positions on SIs, the minutes do not record the systematic use of communicative practices aimed at *bridging the gap* between interpretations and *supporting the search for consensus*. Although an attempt is recorded at meeting 15 to resume the board's previous work practices, with the intervention of the family business consultant, the minutes of subsequent meetings record very few instances of communicative practices aimed at stimulating consensus in divergent interpretations of SIs. Specifically in the conflict observed in the IND2 and VPoB dyad, none of the initiatives recorded in the minutes of one party to overcome the gap between the divergent understandings about the strategy formulation process adopted in the trade division and in the strategic plans

and operational performance of the division's business units received an answer from the other. The following excerpts exemplify the *offers of integration of interpretations* and *conciliation of past differences* from one party that were not accepted or followed by the other, in the IND2 and VPoB dyad.

Meeting 19:

IND2: passa a apresentar o exercício de estratégia feito para DepStores. Apresenta as fontes de informação que utilizou para fazer este estudo. Apresenta os desafios fundamentais. Aponta alguns pontos que devem ser melhorados na missão e visão da DepStores. Apresenta os segmentos que identificou nas DepStores.

...

Apresenta o modelo de negócio que montou. Fala que um dos principais investimentos de marketing seria em investir no Home Center DepStores com show-rooms de BG A em anexo (preferencialmente no local onde é o Outlet da BG A em City N).

...

CC: entende que o trabalho foi muito bem-feito e concorda com várias premissas colocadas.

CC decide que o assunto será trazido novamente em 60 dias.

At the same meeting, however, VPoB presents to the board the assumptions that are being considered in the strategic planning for the retail business units. IND2 participates in the discussions of these assumptions, but the methodology proposed by him does not seem to be considered in the strategic planning process for the retail businesses that will follow, led by VPoB.

Meeting 21 (VPoB presents the strategic actions defined for DepStores):

VPoB: apresenta as ações estratégicas criadas para a DepStores para melhorar o negócio e o faturamento. Apresenta a estratégia, o plano de ação e o porquê destas ações.

IND2: diz que a maioria destas ações são táticas e não estratégicas, pois quer saber o impacto e o indicador. Estas ações são deste ano e questiona quais foram colocadas em prática e qual o impacto delas. Explica por que entende que as ações táticas não deveriam estar no planejamento estratégico e sim após definida a estratégia, os gestores deverão estabelecer as ações táticas.

*VPoB: explica que existem três ou quatro estratégias e trabalha-se em cima delas. Fala sobre algumas estratégias que estão sendo discutidas. **Diz que gostaria da ajuda do IND2 para definir as melhores e mais importantes estratégias para o varejo crescer.*** (Emphasis added.)

Note:

The minutes do not record any intervention by IND2 indicating that he intends to collaborate with VPoB in the analysis of the proposed strategies for DepStores.

Meeting 30 (during the review of the financial results of DepStores):

VPoB: diz que esta é a operação que mais está sofrendo com a crise econômica e política do país. O prejuízo do período foi maior que o lucro do período do ano anterior. Diz que as ações para melhorar as vendas e diminuir custos fixos estão sendo feitas, entretanto, um dos grandes vilões do aumento exorbitante dos custos fixos é o projeto ERP. Fala sobre alguns problemas das contas de TI. Diz que em junho deste ano houve o maior custo administrativo da história do grupo.

*IND2: diz que há um problema de gestão nas lojas e propõe fazer um trabalho e mostrar, com dados e estatísticas o que deve ser feito em cada loja para melhorar os resultados. Fala sobre os custos deste projeto. **Diz que faria este trabalho voluntariamente, como parte de sua responsabilidade como conselheiro***. (Emphasis added.)

Note:

The minutes do not record that this offer was accepted by VPoB.

5. MODEL FOR SI PROCESSING BY BOARD OF DIRECTORS

5.1. INTRODUCTION

The analysis of the minutes of BG A board meetings allowed the development of a model for the processing of strategic issues in boards of directors, which is presented in Figure 5, and explained in the following sections of this document.

Figure 5: Model for SI processing in boards of directors
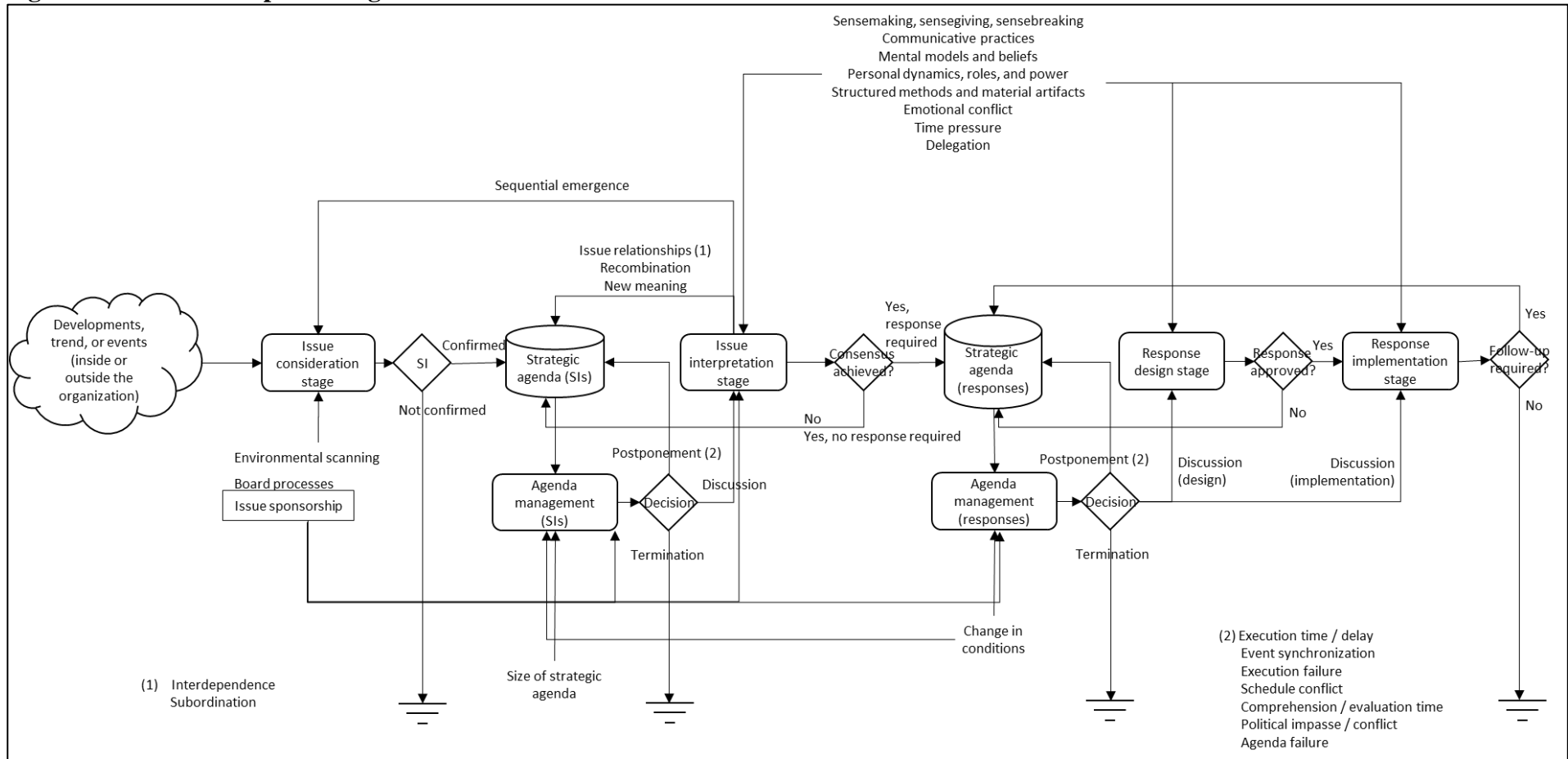
5.2. ELEMENTS OF THE MODEL

5.2.1. Strategic issues noticed by the board

The analysis of the minutes confirms the propositions found in the extant literature on the main characteristics of SIs. Many of the SIs brought to the attention of the board or later emerging from board discussions were ambiguous (Ansoff, 1975; Dutton, 1986a), complex, open-ended, incorporate interdependent elements (Miller & Lin, 2020) and were associated and intertwined with other issues and problems (Dutton *et al.*, 1989). The results of this study, on the other hand, provide limited support to other propositions found in the literature on SIs. Several authors affirm that SIs are emerging developments, trends, or events, occurring either inside or outside the organization, indistinctly (Ansoff, 1980; Dutton & Duncan, 1987b; Dutton & Ottensmeyer, 1987). At least in the case of BG A, however, SIs were mostly associated with the internal context of the organization, comprising issues related to the group's operations, strategy, governance, and structure. Only a small number of SIs were oriented towards the organization's external environment: for instance, a single SI associated with the general external environment arose in all meetings analyzed. This prevalence of SIs associated with the internal context of the organization in the minutes of BG A's board meetings may be a consequence of the specific circumstances of BG A, such as, for example, the motivations that led to the creation of the board, the set-up of the board, or the structure of control of this family group. Similar studies carried out with other similar organizations may contribute to clarifying this issue.

According to definitions proposed by several authors, a SI only exists if it is perceived as such by decision makers. To Dutton and Dukerich (1991, p. 518), SIs are "events, developments, and trends that an organization's members collectively recognize as having some consequence to the organization". Following Bansal *et al.*, (2018), however, one can say that the literature on SIs suffers from an epistemological bias, giving scant attention and importance to substantive (ontological) aspects of issues. In the case of BG A, although many SIs were defined as such due to the attention paid to them by board members, who in their mental models and cognitive schemas attached importance to them, other issues arose from events or developments stemming from the "real world". The most salient example is increased attention paid to SIs associated with the performance of BG A's business units after the economic crisis

the country went through, which had a negative impact on the demand for the goods and services provided by the group and a deterioration in the financial results of these business units.

Many authors consider categorization is a central feature in issue interpretation and diagnosis. Miller and Lin (2020), for instance, remarked that "diagnosing strategic issues involves categorizing and labeling complex situations in ways that inform strategic responses and equip managers to mobilize organizational action" (p. 3). Several categorization frameworks or typologies have been proposed, most of them establishing a dichotomous classification for SIs, with the threat versus opportunity categorization framework originally proposed in the seminal papers by Dutton and Jackson (1987) and Jackson and Dutton (1988) being the most used in studies on SIs (see, for instance, Amason & Moone, 2008; Barreto & Patient, 2013; Haney, 2017; Miller & Lin, 2020; Mittal & Ross, 1998; Sallivan & Nonaka, 1988; Thomas & McDaniel, 1990). Some authors, on the other hand, questioned the appropriateness of using the threat versus opportunity categorization framework in the study of SIs. In an empirical study, Smith (1995) concluded that "the concepts of threat and opportunity were used no more frequently than in everyday discourse, a finding which seems inconsistent with the claim that they are important issue categories" (p. 687). The results of this study seem to support this last proposition. Only three of the 46 SI's identified in the minutes of BG A's board meetings can be classified as opportunities. A few SIs have a neutral character, while most other SIs are clearly negative in nature, which includes problems, crises, or threats. However, the concept of the categorization does not seem to be relevant to the discussions and deliberations at board meetings. The word "threat" appears only five times in all the minutes and is used almost exclusively in reference to the SWOT framework used in strategy formulations for BG A's business units. "Opportunity", on the other hand, appears much more frequently, in interventions using the SWOT framework, but also in reference to alternative courses of action that could be used for some business units of the group, when the strategic direction for this business unit (a SI) was being discussed by the board. Even in this latter use, however, the concept of opportunity did not appear to affect the nature of discussions and deliberations; it was mostly used as a discursive device to reaffirm the owner-managers' commitment to the business unit, even in the face of negative financial results.

5.2.2. Factor affecting issue consideration

Besides the characteristics of the issues, other factors seem to influence the identification, consideration, and deliberation on the incorporation of SIs into the agenda of the board. SIs were brought to the attention of the board as a result of environmental scanning (Daft & Weick, 1984), as a consequence of the use of the mechanisms created to direct and channel discussions during board meetings (Ocasio, 1997), or due to the sponsorship of a director. Among these mechanisms, issue sponsorship seems to be particularly relevant. According to the literature, the salience of a SI may be influenced by issue sponsorship, i.e., the level of support a particular issue may generate from members of the dominant coalition (Dutton, 1986a). In the case of BG A, sponsorship was mostly individual: issues were often brought to the attention of the board on the initiative of a powerful or influential board member who demonstrated personal commitment to the SI, or whose responsibilities were directly associated with the SI, or both. The sponsorship by a powerful or influential board member, such as PoB, VPoB or IND2 was in most cases sufficient to warrant the incorporation of the SI into the agenda of the board, even when no consensual preliminary understanding of the SI was achieved. This finding provides evidence that, contrarily to some theoretical arguments on the constitution of the strategic agenda of an organization (see Dutton, 1986a, 1988, 1997; Dutton et al., 1990; Jackson, 1997, among others), consensus on what should be incorporated in the agenda was not a necessary condition for the consideration of SIs, as long they are championed by powerful sponsors.

5.2.3. Issue consideration

The minutes contain several examples of discussions on SIs in the consideration stage, in which the board tries to assess if the issue warrants further scrutiny. The criteria used to decide whether a SI should be incorporated into the agenda of the board include its salience to the firm (Dutton, 1986a) or to its stakeholders (König et al., 2020). The salience of SIs to the BG A board appears to be a function of the expected consequences of the issue for the organization (Dutton et al., 1990), which directs board members' attention to SIs associated with the largest and/or most problematic business units, those with potentially the greatest impact on the achievement of organization's objectives such as revenue growth, and of profitability maintenance. Another criterion that was used to decide whether to incorporate a SI into the agenda of the board was its urgency, or immediacy (Dutton, 1986a). This seems to be the case

especially for SIs the board or influential directors among board members associate with a crisis. This high salience to SIs associated with crises seems to confirm the propositions that, when dealing with issues perceived as crisis, organizations usually increase the level of analytical comprehensiveness and resources dedicated to them, centralize control on their resolution at upper echelons of the organization and expand the level of communication and explanation related to them (Dutton, 1987b).

