



LUND UNIVERSITY

School of Economics and Management

Groupthink in Boardrooms: Harmonious or Hazardous?

The impact of groupthink on board directors in
the strategic decision making process.

by

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May 2017

Master's Programme in International Strategic Management

BUSN09 - Degree Project in Strategic Management

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Abstract

The interest for corporate governance as a research subject has surged over the past decades as a result of a number of publicised corporate scandals. These events highlighted the substantial impact that poor decision making at board level can have on a firm and its stakeholders. In an effort to counter the threat of dysfunctional boards, stricter corporate governance regulations have been enforced across the world. However, as the regulatory framework serves an important function, the basis for all decision making lies in the board member's cognitive behaviour and more importantly how it becomes influenced in a group setting. Therefore, the purpose of this study is to examine the impact of groupthink on board directors in each stage of the strategic decision making process. The two influences on this process, groupthink behaviour and corporate governance system have been combined with the stages of scanning, interpretation and choice to create the study's theoretical framework. To fulfil the research purpose, ten interviews with board members from Sweden and Germany were conducted in order to collect observations on the cognitive behaviour in the process of strategic decision making. The results indicate that groupthink impacts board members in all three stages of the strategic decision making process. But, the impact cannot exclusively be perceived as negative because the occurrence of groupthink in some situations is based on practical necessity. Moreover, the study has identified a prevalence of groupthink in the scanning stage, which can be viewed as having a negative impact because of its possible restrictive effects on the board members' ability to bring up individual perspectives. Therefore, board members should be aware of the tipping point where an effective decision making process evolves into groupthink in order to ensure that the board is able to achieve its objectives.

Keywords: Strategic decision making, Groupthink, Scanning, Interpretation, Choice

Acknowledgements

We would like to take this opportunity to thank all of the people who supported us in conducting this study. Primary acknowledgement is given to all ten interviewees who were open to share their boardroom experiences with us despite their busy schedules. Although, they would like to stay anonymous for confidentiality reasons, we truly thank you for your contribution and we hope to provide you valuable findings from our research.

Furthermore, we also like to express our gratitude to Dr. Rolf Bütje and Dr. Matts Kärreman for providing us the necessary contacts to board members in Germany and Sweden respectively. Through their personal network it was possible to reach a large number of highly experienced, knowledgeable and cooperative board members from many different industries.

We benefited greatly from Dr. Matts Kärreman, our supervisor and Programme Director. His advice and his extensive know-how in the field of corporate governance makes our master's thesis rewarding for all parties involved. We thank him as well as all participants of our two seminars in this course.

Lastly, we are grateful for Lund University School of Economics and Management for educating us on the composite topic of corporate governance which set a base for the emergence of this intriguing research area.

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1. Introduction

“I take full responsibility for what happened at Enron. But saying that, I know in my mind that I did nothing criminal.” Kenneth Lay, former chairman of Enron Corporation (Axelrod, 2008, p.119).

The quote from Kenneth Lay, who was found guilty of six counts of fraud and conspiracy, illustrates the hazardous results of poor cognitive behaviour in a boardroom setting (The Economist, 2006). The collapse of Enron, one of the largest companies in the United States of America at the time, is just one of many cases throughout the past decades where corporations have experienced severe consequences due to ineffectiveness of boards to perform their essential tasks (The Economist, 2002). Toshiba and Olympus are further examples of corporate scandals in which poor judgement and unethical behaviour in the boardroom resulted in severe repercussions for the company and its stakeholders (Farrell, 2015). Poor decision making in boardroom settings often has severe effects because of the far reaching implications that a single decision can have on a large group of stakeholders. Legislation stipulates that the board is a collective body where all its members hold equal responsibility, with the expectation that they interact through discussions and joint decision making (Sjöstrand, Berglund, Grönberg, Kallifatides, Poulfelt, Pöyry & Sigurjonsson, 2016). A boardroom that cannot facilitate a high level of discussion is seen as ineffective (Mallin, 2016). This makes boards and their directors a very relevant group to examine from a cognitive perspective.