5.2.4. Strategic agenda and agenda management (for SIs and responses)

The set of SIs that are considered by decision-makers, at any given time, constitutes the issue array, or strategic agenda of the organization (Bergman *et al*., 2016; Dutton, 1997). The literature indicates that the incorporation of new issues must consider the issues already in the agenda; due to the bounded cognitive capacity of decision-makers, only a limited number of issues can be dealt with at any given time. This limitation may be moderated by the level of cognitive flexibility, resources, and processes at the top management team (TMT), factors that may influence the ability to address a larger number of issues simultaneously (Joseph & Ocasio, 2012; Rerup, 2009). In the case of BG A, however, the board does not seem to consider the size or variety of issues already under consideration – the agenda structure (Dutton, 1986a) – when deciding to incorporate a new SI into the agenda. The failure to do, besides the difficulty in achieving a shared understanding on the interpretation of SIs and on the responses to them led to the progressive accumulation of issues on the agenda of the board.

To deal with the backlog of issues pending discussion and deliberation the board to resorted to two main strategies: postponement and termination. Many SIs had their discussions postponed to future meetings, repeatedly in some cases. Postponement decisions, however, also appear to be part of a deliberate process, in which more contentious issues or issues for which owner-managers do not expect or desire the intervention of the board are scheduled for discussions in the distant future. The other strategy, used in combination with postponement, was the termination of SIs. Postponements occur when: a) the board gives the responsible person of team responsible for the SI time to perform an activity (execution time/delay); b) the discussion must be synchronized with some future event or development (event synchronization); c) the extra time is given to allow an activity to be redone and its output revised (execution failure); d) it was not possible to address the issue at the meeting (scheduling conflict); e) more time was required for analysis of the issue (comprehension / evaluation time),;

and f) there was an impasse caused by political conflicts not yet resolved between board members (political impasse / conflict). In many cases, however, there are no clear explanations as to why discussions on SIs and responses to those issues had been rescheduled. The minutes also record decisions to discontinue the discussion or the follow-up of SIs, providing, in some cases, explanations as to why this discontinuation occurred. In other instances, however, the minutes do not record the termination of the issue, which simply disappear from the board's agenda.

5.2.5. Issue interpretation

Most of the time devoted by the board to discussing SIs was spent in the issue interpretation stage. Issue interpretation was defined by Dutton *et al*. (1983), as "those activities and processes by which data and stimuli are translated into focused issues (i.e., attention organizing acts) and the issues explored (i.e., acts of interpretation)" (pp. 307-308). Interpretation is, therefore, the process through which meaning is attributed to data and shared understandings and conceptual schemes were developed among members of top management (Daft & Weick, 1984). As mentioned earlier, the large amount of time spent on interpreting SIs was due to the difficulty the board encountered in reaching consensus on their meaning, after their incorporation into the organization's strategic agenda. The difficulty in developing consensus on many SIs led to delays in the decision-making process, creating a sort of "funnel" in which progressively smaller number of SIs reached the next processing stage. The delay in the decision-making process, by its turn, led to some unilateral decisions by owner-managers, who decided on these issues without them having been the subject of final deliberation in the board, thereby rendered the discussions on these SIs by the board meaningless. The failure to reach consensus and the consequences of this failure seem to confirm the propositions found in the literature on SIs, indicating that consensus is a necessary intermediate step for the effective processing of SIs by top management teams (Anderson & Nichols, 2007; Daft & Weick, 1984; Dutton *et al*., 1990; Gioia & Thomas, 1996; Hambrick, 2007; Julian and Ofori-Dankwa, 2008; Ocasio, 1997; Plambeck & Weber, 2010). Dissenting views among members of the top management must be reconciled, at least to a degree that action could be initiated (Joseph & Gaba, 2020; Starbuck, 1976); shared understandings and cognitive images must be constructed, preceding action (Daft & Weick, 1984).

To decide on most SIs found in the minutes, the board does not apply formal, rational problem-solving and decision-making processes (Dutton & Duncan, 1987a). Instead, the board relies on a judgmental and interpretative process in which arguments based on mental schemas and frames of reference resulting from past experiences, verbally presented by board members, are the main inputs for sensemaking on SIs. This result seems to confirm the proposition by some authors, who contend that data on SIs are usually insufficient for the application of a formal, rational decision-making process, and, as a consequence, that there is not a single, best way to formulate and solve SIs (Dutton & Ashford, 1993; Fox-Wolfgramm et al., 1998). However, as explained below, the absence of a structured, rational problem-solving process when dealing with SIs may be a factor contributing to the poor performance of BG A's board in reaching a shared understanding on the meaning of SIs and in the definition of responses to these SIs.

Several of the SIs addressed by the board of BG A during the SI interpretation stage were interdependent. This interdependence is reflected in their processing at the board meetings: in many situations, discussions on different SIs take place in parallel or in an interrelated way. The interdependent nature of these SIs increases the complexity of the interpretation and decision processes associated with them, demanding the allocation of additional cognitive resources to consider the different consequences of the proposed actions on all SIs involved. In addition, the interdependence of SIs also makes their systematic treatment difficult, as the discussions often move from one SI to another, without the debates on the former having reached any decision or a level of collective consensus that allows advancing in its processing.

The discussions during the issue interpretation stage affected the understanding of the SI under consideration, created new SIs and unearthed connections between existing and new SIs. The complex and open nature of SIs gives rise to a change in meaning that affects many of them as they are discussed by the board, a process anticipated by the extant literature (Dutton, 1986a). However, while the literature on SIs does not propose a direction for this process, the analysis of the meeting minutes allow the identification of a progressive movement towards greater specificity in the meaning of SIs, as interpreted by the board. And as the board engaged in a sensemaking effort associated with an already known issue, some additional issues that were then deemed worthy of consideration (sequential emergence). This study shed further light on the association between SIs that also emerged during the discussions on this stage, which included interdependence and subordination, leading in some case to recombination (involving division and/or consolidation).

5.2.6. Response design

A smaller number of SIs discussed by BG A's board reached the response design stage, when compared to the number of issues that passed through the issues consideration and interpretation stages. While responses were defined in a short time for some SIs, in others the selection of a response demanded several rounds of discussion, and the engagement of additional resources inside and outside the organization. A marked difference is observed whether the response design initiative was the responsibility of a board member or not. Response design under the direct responsibility of board members rely less on material instruments such as formal reports and presentations subsequently submitted and appreciated by the board and were generally lengthier and demanded more time from board members than SIs delegated to middle managers in BG A. And the board found it more difficult to achieve consensus on SIs under the direct responsibility of inside directors. The difficulty in achieving consensus on responses to these SIs led in some cases to the implementation of responses of limited scope, with low probability of success. The same differentiation between responses delegated to middle managers and responses under the direct responsibility of board members emerge in the deliberations regarding their approval. The decision to approve or reject a response when this response was presented by middle managers was more structured, usually relying on formal reports and presentations.

5.2.7. Response implementation

Not all responses approved had their implementations monitored by the board. In some situations, the board exercised a minimal follow-up of the implementation and in others skipped implementation monitoring altogether. The monitoring was more frequent in the cases in which the implementation was delegated to middle managers. But even in the latter cases, implementation monitoring was not conducted in a systematic way.

5.2.8. Factors affecting issue consideration, interpretation, response design and response implementation

5.2.8.1. Sensemaking, sensegiving and sensebreaking

The analysis of the interactions between board members reveals a change in the nature of the sensemaking, sensegiving and sensebreaking practices adopted by them, as the meetings advance, with consequences to the interpretation of SIs and on the design and implementation of responses to them. To illustrate these changes, I will use the framework proposed in a theoretical essay by Schildt *et al*. (2020), in which the authors, examining the effect of power on sensemaking processes, identified four ideal-type forms of sensemaking individuals apply in social encounters with other individuals or groups, and outlined "distinct sensegiving and sensebreaking practices corresponding to ideal-type processes that influence both the content of sensemaking and the process through which it operates" (pg. 256). Figure 6 presents the framework proposed by Schildt *et al.* (2020).

Figure 6: Forms of episodic power associated with ideal-type forms of sensemaking

	Induce committed processing	*Induce provisional processing*
Induce pre-conscious processing	**Suppressive sensegiving:** Normalize the situation to encourage the application of pre–existing heuristics to make sense. *Sensebreaking* aimed at dismissing divergent responses and observations.	**Inspirational sensegiving:** Encourage improvisation and experimentation to explore alternative tacit responses. *Sensebreaking* aimed at questioning established situated responses and salient goals.
Induce conscious processing	**Authoritative sensegiving:** Impose a specific narrative, discourse, or articulated goal into the sensemaking process. *Sensebreaking* aimed at discrediting established understandings and competing accounts.	**Expansive sensegiving:** Induce a richer understanding of the situation to encourage critical evalution of situated goals and relevant knowledge structures. *Sensebreaking* aimed at questioning initial explanations and salient goals.

Source: Schildt et al., 2022

At the beginning of the first phase of SIs processing board directors adopt forms of sensemaking about SIs that are still fluid, not established and provisional, comprising what, adopting the concepts contained in the framework proposed by Schildt *et al* (2020), can be

classified as expansive sensegiving and sensebreaking. Inside directors make presentations about the group and its business units, presenting their perspective for each of the group's business units, but leave space for questioning and debate, thus engaging in expansive sensegiving. Independent directors take the opportunity brought about by these presentations to practice expansive sensebreaking and sensegiving: they question inside directors about their statements and offer alternative interpretations for SIs. Individual perspectives are critically assessed, and initial explanations questioned, and this questioning opened the space for debate before commitment to an understanding about the SIs under consideration.

As the meetings progress and the board fails to reach consensus on SIs, the sensemaking practices of inside and independent directors seem to diverge. Interventions by inside managers became to incorporate the practice of *suppressive sensegiving*, in which they reiterate current understandings of the SIs they discuss, and, at the same time, *suppressive sensebreaking*, when they deny arguments presented that diverge from their usual interpretation of these issues (Schildt *et al*., 2020). At the same time, the interventions of independent directors become progressively more incisive. In their interventions, independent directors use their expertise in some disciplines to influence the board's collective sensemaking process, in a manifestation of *authoritative sensemaking*. At the same time, their knowledge is used to support the criticisms they make, rebuffing the established interpretations and understandings of inside directors (*authoritative sensebreaking*) (Shildt *et al*., 2020). These divergent types of sensemaking, sensegiving and sensebreaking practiced by the senior inside directors and independent directors persist until the end of the series of meetings, and their recurrence seems to contribute to the difficulty the board found in achieving shared understanding and consensus on SIs and responses to SIs.

5.2.8.2. Communicative practices

The communicative practices of inside and independent board members also seem to diverge, as the meetings proceed, mirroring the divergence explained above, in the discussion of sensemaking practices of the board. At the first board meetings, many of the interventions recorded in the minutes are mostly task-oriented, involving independent directors requesting and inside directors providing information. Inside directors accompany their responses to independent directors by also providing *interpretation of facts* and the *expression of personal opinions*. As discussions progress, the exchanges of information between independent and

inside directors undergo a change. These interventions start to involve, for example, the *provision of additional explanations or clarifications*, the *elaboration or complementation of meanings* initially proposed by other directors, or the *positive or negative evaluation* of previously formulated proposals or interpretations. To avoid conflict and impasse, the board opts, in some situations, to *shortening discussions and compromise*. At the same time, however, limited use is made of communicative practices oriented towards the facilitation of consensus, such as *open discussion and examination of the assumptions* underlying board members' interpretations.

Over the course of the meetings, the communicative practices of the inside and independent directors grow continuously apart. The inside directors directly involved in the discussions *reiterate* previous interpretations, *dismiss* new interpretations, *undermine* the arguments presented that challenge previous interpretations and responses, and *reify* interpretations, resorting to statements that invoke socio-emotional or cultural aspects that establish a non-negotiable meaning for SIs and responses. For their part, independent directors, adopt communicative practices that include *challenging* and *undermining* established interpretations and responses to SIs, *proposing* new interpretations and responses, and *holding to account* inside directors for not adopting identified responses to SIs. On several occasions, independent directors *question the consistency or veracity* of the information provided.

The minutes record minimal use of communicative practices that *build* on the meanings and interpretations of other meeting participants, *synthesize* points of view, offer avenues for *conciliation*, or that *contribute to the maintenance of a good atmosphere* in the functioning of the board (especially after the abandonment of meeting evaluations), and the progressive *antagonism in the interventions* of inside and independent directors led to *personal attacks* and *manifestations of negative emotions*, which result in emotional conflicts such as those recorded in the minutes of meeting 14, mentioned above. Absent from the minutes are interventions associated with communicative practices of a *regulatory or procedural nature* reinforcing the need to focus discussions on the *exchange of non-personal arguments* and *limit conflict at the task level* or helping directors *reexamine the assumptions and mental models* underlying their interpretations of SIs. Likewise, it is not observed, after the emergence of conflict, the systematic use of communicative practices aimed at bridging the gap between interpretations and supporting the search for consensus.

5.2.8.3. Mental models and beliefs

Diversity of cognitive perspectives and mental model is usually considered a factor that contribute to enhance the comprehensiveness of debate on SIs and to the quality of decision-making on them. Barroso-Castro, Villegas-Periñan and Dominguez (2017), for instance, investigated four board processes that affect the effectiveness in performance of various tasks, related to the exploitation of the board members' knowledge and diversity, and to the management of diverse opinions and understandings. They concluded that cognitive conflict contributes positively to overcome bounded rationality in board decision making, help avoid bias and enlarge the solution space considered. However, the analysis of the minutes of BG A's board meeting point to the negative consequence of cognitive diversity in the processing of SIs. In BG A's board, cognitive diversity was sought in the election of independent directors, with the ultimate goal of broadening the perspectives and challenging long held ways of thinking. However, this cognitive diversity led to problems when the board had to deal with SIs for which only ambiguous and incomplete data was available and had to use this data to make inferences relying on disparate individual mental models and schemas (Dutton *et al*., 1983). The consequence of vastly different mental models and cognitive schemas held by inside and independent directors led to impasses and conflict, providing further evidence, as Harvey *et al*., (2017) found, that differences in demographic characteristics, associations with functions or departments, or knowledge and information bases can give rise to dysfunctional interpersonal processes that make it difficult to develop shared understandings about the meaning of SIs and the responses required by them.

Obtaining the consensus necessary for decision making on some strategic issues was also negatively influenced when this decision implied challenges to the organization's image and identity, when perceived by senior-level internal directors, particularly by PoB, the main representative of the family group that held control of the organization. When the sensemaking efforts of the board implied challenges or threatened deeply held beliefs about the organization's values and identity, senior internal directors usually rejected considerations of economic rationality, using non-economic or socio-emotional objectives, including the preservation of the group's identity, to support current understandings, interpretations, and strategic directions. This result provides support to studies on SI on the effects of an organization's image and identity on IS processing - for example, the study by Dutton and Dukerich (1991), who found that the identity and image of an organization influence the interpretation and motivations for the action of individuals in relation to an SI, and Gioia and

Thomas (1996), who found that TMT members' perceptions of identity and image mediates the relationship between the organization's internal context and the interpretation of issues.