One of the key attributes in a boardroom setting is the cognitive behaviour of the board members because it has a significant impact on the whole decision making process (Barroso-Castro, Villegas-Perinan & Dominguez, 2017). At the beginning of the process lies the first obstacle. When ownership of an entity is separate from its management, company directors are managing money of other people. Adam Smith (2003) demonstrated that directors will not apply an equivalent level of vigilance as they would do in case of their own assets. From this situation, the well-known agency theory developed and is still applicable today (Berle & Means, 1932). However, as agency theory is focussing on the relationship, which alone is not sufficient to explain the behaviour on boards, other theories such as stewardship theory and bounded rationality have emerged. Besides these fundamental theories, there are other important aspects

that can influence cognitive behaviour of board directors. One of these is boardroom dynamics, which is often highlighted as a reason for poor board performance (Barroso-Castro, Villegas-Perinan & Dominguez, 2017). The cognitive behaviour of individuals in a group setting is a well studied subject and the working procedures of boards are not very different from other groups in general (Sjöstrand et al. 2016). This means that groupthink can occur if board members have an excessive ambition for conformity and concurrence within the group (Psychology Today, 1993). Important aspects for studying groupthink are boardroom cohesiveness and cognitive conflict, which are key concepts in this study. All of the above elements are decisive for studying effects on the strategic decision making process.

As cognitive behaviour is an abstract area of research based on psychological principles, its impact on the decision making in boards is difficult to define (Paulus, 1998). Furthermore, Pfeffer (1985) criticises the influence of psychological principles in business studies and questions the benefits of describing cognitive processes, stating that there is not much value in understanding why groups behave in certain ways. Pfeffer (1985) instead argues that the use of demography is more valuable as it describes what the impact is of a group's actions. Despite this criticism, groupthink is used to educate people about a range of social psychological propositions (Paulus, 1998). The value of studying cognitive behaviour in the context of boards becomes evident as continuous enhancements in corporate governance codes and regulations following the corporate scandals in recent years have shown limited effect in cases where groupthink is still influencing decision making in a board. Despite that a majority of corporate governance reforms in recent years have aimed at promoting independent board compositions in an attempt to regain trust, the existence of groupthink remains (Van der Berghe & Levrau, 2004).

1.1 Previous Research on Boards

Various facets of boards have been examined with a strong focus on agency theory and its effects on corporate governance hierarchies based on the primary research by Jensen and Meckling (1976). In particular, the agency theory aspect of monitoring in relation to financial performance of firms has been explored (Coles, McWilliams & Sen, 2001). However, many researchers were unable to prove a relationship between monitoring and board composition in regards to financial performance of firms (Deutsch, 2005). Additionally, stewardship theory

has been used as a supplementary concept to inspect motivation drivers between directors and business owners (Davis, Schoorman & Donaldson, 1997).

Furthermore, the very common concerns of board diversity with regards to board members' independence from the enterprise and gender diversity are featured in popular studies (van der Walt & Ingley, 2003). Due to recent acts of corporate malfeasance, the purpose of board committees, dominance of chief executive officers (CEO) and malfunctioning internal controls have also developed as a focus point to understand corporate failures (Hamilton & Micklethwait, 2006). In this regard, institutions such as Stanford Graduate School of Business and PwC conduct annual surveys to assess board effectiveness (Stanford Graduate School of Business, 2016; PwC, 2016). Along with the corporate scandals, the field of board processes also gained attention (Cornforth, 2001), especially in regards to internal processes, cognitive behaviour of directors and their impact of deriving a strategy (Barroso-Castro, Villegas-Perinan & Dominguez, 2017). Moreover, Rindova (1999) examined the cognitive behaviour of managers and the impact that directors have in the strategic decision making process. Rindova's model of cognitive behaviour has been adapted by us to frame the contributing factors of strategic decision making as illustrated later in this study. The strategic point of view has also been the focal point in the study of McNulty and Pettigrew (1999) who examined strategy contribution of board directors. Their strategic process phases of choice, change and control are comparable to Rindova's model but are delimited to the United Kingdom economy and the respective conditional factors (McNulty & Pettigrew, 1999).

Perhaps the most influential research of boards is that of Jay Lorsch, a professor of human relations at Harvard Business School, who has published over a dozen books related to board work and corporate governance (Harvard Business School, 2016). His first-hand observations help to tackle governance problems without ignoring the important human element. Lorsch (2012) also provides a roadmap for future boards in times of increasing complexity in corporate governance which helped us to review the strategic facets of our study.