5.2.8.4. Personal dynamics, roles, and power

Several authors, among them Barroso-Castro *et al*. (2017), Huse (2007), and Leblanc and Gillies (2005), consider the ability of board members to challenge the management of the organization, question their understandings, request additional information, and offer their own interpretations of issues under consideration as positively related to the quality of the decision-making. On the board of BG A, the independent directors, in particular IND2, and some of the inside directors do not seem to hesitate to voice their criticisms and to challenge the interpretations and cause-effect understandings of SIs expressed by the board members who also act as managers of the main divisions and business units of the group, PoB and VPoB. However, their interventions seem to give rise to defensive interventions from the senior inside directors defending their interpretations of SIs and responses, especially when the criticisms challenge their past decisions, impinge on their managerial discretion, or represent a threat to the power they hold in the organization. These defensive interventions from senior inside directors, by their turn, led independent directors to increase their challenges to prevailing interpretations, which become progressively more incisive, as do the rebuttals to these new challenges. The interactions between directors became increasingly antagonistic, especially in the dyad IND 2 versus VPoB, culminating in the episode of open emotional, destructive conflict recorded in Meeting 14, the consequences of which seem to be long lasting.

Barroso-Castro *et al*. (2017) also propose that positive board meeting dynamics occur when all board members are given permission and take the opportunity to freely express their opinions and offer their interpretations on matters under the remit of the board. Conversely, they consider that when board discussions are dominated by a few directors the quality of the deliberations and decision-making is impaired, and the boards run the risk of degenerating "*into fiefdoms that are unwilling to share expertise and information across boundaries*." (p. 84). The minutes provide evidence that the discussions at BG A's board meetings were dominated by a few directors: PoB, VPoB, IND2 and, to a lesser extent, IND1. The frequency of inside directors' interventions seems to reflect their power in the organization. The directors that hold more power in the group (PoB and VPoB) dominate the discussions, while junior inside directors contribute little. Role expectations, direct interests, training, and position occupied

appear to influence the issues directors choose to discuss: IND2, with a "wide experience in strategic business orientation", intervened in several SIs, but participated especially in issues of a strategic nature. IND1, who holds "wide experience in management and focused on financial advice" dealt mainly with finance and control issues. PoB intervened on practically all issues, but especially on those involving the group's industrial BUs, under his direct management. VPoB intervened in a similar way to PoB but especially in matters of trade, his area of responsibility. The few interventions by ID4 were practically all related to the real estate business, under his management. The delimitation of the areas of influence of the inside directors also seem to negatively affect the frequency of their interventions in SIs not related to them. In discussions about the business strategies of the trade division, there were proportionately few PoB interventions, in comparison to VPoB, even though PoB's role as chairman of the group indicated that matters relating to that division would also be his ultimate responsibility. At the same time, VPoB intervened little in discussions regarding SIs directly related to the industry division, possibly less than would be expected from an executive of his seniority and power within the organization. Therefore, besides the negative consequences of the dominance of the discussions by a small group of powerful and influential board members, the board of BG A also suffered from this compartmentalization of discussions, in which only a subgroup of the participants who usually intervened more frequently took part in the discussion of some SIs.

Finally, the analysis of the meeting minutes reveals very few interventions by PoB, the chairman of the board, encouraging mutual respect and the development of trust, to create a social dynamic amenable to the exchange of uncomfortable information for some of the board members and to bring about conditions for the engagement of all board members in constructive debates, a behavior identified as an important factor contributing to the effectiveness of board meetings (Gornsztejn & Likhtman, 2017; McNulty & Pettigrew, 1999). As previously mentioned, PoB seems to deliberately refrain from intervening in the discussion when the SI under consideration was directly related to the areas of responsibility of VPoB, the minority shareholder. This behavior may have contributed to the escalation of conflict between IND2 and VPoB that later would negatively contribute to the achievement of consensus on several SIs. As previously noted, however, the minutes of BG A board meetings do not record verbatim the interventions of the participants, and rarely report interventions of procedural or regulatory type. Therefore, they may allow only a partial understanding of the interventions of PoB oriented towards the maintenance of the atmosphere and respectful interactions.

5.2.8.5. Structured methods and materials artifacts

One of the possible explanations for the lack of consensus on SIs at the board was the limited use of structured methods and agreement-seeking processes to guide the debates in board meetings. The board also did not use extensively reports, studies, and analyses, commissioned from members of the board, other employees, or external consultants, presented either before or during board meetings, in the debates on SIs. Thus, most of the discussions associated with them were only supported by verbal intervention by board members, exchanging information and opinions, and not in written documents or structured presentations. In a few cases, attempts have been made to introduce some structure to the debates on SIs, almost exclusively by independent directors, but the board did not follow up on the initiatives of the independent directors. This behavior was observed more vividly when the board was discussing SIs associated with areas of the organization under the control of senior owner-managers, involved topics of their direct interest, or were connected to their beliefs about the organization's values and identity. These SIs represented the vast majority of those identified in the analysis of the meeting minutes. In contrast to the approach adopted for these SIs, structured methods supporting debate and decision-making did appear in the minutes when these issues are delegated to lower levels of the organization or when the issues do not directly involve board members – for example, when the board was discussing the code of ethics and the ERP implementation. The minutes record that the process through which the board deliberated and decided on the latter SIs was also usually supported by formal reports and presentations, which are then submitted and appreciated by the board. The use of these material artifacts seems to positively contribute to the efficiency of board's sensemaking and decision processes, accelerating the achievement of shared understandings regarding the responses to these SIs and the way in which these responses should be implemented. However, discussions both on SIs associated with the direct interests of senior directors, and on SIs delegated to other levels of the organization, are hampered by the lack of objective means to assess the impact of these SIs, decide on their incorporation into the agenda of the board, and discuss and deliberate on the proposed responses for them. Except for some generic benchmarks, such as profit or loss, or level of indebtedness, no other targets, financial or operational, are used to compare observed and desired performance. Likewise, there are no strategic objectives and goals that can indicate whether the strategic direction defined for the business unit is being pursued or not. Although according to the behavioral theory of the firm (Cyert & March, 1963) organizations seek to "satisfy" and use problemistic search based on internal or external

reference standards to identify gaps in performance and initiate search when dealing with important issues, the BG A board usually does not use reference standards when making decisions about SIs and responses to those SIs. As a result, SIs are usually interpreted subjectively, using mental schemas and frames of reference that rely on the past experiences of board members.

It is noteworthy that the board meetings had a structure that, at least in principle, should focus the attention of the board members on the discussion and deliberation on the IS that were on the agenda of that meeting. For instance, the meetings contain segments specifically dedicated to the discussion of SIs on the agenda of that meeting, or, in some cases, which were brought to the attention of board by a director, even if originally outside the agenda. Such framework could help the board allocate time to engage in discussions about these selected SIs, thus contributing to the comprehensiveness of the decision-making process on them. It is in these segments of the minutes that most substantive discussions on SIs are usually found, and where debates and discussions aimed at developing a common understanding tend to advance further. In practice, however, the discussions on SIs were not restricted to these segments allotted to these discussions, occurring in practically all segments. The discussions on SIs recorded in other segments, however, consistently show less comprehensiveness and attention, thus contributing less to the advancement of debates and deliberations.

5.2.8.6. Emotional conflict

Another factor that seems to affect the ability of the board to deliberate and reach a consensus on SIs and their responses was the emergence of emotional conflict between board members. Particularly after the acute emotional conflict episode recorded in the minutes of meeting 14, the disagreement between some of the board members seem to grow, becoming independent of the initiating causes and continued throughout the duration of the meetings in this sample. This increased emotional conflict seems to lead to resentment and declining productivity (De Dreu & Weingart, 2003), due to the diversion of focus and energy from the task at hand to the dispute itself (Carnevale & Probst, 1998), thus contributing negatively to effective decision-making in the board (Deutsch (1969). This result also confirms previous studies on SIs, such as the one by Liu and Maitilis (2014), who found that in group settings, displayed emotions may also influence the interpretation of SIs – positive emotional dynamics drew team members closer and allowed a collaborative approach to the interpretation of issues,

leading to comprehensive shared understandings and decisions that integrated the perspectives of several team members and that were well-accepted, while negative emotional dynamics led to confrontational interactions, sapping the energy of the group, increasing the distance between team members, and leading to unreconciled interpretations. Decisions were postponed or made without full team consensus and commitment. This pattern was also present in SI processing at BG A's board.

5.2.8.7. Time pressure

The analysis of the minutes of the meetings of the board of BG A allow the identification of changes in the processing of a SI when it is associated with time. The need for rapid decision-making impels the board to quickly deliberate on the incorporation of the SI into the organization's strategic agenda and to accelerate its interpretation and definition of responses. This time pressure, in many cases, results in the abandonment of the usual SI processing procedures, which are debated outside the agenda or have their debate anticipated, compared to previous planning, often causing delays in the discussion of other SIs that are not are of an urgent nature. The usual pace of deliberation and debate in the interpretation and response design stages is also affected, and the number of individual interventions and the number of meetings at which SIs subject to these time pressures are addressed are reduced. Consensus, when possible, is reached more quickly. In other situations, decisions are taken with consent from board members, although without effective consensus, given the pressures for speedily deliberation and response, especially in crisis situations or when the organization faces a decrease in environmental munificence (Barr *et al*., 1992). This behavior was most clearly observed in the fourth and final phase of the SIs processing by the board, when attention was focused on those SIs associated with cost reduction and margin recovery for the group's businesses. The discussions in this context were more objective, pragmatic, direct, and sensemaking efforts were focused on issues on which consensus and decisions could be quickly reached. The results observed in the BG A board meetings for the processing of SIs subject to time pressures provide evidence that support empirical results and theoretical propositions from the existing literature on SIs, which indicate that SIs associated with crises are processed differently from non-crisis issues in organizations (Dutton, 1986b; Schneider & de Meyer, 1991).

5.2.8.8. Delegation

The analysis of the minutes of BG A meetings allows identifying differences in the processing of strategic issues, when these issues are under the direct responsibility of board members or when their treatment is delegated to other members of the organization, usually middle managers. In general, the processing of delegated issues adopts standards that involve greater formalism and the use of structured methods of analysis and material resources to support the discussions and deliberations of the board, such as presentations and reports. On the other hand, when strategic issues were under the direct responsibility of the board members, these methods and support resources were used sparingly, which possibly contributes to their longer and more complex processing. Two explanations could be ventured to explain the difference in the performance of the board when SIs are delegated or not. First, delegation apparently allows board members to dedicate cognitive resources to discuss and deliberation about SIs, without these activities being detrimentally influenced by the director's personal interests and commitments. This "objective stance" may help board members contribute more to the debate, and present ideas and propositions, increasing the quality of the deliberations and discussions. This concentration of cognitive resources may ultimately speed up the processing of SIs and the achievement of consensus.

The second explanation is based on the typology for sensemaking proposed by Sandberg and Tsourkas (2020). These authors suggest in a theoretical essay that sensemaking is not a singular phenomenon, but that it encompasses four types: immanent, involved-deliberate, detached-deliberate, and representational. These types of sensemaking occur in specific practice worlds: the first three in a world in which organizational actors practice sensemaking while carrying out specific organizational activities, while in the latter, participants in sensemaking exercises do so with at a distance from the concrete reality of the issues under analysis, in committees or laboratories, in what the authors call the secondary world. The practice of representational sensemaking allows a theoretical detachment, which can be inductive of an impartial reflection during the debate of an SI, and later, in the definition of responses to it. On the other hand, when board members are actors directly involved in the "primary world", their sensemaking exercise is informed by their direct experience, which possibly makes it more difficult to consider alternative interpretations from other board members, who do not share their practical experience. Likewise, the ingrained mental models used by these board members responsible for SIs can lead them not to fully expose their interpretations in a structured way, assuming instead that knowledge about these SIs should

already be held by the other board members, thus hampering the achievement of a shared understandings.

5.3. CONSENSUS AND DISSENT AT THE BOARD OF DIRECTORS

In this section I will summarize the findings of this study on the causes and conditions that facilitated or hindered the achievement of consensus on strategic issues within the BG A board. Several factors led to SIs being introduced on the board's agenda, the most relevant of them the individual sponsorship of one of the board members. The sponsorship of a director, especially a director who held power in the organization, was sufficient for, in most cases, the SI to be included in the strategic agenda of BG A. Consensus was not a necessary condition for this inclusion to happen.

Subsequently, the board dealt with the accumulation of SIs on its agenda using two strategies: postponement and termination. Decisions regarding postponements and terminations appear to have been made, at least in some cases, as a result of the difficulty of reaching consensus on the meaning, consequence, and response to a given SI, or when the internal director involved resented the intervention of the board restricting his managerial discretion on a matter he considered his responsibility. The difficulty in collective deliberation on SIs also led, in some cases, to unilateral decisions by internal directors, without these decisions being discussed by the board. These unilateral decisions generated debates about the need for a consensual process regarding SIs and the emergence of conflict between board members.

Even using the termination strategy, the constant addition of new SIs and the difficulty in reaching consensus on those already under discussion led to the generation of a "funnel" in the processing of SIs by the board. Most SIs were held back at the top of this funnel, corresponding to the consideration and interpretation stages. Only a few of the SIs addressed by the board advanced to the bottom of this funnel, to the response design and implementation stages. The accumulation of SIs caused a bottleneck in the deliberations on them, as the board's processing capacity was limited.

While overall the board failed to reach consensus on many SIs, for some of them consensus was ultimately achieved. Some factors seem to have influenced the ease or difficulty with which discussions about SIs led to consensus on its meaning, consequences, and required responses. First, the interrelationship (interdependence and subordination) between SIs seems to negatively contribute to or lead to a delay in the achievement of consensus on a SI interrelated

with others, since its interpretation must consider the consequences of decisions on all SIs involved. In addition to interrelation, another attribute of SIs that appears to influence, this time positively, the achievement of consensus is the urgency identified for addressing it, especially if a SI is associated with a crisis. The need for rapid treatment of a SI seems to induce directors to change their behavior, increasing the allocation of time and cognitive resources to its interpretation and accelerating the development of shared understandings, even when originating from initially divergent individual interpretations.

While interrelation to other SIs and urgency are attributes that can influence the achievement of consensus on a SI, the other factors identified in the analysis of the minutes of meetings of the BG A board are related not to the nature of the SI, but to the responsibility for its processing, the impact of this SI on the organization's power bases, the challenges that new interpretations and understandings of an SI can bring to the beliefs and mental models of the directors involved, and the nature of the interaction between the directors, involving the methods and material artifacts used in its discussion, and the communicative and sensemaking practices adopted by the board.

Assigning direct responsibility for the interpretation and search for responses for a SI to individuals or groups besides board members appears to contribute positively to consensus on the board. This delegation seems to allow board members to abstract from their personal interests and focus more objectively on the task in front of them, improving the quality of discussions and accelerating consensus. Additionally, when the handling of SIs is delegated, this made the use of material artifacts such as reports and formal presentations practically mandatory. The use of these material artifacts apparently allowed the directors to adopt a more structured process for analyzing the issues and their responses, and these structured processes seem to have contributed to accelerate consensus building and decision making. On the other hand, when the processing of SIs was assigned to board members, the use of these material artifacts and structured methods was less frequent, which seems to have negatively influenced the achievement of consensus.

Another factor I identified affecting consensus was the SI's association with the power space and direct interests of internal directors. When a new interpretation on a SI jeopardized the power that directors held in the organization or challenged decisions made by them on areas of their greatest interest, consensus became difficult, leading to extensive discussions, often without shared understandings and consensus on the interpretation of the SI and on the responses to it being achieved. The manifestation of internal power was also reflected in the control of discussions by a limited number of most influential directors and in the

compartmentalization of the interventions of these directors, each of them limiting their interventions to SIs under their direct responsibility, restricting the space of the discussions and impairing the quality of the board's deliberations. Likewise, when new interpretations offered for SIs challenged the long-held interpretations of internal members of the organization, in particular their beliefs about the organization's image and identity, consensus became particularly difficult, since the reaction of the directors involved was not to seek shared understandings, but to reject these new interpretations, reiterating the understandings developed in the past, in some situations resorting to non-economic arguments based on socio-emotional objectives.

The possibility of overcoming the impasses resulting from the reactions to the threat to the power held by internal directors, and the reiteration of usual mental models and ingrained beliefs about the identity and image of the organization was greatly reduced by the little use, in the interactions between directors, of communicative and sensemaking practices inducing conflict reduction and the development of shared understandings. As mentioned before, after a brief period in which both internal and independent directors practiced expansive sensegiving and sensebreaking, as the meetings took place these practices became divergent, with internal directors using suppressive sensegiving and sensebreaking, and independent directors resorting to the practice of authoritative sensegiving and sensebreaking. These distinct sensemaking practices contributed to the difficulty in establishing a shared understanding on SIs and on the responses they demanded. The communicative practices adopted by the directors also seem to have contributed, in a similar way to the different types of sensemaking, to the difficulty that the board experienced in reaching consensus on SIs and their responses. Interventions by internal directors dismissed new interpretations, undermined the arguments presented in support of them, and reified current interpretations, while independent directors challenged current interpretations, dismissed the arguments that supported them, and held internal directors to account when they did not take the measures that independent directors considered necessary to address these SIs. Finally, and still with regard to communicative practices, the minimum use of practices that build on the meanings and interpretations of other meeting participants, offer avenues for conciliation, or that contribute to the maintenance of a good atmosphere in the functioning of the board lead to personal attacks and manifestations of negative emotions, which in turn contributed negatively to the consensus on ISs.

6. DISCUSSION AND FINAL CONSIDERATIONS

This exploratory, longitudinal, and qualitative study aimed to understand the processes used during board meetings to assess, interpret, decide and follow-up on the implementation of decisions on SI. The main data source for this study was the minutes of board meetings of one large Brazilian private, family-owned business group, spanning a period of approximately four years. Following the examples of Lui and Maitlis (2014) and Maguire and Hardy (2013), I analyzed the content of these meetings (Bardin, 2016/1977), using a multi-level interaction approach (Beck & Fisch, 2000; Currall *et al.*, 1999) focusing on social interaction processes within the board to understand how the these processes could help or hinder the reconciliation of diverse perspectives on SIs into a shared understanding of the meaning and importance of these issues, in order to arrive at a consensus on the responses required by them.

6.1. GAPS IN THE LITERATURE

This study addressed some gaps identified in the literature on SIs, which I list below. First, although several authors attribute importance to the categorization of SIs in their processing by organizations, other researchers question this position, arguing that managers do not use generic categorizations to evoke the knowledge that is used in SI processing. This study sought to verify whether, in the context of the deliberations in a board, the categorization of SIs was relevant from the time SIs are noticed until responses are implemented to deal with them.

Second, this study also sought to respond to a call for studies based on strategic decision making processes in general and, in particular, on consensus and dissensus in strategic decision making. The literature has paid less attention to the investigation of the procedural side of strategic decision making, which makes it advisable to carry out longitudinal, empirically based studies that can integrate different perspectives and bring to light the processes used in strategic decision making in a given context (Elbanna, 2006). Specifically in relation to SIs, the need for studies of this nature is even greater, given that while consensus building is generally accepted as an important step in SI processing, existing research pays little attention to the consensus and dissent about ISs in organizations.

Third, the effects of cognitive diversity on IS processing demand further investigation, given that the existing literature points to divergent results. Cognitive diversity can enrich the debate on SIs in groups, generate multiple interpretations of its meaning, help to avoid blind

spots and cognitive delusions, broaden the set of identified responses and lead to better decisions. However, cognitive diversity can also be detrimental to reaching consensus on SIs, increasing the difficulty in reconciling different individual perspectives for the same SI, reducing or delaying the organization's ability to react to it, or leading to decision-making processes in which political stances and power plays induce the adoption of interpretations and decisions about SIs that are harmful to the organization's objectives. Research on SIs has not explored in depth how boards debate and reach consensus on SIs, in contexts where divergent cognitive perspectives are used by their members. A better understanding of the processes by which boards deal with cognitive diversity and IS decisions could allow scholars to prescribe ways to avoid the negative consequences of cognitive diversity and explore the positive ones.

Fourth, the literature identifies several factors that influence the composition of the strategic agenda of organizations, comprising several SIs these organizations deal with at a certain moment in time. Several factors have been identified that affect the incorporation, maintenance, and exclusion of SIs in the strategic agenda of these organizations, such as the relevance of the issue, the sponsorship of the issue, the level of cognitive flexibility, resources, and processes in the TMT, and bottom-up processes of creating meaning and occasions within organizations, among others. The literature, however, is silent on the methods and resources that organizations use to manage the strategic agenda and the simultaneous processing of several strategic issues simultaneously.

Fifth, the individual has been the focus of analysis in most empirical studies on IS, although existing research indicates that group and organization effects may be more significant than individual effects on SI processing. And although this same literature indicates that interactions between members of the group involved, especially in TMTs, play a particularly important role in this process, most studies that address strategic issues at these groups do not investigate how the interactions that occur between their members contribute to the exploration of group members' cognitive abilities, help the free flow of information and interpretations, support the positive exploration of task-related conflict and avoid the emergence of emotional conflicts during discussions on SIs.

Sixth, the context used for analysis also responds to a gap identified in the literature. While many studies on SIs have used the TMT as a research setting, few have investigated the processing of SIs at the board level (Bergman *et al*., 2016; Fiegener, 2005). Although TMTs have a strategic role in organizations, they are often also involved in many tasks of an operational nature. In contrast, the board of directors is considered as the main body responsible for processing strategic issues in organizations (Forbes & Miliken, 1999). The existing studies

of SIs at the level of the board mostly focus on publicly traded firms, not on privately-held, family-owned ones. There are few studies on boards of family firms that explore board processes, involving cognitive, emotional, and behavioral factors that affect board effectiveness (Finkelstein & Mooney, 2003; Roberts et al., 2005; Westphal & Bednar, 2005).

Seventh and last, this research also addresses a gap associated with the data sources used in research on boards of directors. Most of these studies use perceptual measures. such as interviews with board members. While the use of memories of elite informants may be a useful method for the study of many phenomena in strategic management, when applied to SIs it is conceivable that some information that could be relevant for the understanding of the processes involved in SI processing, such as political tactics and information suppression, will not be reported, and creates the risk of distorted recording of events, given the tendency of individuals in these positions to practice impression management. Due to the difficulty of accessing board members and the unwillingness of many directors to discuss strategic issues of the organizations for which they work, other scholars resort to inferences about their decision-making processes, based on some theoretical assumptions, and then try to validate these inferences using public, observable data, such as documents that present board structure and composition, or letters from the chairperson of the board. The uncertainty associated with these methods (interviews and inferences and assumptions) used in these studies renders their results questionable.

6.2. MAIN CONTRIBUTIONS

The main contribution of this study is the proposed model for SI processing on boards of directors. This model identifies the process stages and key decisions made by the board, both for processing individual SIs and for the management of the strategic agenda. Specifically, regarding the stock of SIs on the board's strategic agenda, the study identifies mechanisms through which their processing is controlled, and the overall portfolio of SIs is managed. In addition, it indicates the mechanisms through which new SIs emerge from discussions and deliberations about other SIs, SIs receive new meanings, and relationships between SIs are established, influencing the decision processes associated with them, and points out the main factors that influence SI processing in its various stages, highlighting the contribution of aspects of cognitive and belief diversity, sensemaking, sensegiving, and sensebreaking processes, communicative practices used by the members of the board, and the use of structured methods of analysis and decision and material artifacts. Finally, the model points to the factors that can

influence the achievement of consensus in the context studied, adding the emergence of emotional conflict to the factors already mentioned.

Second, the study helps to resolve doubts about opposing points of view expressed by researchers on aspects relevant to the advancement of understanding of SIs. The study indicates that, in the context studied, the categorization of SIs does not seem to have a decisive role in the choice of SIs to be analyzed, neither in their interpretation nor in the answers defined for them. The study also points out that considerations about the ability to handle SIs simultaneously at a given moment do not seem to objectively influence the board's decision to incorporate new SIs into the organization's strategic agenda, but that the existence of a high stock of SIs leads to decisions, often not made explicit, of eliminating minor SIs, for which consensus is particularly difficult or which do not align with the political interests of powerful players. The study also indicates that cognitive conflict, considered an element that can contribute to the higher quality of discussions and deliberations on ISs, causes negative effects, when not accompanied by adequate communicative practices for its management and supported by structured methods and material support that induces rational decision making about them.

Third, the study brings contributions related to the context in which it takes place, a context little explored by the literature. This study focuses on the processing of SIs in an advisory board in a private, family organization, in a country with cultural characteristics different from those observed in the countries in which most studies on SIs are carried out. This context allows us to observe aspects and factors that influence IS processing that may not be so vividly perceived in other types of organizations and boards, in other cultures.

The study not only contributes to the advancement of theoretical and empirical knowledge about IS within the academic environment but also brings contributions to the practice of organizations. In particular, it points to the need to use mechanisms to manage cognitive conflict when there is great diversity in the members of the boards of organizations, as well as the use of adequate communicative practices to maintain a productive and friendly environment, minimizing the chances of emotional conflict arising, since this conflict, once manifested, has lasting and negative consequences for the effective functioning of the board as an instance of SI processing for an organization. The study also points out the convenience of delegating the interpretation of and responses to SIs, when appropriate to the nature of the SI under analysis, given that delegation apparently allows board members to dedicate cognitive resources and mental models to discuss and deliberation about SIs, without these activities being detrimentally influenced by the director's personal interests and commitments. And, finally, the study

confirms previous propositions about the importance of the role of the chairperson of the board in maintaining a positive and dynamic work environment in the processing of SIs.

6.3. LIMITATIONS AND FUTURE RESEARCH

The method used in the literature review on SIs represents a limitation. Although the choice of method and procedures employed have support in the literature, the use of an alternative method, such as a bibliometric study, could supplement the narrative review performed with additional insights, especially on the co-citations and couplings among studies and researchers that focus on SIs. A bibliometric study could also help identity connections among different research streams and metatheories that are used by scholars who investigate SIs.

The context in which the empirical study was carried out is a limitation that must be considered. Although BG A is an example of a common type of organization in the social and economic scenario in countries like Brazil, in which the managerial discretion of top-level managers is high (Crossland & Hambrick, 2011), some characteristics of this organization are specific, which makes it difficult to generalize the findings of this research to several other contexts. For example, the creation of the board was stimulated by succession problems, disputes over the distribution of financial results, divergent perspectives and expectations regarding the employment and remuneration of family members in the group, the desire of some branches of the family to exit the business, and accelerated growth through physical expansion of the retail chains and diversification, not accompanied by a corresponding increase in earnings. Studies similar to this one should be carried out in other types of organizations and specific situations, with the objective of verifying whether, in these other contexts, the conclusions of this study are supported.

The type of BG A's board is also a limitation to the generalizability of the findings of this research. BG A board is an advisory one: a non-deliberative body whose function is to advise the group's management through suggestions and recommendations. Unlike the board of directors, whose duties are clearly defined by Brazilian laws regulating public firms (rules that are also customarily followed by private firms, when they create their board of directors), the advisory board has no legal character or fiduciary responsibilities and does not have the mandate to exercise a supervisory role upon the group's management. Although in the specific context of BG A the board has an importance perceived as superior to that of a purely

consultative body and deliberate and decide upon SIs, the respect that the organization and its managers show towards the body is relative, influenced more by isomorphic (mimetic) pressures and the identification of the board as a step in the creation of a more robust governance structure, than by the authority formally invested in the board. As a result, longitudinal studies such as this one should also be carried out on boards of directors of similar organizations to see whether the legal role and fiduciary responsibilities of boards of directors affect their performance when processing SIs – in particular, if the concern with risk management and agency conflict between shareholders and managers can, in some way, affect how the board considers, interprets, and defines responses to SIs.

Finally, a limitation of this study is related to the main data source used. The minutes of BG A board meetings do not textually record the interventions of the participants but represent a focused condensation of the content of these interventions, documented using the standard norms of the Portuguese language. In the analyzed minutes, task-oriented aspects are given greater prominence, while procedural aspects and socio-emotional aspects are recorded with less prominence. Consequently, the conclusions reached here may contain biases resulting from the fact that the minutes do not reproduce, in their entirety and textually, the interventions of all the directors. This risk was minimized in this study through the information, obtained through the testimony of IND2, that the minutes are not ceremonial, and that they faithfully represent the discussions held. Except for one meeting, there were no further requests for review or editing of the minutes after their preparation by the secretary of the board. Additionally, the emails exchanged by board members, to which I had access, confirm and corroborate the records in the minutes. However, additional studies should be conducted using techniques and material supports that allow micro-level analysis of individual interventions and collective board dynamics during board-wide discussions and deliberations, such as video-ethnography with non-participant observation (LeBaron 2008; Liu & Maitlis, 2014). Semi-structured interviews can also complement the methods of primary data collection on the processing of ISs in the board, allowing a triangulation that gives greater validity to the findings in similar longitudinal surveys.