Without looking at cognitive behaviour but clearly depicting the processes in boards, the book of Sven-Erik Sjöstrand and his research co-workers provides an in-depth study of governance practices in Nordic corporations (Sjöstrand et al. 2016). A very recent publication from March 2017 by researchers from the University of Sevilla has looked at cognitive behaviour in

combination with strategic involvement of directors. However, their research was limited to the Spanish market and revealed negative relationship between boardroom dynamics and strategic involvement (Barroso-Castro, Villegas-Perinan & Dominguez, 2017).

While examining previous research focusses we discovered a lack of cognitive studies that take on a purely groupthink oriented focal point instead of studying the decision making process only. To illustrate groupthink further and highlight possible variations in corporate governance systems the two different board systems of Germany and Sweden have been chosen for this research project.

1.2 Aim and Objectives

In order to investigate the underlying factors, it is necessary to investigate board effectiveness through the lens of individual board members' observations. With the help of semi-structured interviews of several experienced board members we will examine the influence of groupthink when it comes to board functions, namely performing extensive evaluations of decisions that influence strategic orientation of a company or organisation. Hence, the primary objective of this study is to examine the cognitive behaviour which causes groupthink in the strategic decision making process stages. One of the first definitions of groupthink was described as a "result of a desire for conformity and concurrence within the leadership group - at the expense of critical and objective thinking." (Psychology Today, 1993, p.8). Though, this description was further expanded as outlined in the theoretical review of this thesis.

The supporting research angle of including the Swedish and German board systems is regarded valuable to identify influencing corporate governance structure variations. Those emerge from dissimilar board compositions, ownership structures and regulations. Together with the specific regulatory environment these variations create a cognitive basis for strategic decision making among board members. However, groupthink in turn affects this process through cognitive conflict, boardroom dynamics and cohesiveness.

In order to strengthen our analytical position, we have chosen a definition that is well suited for analysing the strategic decision making process in boards, which is of key importance to our

research question. Mintzberg, Raisinghani and Théorêt (1976) define this process as follows:

“a *decision* as a specific commitment to action (usually a commitment of resources) and a *decision process* as a set of actions and dynamic factors that begins with the identification of a stimulus for action and ends with the specific commitment to action ... *Strategic* simply means important, in terms of the actions taken, the resources committed, or the precedents set” (Mintzberg, Raisinghani & Théorêt, 1976, p.246).

Considering the above objective, we were able to formulate a research question that includes all central features to examine the intended research area:

What is the impact of groupthink on board directors in each stage of the strategic decision making process?

Thus, our research has been constructed around the following five sub-objectives to investigate the manifold topic of groupthink from all relevant angles:

- Identification of groupthink symptoms that emerge from boardroom cohesiveness and cognitive conflict
- Critical reflection of the scanning duties of board directors in regards to board meeting preparations and information collection
- Investigation of interpretation practices and the interlinked level of dissent
- Inquiry on choosing and making strategic decisions in boardrooms
- Analysis of groupthink beyond the theoretical framework through the lens of the two distinctive corporate governance systems in Germany and Sweden

1.3 Research Limitations

Given the increasing complexity of corporate governance and high degree of confidentiality in boards, the chosen research area has its boundaries, most notably limited access to boardrooms and board members in general. Hence, our empirical findings are based on interviews and not on lived experience as attending board meetings is impractical. Nevertheless, a carefully selected sample of ten interviewees still provided sufficient insights. The observations are based on the individual board members past and present experience, which represents 38 different

boards. We have excluded any national cultural focal points or CEO influences in our analysis due to more relevant aspects of groupthink in boardrooms. In terms of geographical scope, we restricted ourselves to the two countries of Germany and Sweden although groupthink is present well beyond these countries. However, with the purpose of including two diverse corporate governance structures we have selected those two countries due to their different corporate governance structures. Further limitations with respect to information confidentiality and anonymity are elaborated in the methodology part.