7. REFERENCES

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8. APPENDIX 1: INTERPRETATION AND CONSENSUS ON STRATEGIC ISSUES BY BOARDS OF DIRECTORS

8.1. INTRODUCTION

Firms differ in the way they attribute meaning to strategic issues (SIs). The interpretations of SIs and the outcomes that follow from these interpretations are at least in part the consequence of the past history of the organization (Amason & Mooney, 2008; Martins & Kambil, 1999), the systems and processes they implement to diagnose and decide on issues (Ocasio & Joseph, 2005) and the input and influence of several players who take part in these processes (Knight *et al*., 1999). Moreover, the meaning attributed to SIs and the consensus on organizational moves required to deal with them do not remain static, but may change, as top management reach new understandings, brought about by new information and feedback from past actions, which are then subject to new interpretations (Dutton *et al*., 1983). Therefore, it is plausible that, as long as a SI is deemed worthy of attention by the top management and warranted a place in the SI array of the firm, its interpretation will evolve, and the final state of this interpretation will differ from the initial one (Barr, 1998).

Interpretation starts with individuals but must be collectively shared, before an issue can be dealt with by a firm (Anderson & Nichols, 2007; Gioia & Thomas, 1996; Plambeck & Weber, 2010; Thomas et al., 1993). SIs do not come prepackaged; for many ambiguous issues, especially the ones constituting novel problems, it may difficult initially to define their exact meaning and impact on the objectives of the firm and, therefore, to define if and how to respond to them (Dutton, 1997). This difficulty may lead to dissenting views among members of the top management of firms, that must be reconciled, at least to a degree that action could be initiated (Starbuck, 1976). Shared perceptions and cognitive images must be constructed, preceding actions (Daft & Weick, 1984).

In their seminal paper, Dutton *et al*. (1983) remarked that the interpretation of SIs usually demands extensive interaction among decision makers, to debate and review individual judgments, challenge assumptions, and achieve a minimal level of consensus on the meaning, impact and response required to address a particular SI. Still, although the interpretative perspective has become dominant in research on SIs, few studies have investigated consensus on SIs so far. This dearth of studies on consensus is particularly noteworthy, as its importance

for the interpretation and response to SIs by organizations has been recognized by several authors. For instance, Daft and Weick (1984, p. 285) have already postulated that "reaching convergence among members… enables the organization to interpret as a system."

In this appendix I present the empirical findings and theoretical propositions pertaining to SI interpretation and consensus at the board of directors. In the field of strategic leadership, the board of directors is seen as the main body responsible for reviewing major policy choices and decision on SIs such as acquisitions, diversification, divestitures, strategic investments, and strategic change (Golden & Zajac, 2001; Deutsch, 2005). Moreover, as they are not involved in implementation, a study of SI centered on board of directors allow for a sharper, more vivid focus on interpretation, consensus, and decision-making; as posited by Forbes and Miliken (1999), "the 'output' that boards produce is entirely cognitive in nature" (p.492). This chapter provides a bridge between the broad literature review on SI presented in the previous chapter and the specific topic of consensus in SI management at boards, which will be explored in the next chapters of this dissertation.

8.2. ISSUE INTERPRETATION

Issue interpretation is a central concept in the studies on SIs. In their seminal paper, Dutton *et al*. (1983) conceived the interpretation of SIs as a process with clearly distinguishable inputs, activities, and outputs. They identified the cognitive maps and political interest of decision-makers and the characteristics of the issue as the main inputs to this process. Cognitive maps influence the data and stimuli decision-makers see as relevant to the issue, and the cause-effect relationships associated with the issue that they consider. Political interests determine the use of these cognitive maps: individuals may use them to impress others, to advance their interests and undermine the arguments and political base of their opponents. SIs vary on several dimensions: the availability and the ambiguity of information about them, the uncertainty and urgency associated with them, to name a few. The activities involved in the interpretation of SIs, by their turn, are characterized by recursiveness, retroductivity and heterarchy. By recursiveness, Dutton *et al*. (1983) meant the successive revisions of judgment, both convergent and divergent, that individuals involved in the interpretation of the issue go through, as new data on the issues becomes available, or as the result of debates in which different perspectives on the issue are confronted. Retroductivity refers to the type of reasoning used in the interpretation of issues; due to the ambiguous and incomplete nature of the data generally

available on them, decision makers must rely on interpretations based on similarities and inferences, stemming from past experiences and mental models, not on falsifiable hypotheses of theories of action. The last characteristic of the interpretation activities, heterarchy, expresses the fact that the collective interpretation of an issue reflects the outcome of cyclical interactions among individuals, each with his or her mental models, political interests, data, and interpretation of said issue. All participants try to influence the others, advocating their interpretations, and defending their interests regarding the issue. These interactions, which are part of a broader sensemaking process, inform the meaning individuals attribute to an SI and may eventually lead to a consensual interpretation, that, although not complete, may allow for collective cooperation and joint efforts to address it (Jalonen, Schildt, & Vaara, 2018; Rouleau & Balogun, 2011; Weick, Sutcliffe, & Obstfield, 2005. Dutton et al. (1983) identified three outputs of the issue interpretation process: cause-effect understandings, predictive judgements, and language and labels. Cause-effect understandings are statements that express the relationships participants in the interpretation process conceive, logically relating the factors underlying the issue to its occurrence. Assumptions and cause-effect understandings are combined into predictive judgements about future consequences of the continued exposure to the issue and, eventually, about the effects of the responses implemented to deal with it. Language and labels are the means the participants in the interpretation process use to convey their understanding of SIs to other members of the organization and to external stakeholders, and to mobilize them to act on this interpretation.

Even though interpretation initiates at the individual level, shared understandings must be achieved at the group and organizational levels. Issue interpretation at the organizational level involves more than the sum of the perceptions of key decision makers. As Daft and Weick (1984, p. 285) remarked, "organizations have cognitive systems and memories…Individuals come and go, but organizations preserve knowledge, behaviors, mental maps, norms, and values over time". But not all issues can be addressed simultaneously: individuals, groups, and organizations have limited resources they can allocate to SIs. Only some of the issues surrounding and organization are incorporated into its issue array or strategic agenda (Dutton, 1986a). Some of the factors leading to the inclusion of issues in this agenda are associated with the issues themselves, while others are related to the organizational context. The issue-related factors that influence the placement of an issue in the strategic agenda of the organization include its salience, or relevance for the organization, and its sponsorship by powerful organizational players. Organizational factors that influence the agenda building process include the strategy of the firm, and the organizational culture. Both set of factors may increase

the chances of placement of a particular issue in the agenda of an organization, but this placement must also account for the issues already in the agenda; due to the bounded cognitive capacity of decision-makers, only a limited number of issues can be dealt with at any given time. According to Dutton (1986a), issues are ultimately placed in the strategic agenda when individuals are aware of them, i.e., they are exposed to the issues, and when they are involved with the issues, i.e., they manifest interest in the issue. High exposure issues that attract the attention of key decision makers have the greatest potential to be placed in the organization's strategic agenda.

I will present in the following sections the findings identified in the literature on issue interpretation and processing considered more significant for this study, grouped in three themes: (1) issue characteristics, (2) personal, group, and organizational factors and (3) processual factors.

8.2.1. Issue characteristics

Several characteristics of a SI affect its salience, and, therefore, affect the chances of its placement in the strategic agenda of the organization. Dutton (1986a) postulated that four characteristics affect salience of an issue: a) its magnitude, or the size of the perceived impact on the organization's strategic goals; b) its abstractness, as it is assumed that the higher the abstractness of an issue the more exposure it achieves and the more interest it attracts, by broadening the range of potential supporters; c) complexity, considered detrimental to the placement of the issue in the strategic agenda, as complex issues may be difficult to interpret and, therefore, to act upon; and d) the immediacy of the issue – here the reasoning is that the time pressures on an issue compel decision-makers to place it in the agenda. Denison et al. (1996) found evidence that the salience of an issue influences the relationship between the organizational context and issue interpretation. In an investigation on the interpretation of foreign investments in the US economy by CEOs of American firms, they found that for global firms operating in business sectors directly impacted by foreign investments the context had a significantly stronger influence on issue interpretation than for the total sample of firms in their study.

The qualities of the data available on the SI have important consequences for the interpretation process. For instance, issues for which data are abundant may be subjected to a more structured and rule-based interpretation process, which may be executed in a shorter

timeframe. Conversely, the more equivocal the data, the fewer number of rules used in the interpretation but, possibly, the higher the number of interactions among decision-makers, and the longer the time to achieve to a collective understanding of the issue (Daft & Weick, 1984). The uncertainty associated with the issue is another factor affecting its consideration and interpretation: Dutton and Webster (1988) found that decision-makers are more inclined to consider issues (placing them in the strategic agenda of the firm) when the level of uncertainty associated with them is low. And finally, the variety of the data collected seems to influence the interpretation of equivocal SIs. Anderson and Nichols (2007) reviewed the literature and found conflicting perspectives on the effect of increased information gathering on the interpretation of issues: while proponents of an information processing approach argued that greater amount of information leads to changes in interpretations of issues, increasing the odds of equivocal issues to be interpreted as opportunities (Kuvaas, 2002; Thomas *et al*., 1993), scholars who subscribe to a behavioral decision making and social cognitive approach view the gathering of additional data as detrimental to changes in interpretation, as there is a strong tendency to consider additional data as confirmatory evidence of previous interpretations (Fiske & Taylor, 2008). Anderson and Nichols (2007) present a hypothesis to solve this conflict: they argued that a distinction must be established between the effects of time spent looking for additional information and how diverse were the data ultimately obtained; more diverse data may provide contradictory evidence that disproves previous interpretations. The empirical results of their study show that longer searches for information tend to change the interpretation of equivocal issues to threats. Higher diversity of the information obtained in these searches, on the other hand, leads to a change to the interpretation of issues as less threatening. They found no effect either of time spent looking for information or the qualities of the information obtained on the interpretation of equivocal issues as opportunities.

Another factor affecting how an issue is processed by an organization is its perception as representing a crisis (Billings, Milburn, & Schallman, 1980). When dealing with issues perceived as crises, organizations usually increase the level of analytical comprehensiveness and resources dedicated to them, centralize control on their resolution at upper echelons of the organization and expand the level of communication and explanation related to the issues, when compared to non-crisis ones (Dutton, 1987b).

Familiarity with an issue is also a factor affecting its interpretation and response. Denison *et al*. (1996), in an aforementioned study on the factors influencing the interpretation, by CEOs of US firms, of foreign investment in the US economy, found a positive relationship between experience in an issue domain and the interpretation of foreign investments as an opportunity.

In a longitudinal study of how the interpretations and responses of six US pharmaceutical firms evolved in reaction to the 1962 amendments to the Food, Drug and Cosmetic Act of 1938, Barr (1998) concluded that: a) interpretation to concepts unfamiliar to the firm evolved from vague and broad-based to detailed and impact-specific, accompanying how the issue itself unfolded in the "outside world" (additions of new concepts to causal maps); b) interpretation of concepts familiar to the firm changed in terms of meaning and purpose (changes in existing causal maps and beliefs); and c) there is a complex temporal relation between interpretation and the strategic adaptation to unfamiliar events: changes in interpretation occur both before and after changes in strategy.

8.2.2. Individual, group, organizational and environmental factors

At the individual level, personal attributes such as the locus of control, emotional predispositions, and commitment to a viewpoint may affect the interpretation of an issue (Thomas *et al*., 1994).

Group-level factors that are not aggregates of individual-level characteristics were also found to influence the interpretation of SIs. The research conducted by Thomas and McDaniel (1990) found evidence that the information-processing structure of the TMT affects the interpretation of SIs by CEOs in different organizations; it may limit or augment the recognition of stimuli, the search for data, and identification of causal relations associated with an issue. Thomas et al. (1994) confirmed that low information-capacity in groups is associated with strong perception of political implications of issues. They also found that groups characterized by strong identities tended to interpret issues as strategic, while weak group identities were associated to perception of the same issues being as political. Political activity within a group may also have a contextual influence on issue interpretation. For issues that capture heightened management's attention, intense levels of political conflict may decrease consensus on an interpretation (Dutton *et al*., 1983).

In group settings, displayed emotions may also influence the interpretation of SIs. Liu and Maitilis (2014) posited that negative emotional dynamics among members of a top team can prevent discussion of SIs and hinder strategic change. In a longitudinal study, they analyzed conversations about SIs in TMT's meetings, and identified five types of emotional dynamics, each associated with a different type of strategizing process. The strategizing processes, in turn, varied in the patterns the authors found on issue proposal, discussion, evaluation, and decision

(if a decision was reached or postponed). Positive emotional dynamics drew team members closer and allowed a collaborative approach to the interpretation of issues, leading to comprehensive shared understandings and decisions that integrated the perspectives of several team members and were well-accepted. On the other hand, negative emotional dynamics led to confrontational interactions, sapping the energy of the group, increasing the distance between team members, and leading to unreconciled interpretations. Decisions were postponed or made without full team consensus and commitment.

One of the factors related to the organizational context that may affect the chances of placement of an issue in the organization's strategic agenda is the existence of issue sponsors. Certain individuals become attached to SIs and this attachment may lead them to exert efforts and use their political capital to convince others of the salience of the issue, and to influence the decision processes through which the organizational select issues that should be placed in the strategic agenda (Dutton, 1986a).

Another organizational factor that may affect the placement of an issue in the strategic agenda is the strategic orientation of the organization (Dutton, 1986a). Some issues may be interpreted as being closely related to the current strategy of the organization, and, therefore, easier for the participants in the interpretation process to deal with and of higher interest and exposure. Thomas and McDaniel (1990) found evidence that the strategies pursued by organizations account for some of the variance in interpretation of SIs by their CEOs.

The organizational culture is another factor affecting the probability of the placement of an issue in the strategic agenda of the organization. If the issue conforms to the beliefs and values of organizational members, and if the organizational culture is strong, consensus on the meaning and responses to the issue is achieves with less effort, and the issue rapidly reaches agenda status. Conversely, if it departs from the established concerns of the organizational culture, the chances of the placement of the issue in the strategic agenda are lower.

The identity of an organization – defined as what its members believe to be central, enduring, and distinctive about it (Thomas *et al.*, 1994) – influences issue interpretation: it serves as a reference point for the assessment of the salience of issues, their legitimacy and meaning (Dutton & Dukerich, 1991). Gioia and Thomas (1996), in a study of higher education institutions, found that TMT members' perceptions of identity and image mediates the relationship between the organization's internal context (strategy and information-processing structures of the TMT) and the interpretation of issues (categorized as strategic vs political ones).

The size of an organization may also affect issue interpretation and response. Managers in large organizations usually have difficulty in perceiving change in their environment and promoting adaptation in their organizations; these factors may limit the range of interpretations of SIs and the responses managers conceive and choose to address them (Thomas *et al.*, 1994). This assertion found support in the study conducted by Denison *et al.* (1996), who confirmed that the CEOs of large American firms are more likely to interpret foreign investments in the US as threats, whereas CEOs or small firms tended to perceive these investments as opportunities. Additionally, in large corporations, managers tend to interpret issues from the perspective of their own unit; the diverging perspectives of managers from different business units may lead to conflict and political negotiations, the consequence of which may be suboptimal interpretations and actions, for the corporation.

Finally, the mental models prevalent in an organizational also influence SI interpretation and response. In a longitudinal investigation of a matched pair of US railroads facing environmental scarcity, Barr *et al.* (1992) found that successful organizational renewal was associated with adaptation in mental models; the successful firm in the pair investigated was able to link environmental change to corporate strategy and adapt this linkage over time. The change in mental models and strategic action was mutually reinforcing, in a process in which "unexpected results lead to a questioning of current causal beliefs. Adjustments to these beliefs are made and new actions are undertaken that test newly asserted relationships" (Barr *et al.*, 1992, p. 32). According to Chattopadhyay et al. (1999), two features of the mental models or cognitive schemas appear to be relevant for SI processing in organizations: normative beliefs and cause-effect understandings. Normative beliefs define the importance attached to a particular goal for an organization (e.g., market share, profitability, growth, reputation). Normative beliefs would contribute to a) the assessment of the probable impact of a development, trend, or event to the ability of the firm to meet its objectives, and b) the decision regarding whether it should be considered a SI and, therefore, added to the strategic agenda of the firm (Chattopadhyay et al., 1999). Cause-effect understandings are relational statements which allow individuals to impose a logic for understanding an issue (as well as a logic for resolving it, if necessary) (Dutton *et al.*, 1983).

The literature on SI identifies several factors and characteristics of the external environment that influence issue processing in organizations. According to Schneider and de Meyer (1991), and Sallivan and Nonaka (1988), national culture influences the interpretation of SIs and the type of the responses to these SIs. Barr *et al.* (1992) found that severe decreases in environmental munificence demanded changes in the dominant mental models (cause-effect

understandings) used to process and devise strategic moves at the firm under analysis. Litrico and David (2017) found evidence that changes in the cognitive frames used for the interpretation of environmental issues (noise and emissions) by actors in the organizational field of civil aviation were influenced by the association of these actors to these issues in societal discourse and their proximity to concerned audiences.

8.2.3. Processual factors

Categorization influences the interpretation of and the responses to SIs. For instance, research has shown that labeling issues as either a threat or an opportunity can have consequences for the decision-making processes in a firm. Jackson and Dutton (1988) found evidence of a threat bias: managers seem to be more sensitive to issue characteristics associated with threats than to those associated with opportunities. Categorization was found to influence the outcomes of the interpretation process. Evidence from empirical studies shows that opportunity interpretations of a SI are associated with greater product-service changes (Thomas *et al.*, 1993) and proactive strategies (Sharma, 2000). On the other hand, threats are associated with increased orientation toward internal or external responses, respectively for threats interpreted as inducing loss of control and threats leading to financial losses (Chattopadhyay *et al.*, 2001).

Another categorization scheme, using the dimensions of urgency, and feasibility, has also been proposed to explain differences in the interpretation, processing, and responses to SIs (Dutton and Duncan, 1987a). Urgency indicates that there are costs to be borne due to inaction with respect to an issue; the sense of urgency is associated with the perceived magnitude of the probable impact of not dealing with the issue in a timely manner, visibility of the issue to internal and external stakeholders, and the locus of responsibility for the occurrence of the issue (Dutton and Duncan, 1987a). Feasibility indicates a judgment on the probability of success in acting on an issue; such judgment is associated with an evaluation of the understanding of the issue (the identification of the means to solve an issue) and an evaluation of the capability to solve the issue (the availability and accessibility of the means to solve the issue). The combined evaluation of the urgency and feasibility has implications for the nature of the response to the issue: low evaluations lead to responses of small magnitude, while high evaluations are associated with radical changes. Dutton et al. (1990) found that managerial assessment of issue urgency predicted the allocation of their time and priority assigned to issues. Denison *et al.*

(1996), by their turn, confirmed that perceived capability to respond to a SI was a significant predictor for the interpretation of an issue (as a threat or an opportunity).

Besides affecting interpretation and response, familiarity with an issue also has influence on the activation of automatic or purposive interpretation modes. Dutton (1993) proposed that when decision-makers classify an issue into a known category they can reduce the cognitive effort and attentional and analytic resources applied to the issue and, and as consequence, these decision-makers are able to invoke scripted responses – what she defined as automatic SID. On the other hand, unfamiliar issues trigger what Dutton (1993) named active SID, which is intentional and conscious, and associated with the expenditure of significantly greater amount of attentional and analytical resources. The time and effort dedicated to active SID allow decision-makers to search for additional data and evaluate several interpretations for the issues at hand. Dutton (1993, p.342) remarked that "the active and automatic modes of SID mirror a distinction made between two different modes of attentional and search processes identified by psychologists".

8.3. CONSENSUS AND DECISION-MAKING ON SIS

While interpretation has been a central concept in research on SIs, as the citations to several papers in the previous section attest, consensus among key decision makers regarding the meaning, impact, and responses to SIs has received less attention from scholars. Strategic consensus, defined here as the shared understanding within a group of managers at a particular point in time about the strategic priorities of a firm, is generally accepted as an important first step in the strategy formation process (Kellermanns *et al*., 2005). There are at least two main reasons why strategic consensus is important to organizations: first, higher levels of strategic consensus have been positively associated with coordination and cooperation in the implementation of strategy, and with organizational performance (Kellermans et al., 2005). Second, strategic consensus contributes to heightened levels of strategic commitment – understanding the strategy is not sufficient to achieve cooperation among managers, they must believe in the strategy (Amason, 1996; Wooldridge & Floyd, 1989).

Few papers investigated consensus among decision-makers applied to SIs. Knight *et al*. (1999) is one of the few exceptions: they investigated how demographic diversity and group processes influenced strategic consensus in the TMT. They concluded that TMT diversity and group processes influence consensus on SIs. The evidence confirmed significant and negative

relations between functional and educational diversity and strategic consensus. Contrary to their expectations, they found a significant and positive relation between employment tenure diversity and strategic consensus. No significant results were found for the relation between age diversity and strategic consensus. Besides measuring the direct effects of demographic diversity on strategic consensus, Knight *et al*. (1999) also investigated whether the inclusion of group process variables would increase the explanatory power of their model. They investigated two group processes: interpersonal conflict and agreement-seeking behaviors. Interpersonal conflict is the conflict arising from differences between people, and the social and emotional relationships that accompany them (Amason, 1996). Knight *et al*. (1999, p. 448) defined agreement-seeking behaviors as "those that are intended to produce consensus or agreement among TMT members regarding firm strategy". Based on the results of a model in which these group processes partially mediated the relationship between TMT diversity and strategic consensus, they found a positive influence of functional diversity on interpersonal conflict. They also found that age diversity negatively influenced agreement-seeking behaviors. In addition, interpersonal conflict had a negative effect on agreement-seeking behaviors, and agreement-seeking behavior related positively to strategic consensus.

Two observations related to the paper by Knight *et al*. (1999) are worth mentioning. Commenting on the fact that the results of their study did not support all the relations in their model, Knight *et al*. (1999) remarked that one possible explanation was the size and nature of the sample they employed; another one was the way they operationalized their variables. They also speculated that other demographic characteristics, not measured by them, could affect strategic consensus. Moreover, only a few group processes were investigated; excluded from their study were structured methods used to address task-oriented conflict, such as dialectical inquiry or devil's advocacy. Knight *et al*. (1999) supported their choice of group processes citing previous studies (such as the ones by Schweiger, Sandberg, & Ragan, 1986; Schweiger, Sandberg, & Rechner, 1989) in which evidence was found that, although groups using structured methods for task-oriented conflict resolution achieved higher-quality recommendations, groups using agreement-seeking behaviors demonstrated more confidence in the decisions they made, and the decisions made achieved higher levels of acceptance. Besides, members of groups using agreement-seeking behaviors manifested higher satisfaction with the group.

Markóczy (2001) is another exception to the scarcity of studies addressing consensus on SIs. In her paper, Markóczy investigated consensus formation in three Hungarian state-owned enterprises recently acquired by Western ("Anglo-Saxon") firms, experiencing major

challenges associated with their transition to new ownership structures and market orientation. She considered the two dominant (and opposed) perspectives on strategic consensus formation – the rational model, in which strategy arises from a comprehensive and rational decision-making process through which members of the TMT reach consensus on SIs (Ansoff, 1965; Andrews, 1971), and the political model, in which the strategy process is conceptualized as the outcome of the formation of coalitions by individuals at several levels of the organizations, along the lines of their common interests (Cyert & March, 1963; Narayanan & Fahey, 1982). She ultimately decided to base her investigation on the political model, reasoning the rational model does not allow for the study of consensus processes beyond the TMT.

In her paper, Markóczy (2001) also expounded the main facets of organizational consensus and described how these facets had been investigated in the academic literature. According to her, the degree of consensus, or how strongly the consensus is held, has been the facet of strategic consensus most investigated in non-experimental studies. In these studies, a SI often arises associated with a crisis, or a dissatisfaction with organizational strategy or performance, and these issues trigger the confrontation of diverse and sometimes dissenting interpretations. This low initial level of consensus is not necessarily negative: if these initially conflicting perspectives lead to the consideration of alternative viewpoints, thus increasing the chances of finding improved diagnosis and responses, and if these perspectives are later consolidated, a higher degree consensus can be achieved, therefore improving shared understandings and commitment (Amason, 1996; Jehn & Mannix, 2001; Schweiger *et al*., 1989). Regarding the locus of consensus, or where the members of the organization participating in the consensus-building processes are, Markóczy (2001) pointed out that the TMT was considered the locus in most non-experimental studies (Dess, 1987, Kellermanns et al., 2005). Such studies did not extend the investigation of the locus of consensus to other groups; a fact Markóczy regarded a consequence of the adoption of the rational model of strategy formation. The scope of consensus, or how many members participate in it, was one of the facets of consensus least explored in empirical studies, according to Markóczy (2001), even though the importance of a widely shared understanding and commitment to the selected strategy had already been emphasized as an important component of successful strategic implementation in the literature (Fredrickson, 1984). Finally, Markóczy (2001) found that the content of consensus, or what the actual beliefs are, was the facet over which there was most disagreement. She noted that, although the dominant view considered that the content of consensus should be about priorities of goals and means (as per Bourgeois, 1980, 1985; Dess, 1987), other measures of content have been used. Markóczy listed the following: priorities and

categorization of competitors (Hodgkinson & Johnson, 1994), organizational strengths and weaknesses (Hrebiniak & Snow, 1982), satisfaction with decision making (Stagner, 1969), objectives and role perception (Grinyer & Norburn, 1977), and perceived environmental uncertainty (Bourgeois, 1985). Reasoning, citing Dess and Priem (1995), that beliefs may be more relevant to the implementation of the strategy than the agreement on goals and means, Markóczy (2001) chose to define and measure in her study the content of the strategic consensus as the beliefs of managers in two domains: beliefs about which issues are most relevant to the organization and beliefs about the relationship between those issues.

Using a causal mapping technique (Markóczy & Goldberg, 1995) to represent the beliefs of individuals about the relevance of SIs and the causal relations between these issues, and later computing the distances between causal maps within groups and between groups, Markóczy (2001 found that the primary locus of consensus was not in the TMTs in the organizations she investigated, but in other groups of managers with high levels of interest in the change (especially those who were the primary beneficiaries of the ongoing changes). She also found that consensus (similar understandings regarding SIs) increased during the strategic change, in most of the groups investigated and among the members of these groups. Finally, her study revealed that consensus building occurred less by increasing the degree of consensus among members of groups than by increasing the scope of consensus (shared among groups).

In a literature review on strategic consensus, Kellermanns et al. (2005) presented some results and propositions that complement the concepts already exposed in the descriptions of the papers by Knight et al. (1999) and Markoczy (2001). Kellermanns et al. (2005) remarked that some aspects of the decision-making process seem to be relevant to the achievement of consensus: the level of decision comprehensiveness (Wooldridge & Floyd, 1989), the use of decisions aids (Dess & Priem, 1995; Priem, 1990; Wooldridge & Floyd, 1989), goal congruency (Vroom & Jago, 1988), and increased communication (Rapert, Velliquette, & Garretson, 2002), among them. Other factors associated with the organizational structure also seem to influence strategic consensus, such as: centralization (Bourgeois & Eisenhardt, 1988; Dess & Priem, 1995; Eisenhardt & Bourgeois, 1988; Welsh & Slusher, 1986), formalization (Menon et al., 1999; Priem, 1990), hierarchical differentiation (Priem, 1990), and task specialization (Welsh & Slusher, 1986). According to the literature, centralized organizations with a highly formalized process for analysis and decision on SIs stifle managerial discretion, and enforce, rather than elicit, strategic consensus. However, this consensus may not represent true shared understanding, and thus may not create commitment to the responses the organization subsequently implements to deal with SIs.

9. APPENDIX 2: THE STRATEGIC ROLE OF THE BOARD OF DIRECTORS

9.1. INTRODUCTION

Many studies on strategic issues (SIs) have used top management teams (TMT) as a research setting, some of them addressing consensus (Knight *et al*., 1999; Markóczy, 2001). On the other hand, the interpretation and management of SIs at the board level have been scarcely researched (Bergman *et al*., 2016; Fiegener, 2005). If, as many scholars in the field of strategic leadership posit, the board of directors is the main body responsible for decision-making on major policies and strategic issues (Golden & Zajac, 2001; Deutsch, 2005), this dearth of studies on how boards of directors manage SIs can be considered a significant gap in the literature, that this dissertation aims to address. This appendix presents a summary of theoretical propositions and empirical findings on the factors affecting the strategic role of boards of directors in general, and for boards of directors of family firms - the research setting selected for the empirical part of this dissertation - in particular.