1.4 Outline of the Thesis

This research paper is structured around five parts. First, we present a comprehensive introduction to our topic by outlining the main characteristics in this complex field before moving into the second part of the theoretical review. Within this section we have produced an extensive revision of the existing theories in our field, including explanations of board responsibilities and structures in the light of cognitive behaviour aspects. The theoretical review is followed by the third part which includes a precise method illustrating our data collection approach, design and analysis concept. Our empirical findings are disclosed in the fourth part of analysis and discussion where we relate and discuss groupthink in relation to the theory features. Lastly, we complete our research study with a conclusion where we show main findings in line with our research objectives and provide directions for possible future research.

2. Theoretical Review

The purpose of the theoretical review is to assess the existing knowledge in our particular field of research. At the foundation of this review lay the general functions of board of directors which are separated into their core elements. Within this part we also explain all relevant aspects that contribute to the overall decision making process of boards and divide this process into specific stages. We start by clarifying director roles and responsibilities before moving into two distinct board systems and the accompanying decision making factors.

2.1 Notion of Board of Directors

The obligation of operating a board of directors is constituted with the intention of accountability and oversight. Directors are employed to oversee and decide on management proposals in a variety of organisations. Thus, board of directors are liable for all arrangements towards regulators, shareholders and stakeholders (Kaen, 2003). Therefore, board composition is typically diverse to reflect various viewpoints and high independence. With no or limited relation to a company, interest conflicts in regards to responsibility of operating a company and the simultaneous selection of management personnel can be minimised. Although, nomination can be separated into a nomination committee, it is common to have audit and compensation committees that are often exclusively composed of outside directors (Kaen, 2003).

2.2 Responsibilities of Boards

Despite cultural and regional differences in composition and structure of boards, the responsibilities of boards and their board members are relatively consistent. The Organisation for Economic Co-operation and Development (OECD), an intergovernmental economic organisation that consists of 35 member states, has defined standards to stimulate economic growth and financial stability (OECD, n.d.). With Germany and Sweden being among those member states it is their duty to operate a corporate governance framework that “ensure[s] the strategic guidance of the company, the effective monitoring of management by the board, and the board’s accountability to the company and the shareholders” (OECD, 2015, p.45). OECD (2015) puts a strong emphasis on the fact that board members should act in good faith, which includes due diligence in order to achieve the best interest for companies and shareholders. In

order to fulfil those requirements, it is important to highlight some key functions of the G20/OECD Principles of Corporate Governance (OECD, 2015, pp.47-50):

- “reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans;”
- “setting performance objectives, monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures”
- “monitoring and managing potential conflicts of interest of management, board members and shareholders;”
- “selecting, compensating, monitoring and, when necessary replacing key executives and overseeing succession planning:”
- “monitoring the effectiveness of the governance practices under which it operates”

2.3 Agency and Stewardship Theory

The duties described above are performed by people who are elected to set a strategic direction of an organisation because the organisation size is beyond the management abilities of a single owner. Therefore, firms engage agents to act on their behalf. From this situation develops a *principal-agent relationship* whereby the company owners are principals and the executives, who are employed to manage their company, are becoming agents. Jensen and Meckling (1976) describe this relationship as a *pure agency relationship* as ownership is separated from control. Although agent characteristics are the same in board environments, the process assumption of agency theory has to be looked at in more detail. The theory assumes that the decision process in a board is divided and performed in sequences where directors evaluate alternatives that are prepared by company managers (Fama & Jensen, 1983). However, studies have proven that the strategic decision making process is far more complex, fragmented and rarely sequential (Cohen, March & Olsen, 1972; Hickson et al. 1986; Mintzberg, Raisinghani & Théorêt, 1976). In terms of monitoring however, high board effectiveness can only be achieved if monitoring and control of management is fully emphasised (Fama & Jensen, 1983). This is critical for large organisations where the business or environment complexity impacts the ease of decision making. Doucouliagos (1994) has highlighted to include non-economic assumptions such as stewardship theory to fully understand this theory. Stewardship theory takes into account variances in motivation. Motivation can be resulting from personal goals or from the objectives of principals. The latter is the desired source of motivation as directors often look at themselves

as stewards who align their motivations with business owners (Davis, Schoorman & Donaldson, 1997). In general, as shareholders or any other type of principals, agents are supposed to act in the best interest of their principals.