9.2. STRATEGIC ROLE OF BOARDS OF DIRECTORS

9.2.1. The roles of the board

According to Aguilera, Desender, Bednar and Lee (2015), the governance of an organization comprises internal and external mechanisms. The internal mechanisms include the board of directors, the ownership structure and management incentives. The external mechanisms encompass the legal system, the control market, external auditors, stakeholder activists, rating agencies and the media. The board of directors, considered the most important internal governance mechanism, is a collegiate body that is generally made up of representatives of the shareholders and independent members. A board can be formed by executive directors, who hold managerial positions in the organization, and non-executive directors, who have no personal link to the organization (Moser, 2020).

Zahra and Pearce (1989) posit that the board of directors has three main roles: control, service, and strategy. The control role mainly involves assessing the performance of the CEO and TMT to ensure the protection of shareholders' interests. The service role is associated with reputational aspects and contacts with the external environment. Finally, the strategy role

involves active advice to the CEO and TMT, through the definition of business concepts, development of the company's mission, and the selection and/or review of corporate and business strategy, whose implementation is the purview of the executive leadership of the organization.

Agency theory (Jensen & Meckling, 1976) provides the basis for the studies that investigate the control role of the board of directors. Agency theory identifies a conflict of interest between owners and managers, or agents (Berle & Means, 1932). In seeking to maximize their individual utility, managers tend not to maximize return on capital, the main objective of owners. In this context, the main role of the board is to monitor and control the conduct of the CEO and TMT, with the goal of protecting the interests of shareholders (Jensen & Meckling, 1976; Shleifer & Vishny, 1997).

The service and strategy roles of the board of directors are usually investigated using the theory of resource dependency as a theoretical framework. The theory of resource dependency assigns to the board the responsibility to bring resources to the firm. Such resources comprise, according to Arzubiaga, Kotlar, de Massis, Maseda, and Iturralde (2018), knowledge, skills, experience, reputation, and contacts, which in turn depend on the human and social capital of the board. Oehmichen, Heyden, Georgakikis and Volberda (2017) highlight that the board's strategic role comprises providing insights into opportunities and threats (such as new consumption habits), assisting in the identification of signs in the environment (emerging technologies), acting as an early warning system for imminent changes (regulatory changes) and providing assessments and judgments of best practices (about operating practices). Thus, the boards of directors play a fundamental role in the decision making related to SIs (Johnson, Schnatterly, & Hill, 2013).

9.2.2. Factors affecting the performance of the strategic role of boards of directors

This section presents some factors that, according to the literature, can affect the performance of boards of directors in their strategic role.

9.2.2.1. Structural factors

Size of the board

Larger boards tend to benefit from a larger variety of professional experiences and types of information, which enable them to provide broader access to knowledge, greater analytical capacity and better exposure to emerging market trends and practices, which can favor the discussion of strategic themes in firms (Abebe & Myint, 2018). On the other hand, boards composed of many directors may experience poor communication, slow decision processes and agency problems, thus harming the meaningful discussion of SIs (Prencipe, 2016).

The CEO and the chairperson of the board

The investigation of the role of the CEO in board of directors is dominated by the issue of CEO duality, which refers to the situations in which the CEO is also the chairperson of the board. The literature points to several disadvantages of CEO duality. One of them, particularly significant for family-owned firms, is that when the CEO is also the chairperson, members of the board find it increasingly difficult to effectively monitor the decisions taken by the controlling family. The controlling family may, for instance, prefer to extract rents from the business, investing less in strategically significant activities, such as R&D, thus jeopardizing the long-term prospects of the business (Ashwin *et al*. 2015). Top level executives that report to a CEO who is also the chairperson of the board may be less inclined to take risks and dedicate efforts to innovation and growth, especially if they sense that the board will not exert vigilance and monitor performance regarding these SIs (Bernile, Bhagwat, & Yonker, 2018). On the other hand, CEO duality may have positive consequences for strategic investments in family-owned firms, if the controlling family uses its power, through the chairperson of the board (who is also the CEO), to support expenditures proposed by the management team that will increase the long-term viability of the firm and the well-being of future generations, a behavior that has been defined as transgenerational intent (Williams, Zorn, Crook, & Combs, 2013).

Executive directors

The literature on boards of directors points to problems associated with the presence of members of the TMT on the board. When firm executives are board members, they must play a dual role, representing both the management of the firm, responsible for its operations and performance, and that of a director who supervises the executive team. Gornszteijn and Likhtman (2017) mention that this situation can cause two types of problems. First, it generates conflicts of interests, as it is unlikely that these board members will objectively assess their own performance. Second, it causes "information capture" problems: these executives have more complete and updated information about the operations of the firm than outside directors, and

this information asymmetry leave outside directors in a disadvantage when issues of strategic import are discussed. The board may end up taking the perspectives provided by the executive directors as the only valid one, not benefiting from the experience and knowledge of outside directors when SIs are discussed. Executive directors generally have a great store of specific knowledge of the internal processes of the firm, but they may not have a wide range of knowledge regarding the external business environment (Siebels & Knyphausen-Aufsess, 2012).

Bernile *et al*. (2018) state that executive directors, due to their frequent interaction, tend to develop more homogeneous views on decisions that affect the company's risk, and their presence in the board reduce the diversity of perspectives regarding SIs, when compared to a board in which board members are outside directors. A lower risk is not, in the authors' view, necessarily desirable, if it occurs at the expense of shareholder value. Long tenured executives may become more rigid in their interpretation of SIs and reluctant to change their viewpoints when they are part of the board. This reluctance to change may hinder the achievement of shared understandings regarding the course of action to deal with ambiguous SIs (Escribá-Esteve, Sánchez-Peinado & Sánchez-Peinado, 2009; Ribeiro, 2015).

Independent directors

Independent directors are board members who "do not have family, business, or any other relationship with shareholders with relevant shareholding, controlling groups, executives, service providers or non-profit entities that significantly influence or may influence their judgments, opinions, decisions or compromise their actions in the best interest of the organization" (Instituto Brasileiro de Governança Corporativa, 2015, p. 44). To Fiegener (2005) and Wincent, Anokhin and Örtqvist (2012), when the board has a critical mass of independent directors, there is a higher probability that strategic decisions will be made and that these decisions will be grounded on information from the external environment. Conversely, the lower the level of participation of independent directors, the less likely it is that the board will implement strategic actions and change (Martin-Reyna & Duran-Encalada, 2015).

Family members

Attachment to the business weighs heavily on the decisions taken by family members. Therefore, it is difficult to gain support from board members that are also members of the controlling family to strategic decisions that cause the reduction of firm assets, as in strategic retrenchment (Morrow, Johnson & Busenitz, 2004). In some contexts, this attachment to the

assets held by the firm may significantly impair a firm's ability to conceive and implement critical strategic changes (Cater & Schwab, 2008). In these situations, the participation of independent directors may be essential, providing a counterpoint to the predisposition of family members to hold on to firm assets, helping family members visualize a more complete scenario in their decision-making process, incorporating the complexities of the internal and external environment (Aman & Nguyen, 2012).

There is also the possibility of divergences within the family, such as when strategic decisions imply the allocation or reallocation of resources. This can cause disputes related to personal interests or interests of groups within the family. Different perspectives on the business (Zaidi, Saif & Zaheer, 2010) or different interests of the decision makers (Deutsch, Keil, & Laamanen, 2011) can raise the levels of conflict in the group (Pfeffer, 1981).

9.2.2.2. Demographic factors

Age

While older board members can contribute to the strategic discussions with their experience and maturity, younger board members can provide new perspectives, for example, new insights enabled by increased familiarity with digital technologies. In a survey conducted with Brazilian board members, Guerra and Santos (2017) noticed that less experienced board members were more aware of the biases that afflicted board decision-making processes.

Training

The literature also indicates that there is a positive relation between the level of education of the directors and the effectiveness of the board of directors. Mori (2014), for example, found that both the number of years of study and having a higher education diploma positively influenced the performance of the board in its monitoring and resource provision roles.

Industry experience

Arzubiaga *et al*. (2018) affirm that specific knowledge of the industry can contribute to the strategic decision-making process in the boards of directors. The importance of the board members' experience is reinforced by Abebe and Mynt (2018), for whom having the "right" board members, from the point of view of previous experience, could help the firm identify and respond to the technological and competitive changes occurring in its market.

Demographic diversity

Demographic diversity at the board of directors can improve the decision-making process, alleviating problems associated with groupthink and favoring the emergence of creative and innovative solutions for SIs (Bernile *et al.*, 2018). On the other hand, diversity can exacerbate conflicts, make it difficult to reach consensus, and discourage the exchange of ideas (Bernile *et al.*, 2018). Mori (2014) argues that age diversity has the potential to improve board performance. According to the author, backgrounds, skills, experiences, and social networks differ depending on the age of board members, and this diversity leads to an increase in the board's human capital. The diversity of academic backgrounds can also have positive effects on the performance of the board of directors in its strategic role. When board members have a wide range of knowledge, skills, and perspectives on issues, this diversity can contribute to more original solutions. Zona (2014) cites as possible benefits associated with the heterogeneity in the educational background of the directors a higher rate of change in a firm's diversification strategy and a greater number of administrative innovations. However, in an empirical study based on a longitudinal panel of pharmaceutical companies in the UK, Oehmichen *et al.* (2017) found support for an inverted U-shaped relation between heterogeneous educational background in the board and innovation. According to the authors, the benefits of heterogeneity of knowledge only outweigh its costs up to a point. Educational background diversity increases the breadth of knowledge, skills, experience, and networking, but after a certain point, this heterogeneous knowledge can cause more conflicts, decrease the speed of decision, increase the polarization in decision behaviors and decrease strategic action.

9.2.2.3. Group dynamics factors

The literature on corporate governance highlights the importance of increasing opportunities for board members to interact through frequent board meetings. Among the positive aspects associated with higher frequency of board meetings, Arzubiaga *et al.* (2018) mentions that it is difficult for boards members that do not meet often to develop a positive feeling towards others. Sánchez, Guerreiro-Villegas and Gonzáles (2017) reinforce that increased trust, ease of exchange and provision of valuable information and knowledge are benefits associated with the higher frequency of meetings. Attentive to the qualitative aspects of the meetings, Gornszteijn and Likhtman (2017) emphasize that more important than the

number or duration of the meetings, is the role of the chairperson of the board. According to these authors, the chairperson of the board should encourage mutual respect and the development of trust to create a social dynamic amenable to the exchange of uncomfortable information for some of the board members and to bring about conditions for the engagement of all board members in constructive debates, focused on both control and strategy. However, as Guerra and Santos (2017) argue, when people are grouped, individual biases can be intensified and can expand to become group biases, so that group dynamics can become more complex and, eventually, ineffective. As examples of group bias, the authors cite groupthink, false consensus effect, in-group favoritism and self-bias. Most studies on board have made use of public observable data, such as demographic data and board structure, to draw inferences on group processes and their outcomes. However, the uncertainty associated with these inferences diminish the reliability of the empirical findings and theoretical propositions generated from this type of research. Primary data on board processes, although less readily accessible, may be of greater importance for explaining outcomes (Schwartz-Ziv & Weisbach, 2013).

9.2.2.4. Firm factors

Age of the firm

The phases of a firm's life cycle impose different challenges in the field of strategy and, consequently, for the roles the board of directors play, as explained by Sánchez *et al*. (2017). In the growth or initial stage, the main objectives are to create and register the firm, raise funds, and prepare a business plan. At this stage, the main role of the board of directors is to provide resources, relationships, and strategic guidance for the start-up of a new enterprise. In the maturity stage, the business model is well established, the company has developed its market and products, revenue growth is flattened, profit margins decrease, and the rate of innovations generally also slows down. The firm becomes more conservative, concerned with stability and efficiency. The board tends to be seen as a mechanism to ensure that there are adequate controls, and that decisions and actions are made in a manner that is consistent with the interests of the shareholders. In other words, there is a transition from the role of resource and strategic orientation provision to monitoring. However, even at the maturity stage, significant changes can occur in the general environment (such as political and regulatory changes, disputes with local communities) in the task environment (for instance, the bankruptcy of a key player in the core market of the firm, or the launch of disruptive products by a competitor), or internally (a

major accident, with consequences for labor relations, or the invention of a new technology that could be leveraged through the firm product portfolio), which can potentially affect positively or negatively the achievement of the objectives of the firms. Such events can either be construed as opportunities or threats. The board will have to attach meaning to these developments, consider several alternatives proposed by the management to respond to them and follow-up on the implementation of chosen alternatives. In a situation like this, the challenges are equivalent to those faced by a nascent firm and, similarly, the role of the board is centered on the provision of resources and of strategic guidance.

Size of the firm

The increase in the size of the firm also turns the job of the board of directors more complex, and this increased complexity also affects the discharge of its duties in the provision of strategic guidance. The interpretation of SIs becomes more difficult, and consensus harder to achieve, leading, in some cases, to the postponement of decisions. Agency problems are also more likely to occur as firms increase in size (Guldiken & Darendeli, 2016).

Ownership structure

According to the stewardship theory, due to the long term and the socioemotional (SEW) attachment of the founding family with the firm, greater efforts and resources are devoted to ensuring business continuity, which could facilitate higher investments of a strategic nature, such as in R&D. In the Brazilian context, likewise, it is expected that family control may lead to high involvement with the business and a board of directors that will dedicate more efforts to engage in matters of long-term, strategic nature.

However, family ownership may negatively affect the decision processes in boards, leading some directors to unite around decisions based on family allegiance, not on their independent, rational evaluation of their positive and negative merits (Vale & Corrêa, 2015). In family firms, the decision structure is often based on a network of relationships formed by the family members involved in the management (Capelão, 2000); social issues and personal and group interests can make a significant impact on decisions (Motta, 1988). A particular case to be consider is when two or more families share the control of the firm. Control split among family groups can be a barrier to consensus on decision making, if members of different families have diverging objectives.

Industry

High-tech firms usually operate in more volatile and fast-paced environments, characterized by frequent and discontinuous changes. In these markets, the board's control role may be less necessary since the market itself can serve as a control mechanism. Thus, for technology firms that compete in an environment of high volatility, hostility, and competitiveness, the board's roles as a facilitator of connections and provider of resources and of strategic advice and guidance to the CEO seem to gain special relevance (Sánchez *et al*., 2017). Similarly, Carlomagno (2018) considers that, in emerging, open and hypercompetitive sectors, one of the main responsibilities of boards of directors is innovation in the core business and in new businesses, while in mature and regulated sectors, the objective is to guarantee operational efficiency to the existing business.

In low-tech companies, which do not base their strategy on the generation and application of new technological knowledge, but on efficiency and cost reduction, the role of provider of resources is less important for the board. If the environment is technologically stable, there is no demand for further innovation and the products do not become obsolete, nor is it necessary for new ones to be developed. The emphasis on efficiency, operational stability, and predictability seems to indicate that, in these organizations, the control role of the board of directors assumes greater relevance (Sánchez *et al*., 2017).

9.2.3. State of the knowledge on the strategic role of boards

Some aspects of boards of directors as a research subject are still scarcely known, especially the variables that influence strategic decision making at the board level (Hambrick & Mason, 1984; Muller-Kahle & Lewellyn, 2011). According to Ma and Khanna (2016), most of the difficulty in clarifying these issues stems from the fact that studies of boards of directors are generally based only on public data, not considering the social relationships between the directors.

To advance the knowledge of the strategic role of boards, many authors identified the need to investigate the qualitative aspects of board meetings (Gornszteijn & Lihtman, 2017). Qualitative aspects identified as relevant include the dynamics of the board, its culture and behavioral aspects, the interactions, and relationships within the board, between the board and the CEO, pre-meeting preparation, the commitment and allocation of time of the board members and the content of the discussions in the board of directors.

9.3. STRATEGIC ROLE OF BOARDS OF DIRECTORS IN FAMILY FIRMS

9.3.1. Family firms

Family businesses (FBs) are the most common form of business organization around the world (Bammens, Vooddeckers, & Van Gils (2011). In Germany and France, about 40% of firms with revenues of more than $ 1 billion US dollars are controlled by families; in the United States, more than 30% of firms in this revenue bracket are family firms. And the empirical evidence suggests that contrary to the expectation of some economists and sociologists that the increase in rationality and bureaucracy in firms would cause family businesses to become extinct over time, family dynasties can thrive in modern economies and societies (Bressan, Schiehll, Procianoy, & Castro, 2019).

Research has also shown that the involvement of families in the ownership and management of firms influences organizational goals, strategies, structural forms, and processes, thus rendering them different from non-family businesses (Chrisman, Chua, & Litz, 2004). Among the several streams of research on FBs, the topic of the board of directors has received a great deal of attention, focusing on the potential role of the board in safeguarding the firm's continuity and contributing to its performance (Corbetta & Salvato, 2004; Zahra & Sharma, 2004). Some studies have shed light on the aspects that differentiate the performance of the control, service, and strategy roles of board of directors in FBs, in contrast to boards in non-FB firms. The next section will present some of the insights from this literature.

9.3.2. The roles of the board in family businesses

In most FBs, the ownership is concentrated, and shareholders usually participate in management, thus mitigating the classical agency problem between owners and managers (Jaggi, Leung, & Gul, 2009). Agency conflict in FBs moves to the axis of majority (controlling shareholders) versus minority shareholders, usually called principal-principal conflict (Ashwin, Krishnan, & George, 2015). Bammens *et al*. (2011) identified the following sources of moral hazard that must be addressed by boards of FBs when performing the role of control: 1) the owning-family's pursuit of economic interests; 2) the owning-family's pursuit of its non-

economic interests; 3) altruistic behavior, usually in an intergenerational context; and 4) the different nuclear families' pursuit of their interests.

The participation of the controlling family in the management of the FB, although contributing to the minimization of the classical agency problem, brings about the risk that the controlling family will try to extract private rents at the expense of the minority shareholders (Cabrera-Suárez & Martín-Santana, 2015). Such private rents may involve, for example, special dividends, excessive compensation for members of the controlling family participating in the firm's management, and diversion of resources or payments to other concerns belonging to the controlling family (Anderson & Reeb, 2004; Faccio, Lang, & Young, 2001; Silva & Majluf, 2008). Scholars suggest that to protect minority shareholders from the extraction of private rents, boards of FBs should be independent and vested with the authority to challenge the decisions of managers appointed by the controlling family (Anderson & Reeb 2004; Chen & Hsu, 2009; Jaggi *et al.*, 2009; Setia-Atmaja, Tanewski, & Skully, 2009).

Research on FBs has shown that controlling families have the tendency to pursue other interests, besides purely economic ones. These non-economic or socio-emotional objectives include the preservation of the familial identity of the firm, the creation of employment opportunities for members of the controlling family or for people closely related to it, and the maintenance of harmony among the members of the family (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Jones, Makri, & Goméz–Mejía, 2008; Voordeckers, Van Gils, & Van den Heuvel, 2007). Independent board members can be appointed to protect non-family shareholders against moves initiated by the controlling family to improve the socio-emotional wealth of their members when these moves are detrimental to the economic interests of the firm (Chrisman *et al*. 2004; Fiegener, Brown, Dreux, & Dennis, 2000).

Another source of moral hazard in FBs is the inclination of members of the controlling family occupying positions of power to act altruistically, harming both the short-term economic performance and the long-term prospects of the of the firm. Owner-managers, for instance, may place their unqualified offspring in managerial positions, create separate subsidiaries or departments to accommodate competing siblings, or provide them with excessive compensation and privileges. These decisions create problems such as low morale and feelings of injustice among members of the firm, inefficient use of firm resources, and misbehavior among the employed children (Lubatkin, Schulze, Ling & Dino, 2005; Schulze, Lubatkin, & Dino, 2002, 2003; Schultze, Lubatkin, Dino, & Buchholtz, 2001). The literature identifies boards as an instrument to restrain the altruistic inclinations of owner-managers and to prevent this

inclination to harm the viability of the FB (Chrisman *et al*. 2004; Jaffe 2005; Schulze *et al*. 2001).

Finally, Bammens *et al*. (2011) identify a moral hazard associated with FBs, although created by a single entrepreneur, have had its control split among several siblings, each with interests and preferences oriented towards the welfare of his or her nuclear family, rather than to the extended owning-family. Another context in which the same hazards may arise is a FB created by more than one individual, and in which the interests of the respective families may diverge over time. The decrease of familial bonds and sense of shared interests may give rise to agency problems like the ones experienced by non-family firms, particularly when one of the nuclear families exerts control over the firm. When FBs experience intrafamily divergence of interests, the literature suggests that boards should strive to reduce information asymmetries between the family units involved and monitor management behavior, to ensure that the interest of all shareholders are equitably considered (Bammens, Voordeckers, & Van Gils, 2008; Steier 2001).

Bammens *et al*. (2011) also points to tasks that assume significant importance for boards of FBs when they perform their service and strategy roles. They involve: 1) nurturing stewardship attitudes; 2) providing complementary expertise; 3) mediating family conflict. These tasks will be described in the following paragraphs.

Stewardship scholars emphasize the "potential for pro-organizational attitudes among organizational decision-makers and the board's role in supporting them" (Bammers *et al*., 2011, p. 139). They consider FBs as an environment characterized by strong personal and group (family) identification and engagement with the firm, and an outlook orientated towards long-term goals and transgenerational value, therefore conducive to the manifestation of pro-organizational attitudes (Corbetta & Salvato 2004; Kammerlander & Ganter, 2015; Miller & Le Breton-Miller 2006; Miller, Le Breton-Miller, Scholnick, 2008). In fact, these scholars claim that a focus on external control decreases the intrinsic pro-organizational behavior of firm members, who tend to manifest more opportunistic behaviors (Davis, Schoorman, & Donaldson, 1997). For these scholars, opportunistic behaviors among FBs' members could be counterbalanced if boards provide advice and counsel oriented towards supporting and nurturing pro-organizational behaviors (Davis et al.1997; Sundaramurthy & Lewis, 2003).

FBs usually have high level of firm-specific knowledge, due to their intense involvement with the affairs of the business, in many cases since early ages. However, they may lack general business knowledge associated with university training and outside work experience. The latter may be compounded by a difficulty in attracting talented managers from outside the family

circle (Anderson & Reeb, 2004; Carney, 2005; Sirmon & Hitt, 2003). Therefore, outside board members may bring to the FB general business experience and functional expertise that will provide a more balanced outlook when the board deals with issues of strategic relevance (Chen & Hsu, 2009; Gabrielsson & Huse, 2005; Jones *et al.*, 2008; Nash, 1988).

The board in FBs also has an important role in helping resolve conflicts among members of factions within the controlling families, regarding goals and SIs. The coexistence of economic and non-economic goals, the risks associated with altruistic behavior and different nuclear family groups drifting progressively apart create an environment in which these conflicts can lead to destructive levels (Bammens *et al.*, 2011). Some scholars propose that boards, and especially their independent, outside members, can help implement a decision process focused on objective facts and decision criteria and promote the achievement of consensus on policies incorporating a balanced perspective taking into consideration the interests of all family factions (Corbetta & Salvato, 2004; Freeman & Reed, 1983; Luoma and Goodstein 1999). Due to its importance, the issue of conflict in FBs will be dealt with in more detail in the following section.

9.3.3. Conflict in family businesses

Research on FBs indicates that the involvement of families can be a source of conflict for these firms (Qiu & Freel, 2019). Although a moderate level of conflict may help identify different perspectives and alternatives, contributing to a more comprehensive interpretation and response to issues of strategic and operational import, if left unsolved, family-related conflicts may give rise to strained personal relationships, affecting functioning at the individual, dyadic, and group levels (Brett, Shapiro, & Lytle, 1998; Shaw, Zhu, Duffy, Scott, Shih, & Susanto, 2011; Todorova, Bear, & Weingart, 2014) and leading to poor decision making, or no decision at all (Eddleston & Kellermanns, 2007; Ensley, Pearson, & Amason, 2002; Rizzotti, Frisenna, & Mazzone, 2017). In extreme cases, family-related conflict can lead to the demise of profitable firms (Großmann & Schlippe, 2015).

Conflict arises when "people's behaviors are perceived to interfere, obstruct, or get in the way of other people's aims" (Cronin & Bezrukova, 2019, p. 770). Conflict is dynamic: as the parties in the conflict act, trying to solve or manage the conflict, the conflict itself changes (Wall & Callister, 1995). New issues are added to an existing conflict, while others are solved and cease to be contentious (Carver & Scheir, 1990). And conflicts are emotional, leading the

people involved to make attributions of ulterior motives to the other parties (van Kleef & Côté, 2017), and look for allies, forcing other individuals and groups to take sides. The spread of conflict beyond the original parties may create divisions and factions that increase the level of conflict and turn its resolution even more difficult to achieve (Jehn, Rispens, Jonsen, & Greer, 2013).

Scholars have identified several types of conflict that arise in FBs. Qiu and Freel (2019) list the following: 1) conflicts of interest, 2) relationship conflicts, 3) task conflicts, 4) process conflicts, and 5) work-family conflicts. Conflicts of interest arise when people or groups have different perspectives and goals for the firm, and act in pursuit of these divergent goals. Examples would be disagreements regarding the vision of the firm's role in society, or between short-term financial returns to the family versus long-term investments in fixed capital or R&D. Conflicts of interest may arise between majority and minority family shareholders and between shareholders and professional managers (Martínez-Ferrero, Rodríguez-Ariza, & Bermejo-Sánchez, 2016). Relationship conflicts, by their turn, are personal animosities and incompatibilities that may escalate to negative emotions that impair the interaction between the people involved in the conflict. Although these conflicts can happen in many settings, some scholars contend that they are more likely to arise among family members, due to their deeper emotional bonding (Chirico & Salvato, 2016; Kellermanns & Eddleston, 2004). Task conflict involves disagreements on which tasks should be accomplished, and process conflict is associated with disagreement on how such tasks should be accomplished (Cosier & Harvey, 1998; Pieper, Smith, Kudlats, & Astrachan, 2015). In FBs, a disagreement among controlling-families regarding the replacement of the CEO could be construed as a task conflict, while disagreement on the need to look outside the firm for a new CEO could be classified as a process conflict. Work-family conflicts arise when the involvement of family members with the business give rise to overlapping and divergent demands of personal time and opposing roles, both at the firm and at home. For instance, female entrepreneurs may find it challenging to play the role of executive and mother at the same time, in some phase in their lives (Lewis, Ho, Harris, & Morrison, 2016).

Qiu and Freel (2019) identify several strategies to manage conflict within FBs, classified in three perspectives. The contingency perspective stresses the importance of selecting conflict management strategies to resolve the conflict at hand taking into consideration contingencies and contextual factors. These strategies involve either competition – the advancement of self-interest – or accommodation – the choice to sacrifice self-interest to accommodate the interest of others (Putnam, Fairhurst, & Banghart, 2016; Sorenson, 1999; Thomas, 1992). An example

of conflict strategy classified under the contingency perspective is avoidance: a choice to stay away of the conflict. This strategy is commonly used at the early stages in a conflict, reducing the discomfort associated with it, but can be used at later stages in major conflicts in a FB: for instance, a family member may decide to withdraw from the firm, to avoid persistent conflicts with other family members or factions (Alderson, 2015).

A second perspective identified by Qui and Freel (2019) is the paradox perspective. This perspective recognizes that, due to persistent contradictory forces and the long-term attachment of family members to the firm (Kellermanns & Eddleston 2004; Sharma 2004), some paradoxical tensions should be managed permanently, as opposed to be resolved (Smith & Lewis, 2011). Compromising – finding a middle ground satisfactory to the conflicting parties – and collaborating – finding a win-win solution that overcome the causes of conflict – are examples of conflict management strategies adopting this perspective.

The third perspective is the dialectic perspective, oriented towards the creation of higher order synthesis from the opposing viewpoints held by parties in the conflict. According to Qiu and Freel (2019), conflict strategies in this perspective are long term, process oriented and involve "mobilizing resources, reframing the relationship, and thinking outside the box" (p. 7). One of the conflict management strategies classified as embodying the dialectic perspective is the use of governance tools, among them boards of directors (Alderson, 2015; Brenes, Madrigal, & Molina-Navarro, 2006; Frank, Kessler, Nosé, & Suchy, 2011). Qui and Freel (2019) consider the use of governance tools as one of the possible approaches under the dialectic perspective because: 1) it institutionalizes conflict management, creating processual and communication channels able to address a variety of potential conflicts; 2) clarifies roles and responsibilities, helping reduce the emotional baggage associated with conflicts; 3) help create shared values and norms of conduct when dealing with conflicts; and 4) can be used to maximize the positive effects of conflict.