2.4 Bounded Rationality

Within the conceptual structure of transaction cost economics, expenditures that occur within the process of a business activity, lies the characteristic of *bounded rationality*. Bounded rationality is assuming constraints in the information processing that by cause of cognitive capabilities restrict rationality of decision makers (Rindfleisch & Heide, 1997). These constraints can have significant impact when agents or board members are unable to detect and evaluate the entire decision tree, especially in regards to future judgement and choices (Foss, 2000). This is one of the reasons why Milgrom and Roberts (1992, p.128) coined the term of bounded rationality as “[l]imited foresight, imprecise language, the costs of calculating solutions and the costs of writing down a plan.” It precisely summarises possible challenges in the course of making strategic decisions which is further explained in below paragraph of strategic responsibilities.

2.5 Strategic Responsibilities

As the element of strategy formulation is of particular interest for our research topic it is worth to expand on this function. To formulate a corporate strategy, it is necessary to first identify the overall purpose of the company and the corresponding value creation. Only then it is possible for board directors to set a long-term direction for a company (Tricker, 2015). In terms of board meetings, it is therefore important to include past events and future expectations as part of the discussion (Bezemer, Nicholson & Pugliese, 2014). From a more top-level perspective, all board responsibilities define the strategic direction of a company and can be categorised into basic elements of strategy formulation; policy making, supervision of executive management, and accountability to shareholders and others as outlined by Tricker (2015) in figure 1 below. In order to succeed in these areas, it can be argued that significant number of board directors are required not only to complete those tasks but to contribute with diverse capabilities. From a resource dependency theory perspective, a larger and more diversely composed board will strengthen links between a company's environment, the organisation itself and most importantly the critical resources (Goodstein, Gautam & Boeker, 1994).

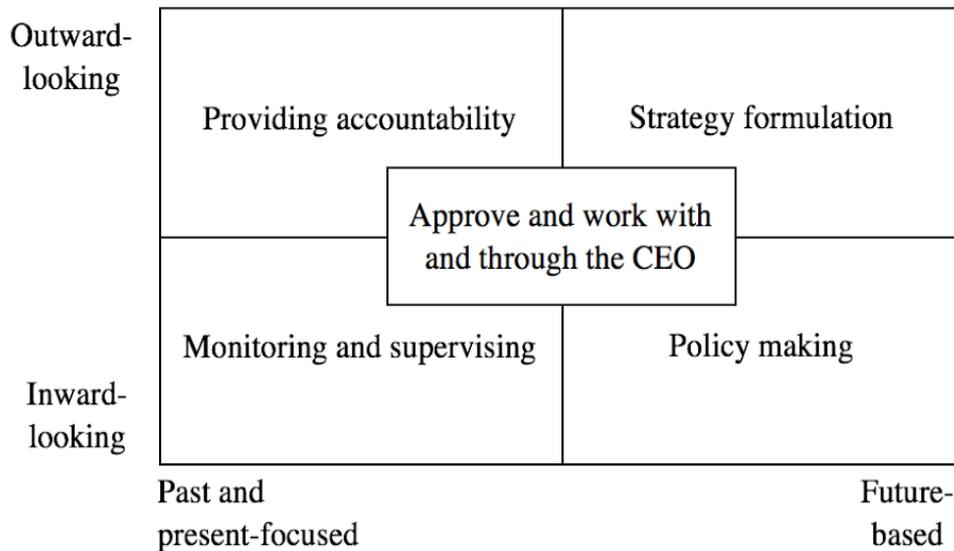


Figure 1: Board Functions (Tricker, 2015)

2.6 One-tier and Two-tier Board Systems

While board responsibilities are similar across European countries there are momentous variances in board structures (Mallin, 2016). For the purpose of this study, we are looking at the one-tier and two-tier models of corporate governance systems. The one-tier board system is found in many countries like Sweden, United Kingdom, United States of America, Australia and Switzerland. It is characterised by a single board that is made up of executive as well as non-executive members (Mallin, 2016; Tricker, 2015). The so-called executive directors are C-level executives from the actual company whereas non-executive or outside directors are independent from the organisation (Tricker, 2015). In countries like Germany and the Netherlands a two-tier board structure is predominant where companies assure a separation between the two duties of supervising and managing (Mallin, 2016; Tricker, 2015). The different implications in terms of size, composition and ownership are explained in more detail below. We chose these two countries because they represent two distinctly different corporate governance systems which creates an interesting basis for examining the effects of groupthink in task of making strategic decisions. Further discussion regarding the selection of these two systems can be found in the methodology.

2.6.1 Swedish One-tier Board System

Unlike the dispersed ownership structure commonly found in the United Kingdom and United States of America, ownership on the Swedish stock market is often concentrated to a single or small number of major shareholders (Swedish Corporate Governance Board, 2016). The resulting effects is that shareholders with large ownership stakes in the firm are often expected to have a long-term commitment to the firm and retain their ownership in the company in times of hardship. In return for the large shareholder's long-term responsibility, the owners can often have a lot of power to govern the firm. These can in turn be enhanced by the use of multiple voting shares, known as A and B shares. The high voting shares can count for up to ten times the number of a regular share and are in use in around half of the listed companies in Sweden. The ownership structure greatly influences the composition of the boards in Sweden in addition to certain regulatory requirements (Swedish Corporate Governance Board, 2016).

The model of corporate governance in Sweden is based on the belief that decentralised markets and self-interest can work in a self-regulating and balanced way. This system encourages short-term profit-oriented behaviour and individualism (Cernat, 2004). In the Nordic countries, the board is most often entirely populated by “outsiders” that have no direct relation to the firm, the exceptions being the CEO and employee representatives (Sjöstrand et al. 2016). The reason for this approach is that the board of directors should be independent from the management. Moreover, at least two board members must be independent from major shareholders. Sweden has a one-tier board structure which means that a company has a single governing body (Sjöstrand et al. 2016). Within this one-tier board system, there are four potential structures; all-executive director board, majority-executive director board, majority of non-executive directors and all non-executive director board. The difference between these structures is the number of executive directors on the board which is often dependent on the size of the company. The all-executive board is common in smaller companies and start-ups where there is no need for non-executive directors. When a company grows, it usually starts to invite non-executives into the board and moves to a majority-executive director board. The resulting structure uses a majority of non-executive directors in the board (Tricker, 2015). This type of board structure is required by the Swedish Corporate Governance Code (2016) for all listed companies in Sweden. Lastly, the all non-executive director board is most commonly found in non-profits entities and are not commonly used in profit driven companies (Tricker, 2015). Another important part of

one-tier boards is the use of committees with the task of examining various issues. Unlike the role of the supervisory board used in Germany, committees only serve a preparatory function with no decision making power. However, the committee's recommendations are often important in the decision making process for the board (Sjöstrand et al. 2016). In conclusion, the Swedish model of corporate governance differs in some important aspects from other Nordic countries, especially in regards to ownership structure. However, these differences become even greater when comparing them to the corporate governance model used in Germany, which is presented in detail below.

2.6.2 German Two-tier Board System

Unlike in the Swedish board system, the dominant stakeholders in the German system are industrial banks and labour unions. Since banks enable financing matters and act on behalf of other shareholders they are in charge of important monitoring duties (Vitols, 2004). This setup is also seen as a reduction in conflicts of interest because creditors and shareholders are actually the same in this case (Kaen, 2003). Due to more concentrated ownership by large financial institutions, the ability to monitor is a highly debated topic. Graziano and Luporini (2005) argue that two-tier board systems are beneficial to reduce intervention from large shareholders in addition to the strengths of following a long-termism strategy with stable capital. On the other hand, a moderate to high ownership concentration creates a lack of flexibility (Keenan & Aggestam, 2001; Clarke & Bostock 1994).

The most significant difference between the Swedish and German board system is the split between management board and supervisory board. While the management board is made up of executives who run the company or organisation, the supervisory board consists of non-executive directors that act as representatives of shareholders and employees. It is the supervisory board's responsibility to appoint and supervise the management board (Tricker, 2015). All large investment agreements have to be signed of by a supervisory board (Kaen, 2003). In other words, a supervisory board is accountable for decision control whereas the management board is responsible for decision management. This type of corporate governance where executives are influenced by stakeholders is called *welfare capitalism* (Dore, 2000). Therefore, duties of supervisory boards are to some extent comparable to the role of outsider directors in the one-tier model of Sweden.

From a regulatory point of view, German corporate entities have to follow strict regulations that are laid down in the German Stock Companies Act. As part of the statutory law, an initial public offering comes with the arrangement of a supervisory board of at least three members. According to article 95 of the German Stock Companies Act, the statute is able to include additional members in line with the following stock capital requirements of the company. For capital stock not exceeding 1.5 million EUR the maximum number of supervisory board members is nine. Above 1.5 million EUR a company is entitled to a maximum of 15 and 21 members for above ten million EUR of stock capital (Federal Ministry of Justice and Consumer Protection, n.d.a). The composition of any German supervisory board is bound to article 96. Depending on the Co-Determination Act, it is required to have representatives from shareholder and employee side. The Co-Determination Act also defines the composition whereby entities of more than 2,000 employees are required to have equal number of shareholder and employee representatives (Federal Ministry of Justice and Consumer Protection, n.d.b). Smaller companies of up to 2,000 employees must have two-third of shareholders and one-third of employees in their supervisory board (Federal Ministry of Justice and Consumer Protection, n.d.c). Furthermore, it is important to note from article 100 that members are only entitled to be on a maximum of ten supervisory boards and that they cannot be elected as board member if they operated as member of the management board of this particular company in the last two years. Supervisory board members are voted at annual general meetings and may only perform supervisory duties for up to five financial years (Federal Ministry of Justice and Consumer Protection, n.d.a).

Although German stock listed companies have to follow several regulations, the formation of committees is not compulsory. A supervisory board can establish multiple committees for the purpose of resolution preparation or monitoring (Federal Ministry of Justice and Consumer Protection, n.d.a). The support of committees is widely used for auditing and accounting tasks and it is the committee's chairman duty to update the supervisory board on their work. Furthermore, companies may establish a nomination committee which is used to recommend supervisory board candidates to the board (German Corporate Governance Code, 2015).

2.7 Strategic Decision Making Process

Despite some fundamental differences in the composition of boards in Germany and Sweden, a common aspect is that strategy formulation is one of the primary tasks of boards in both countries. In addition to strategy formulation, boards have other important tasks such as monitoring and policy making (Tricker, 2015). However, as the objective of the study is to examine the strategic decision making process, the other tasks will not be the focus of the following section.

According to Tricker (2015), strategy formulation is the process of generating and examining alternatives for the long-term success of the firm. Based on the strategy of a firm, the strategic decision making process is a continuous activities of the board work. It can be viewed as decisions which are important in terms of resource commitment, actions taken and precedence set for other decisions (Mintzberg, Raisinghani & Théorêt, 1976). The strategic decisions can be seen as complex, open ended and innovative, which is due to the fact that organisations often begin with a limited understanding of the decision situation and how to develop a solution (Mintzberg, Raisinghani & Théorêt, 1976). As there is more than one person on boards, there are inevitably diverging perspectives that can result in conflicting interests. Strategic decisions are based on multiple factors, which together with the diverging interests of board members create complexity and uncertainty. The uncertainty is the result of incomplete information. This information is insufficient to make decisions with certain outcomes and cognitive limitations among the individual board members (Dosi & Egidi, 1991).

A number of frameworks have been developed with the purpose of describing the stages of the strategic decision making process. Mintzberg, Raisinghani and Théorêt (1976) present a comprehensive three step process containing the phases of identification, development and selection, which in turn are described in terms of seven central routines. To study the comprehensiveness of the strategic decision process, Fredrickson (1984) developed a model with the four steps; situation diagnosis, alternative generation, alternative evaluation and decision integration. Furthermore, McNulty and Pettigrew (1999) present the processes of choice, change and control connected to the strategic conduct of the firm. However, as this study aims to examine the complete strategic decision making process in boards from a cognitive perspective, a suitable framework was needed which could be adapted to the study's

specific context. Rindova (1999) presents a framework for directors' participation in the process of strategic decision making that is separated into three primary tasks: scanning, interpretation and choice. The cognitive tasks form a process in which the strategic decisions are carried out inside the board (Rindova, 1999). It is based on the framework presented by Daft and Weick (1984) and was further developed by Milliken and Vollrath (1991). It includes three stages to describe the decision making process inside management groups: environmental scanning, environmental interpretation and strategy formulation. The framework has a primarily external focus and is not specified in the context of boards. Thus, the framework presented by Rindova (1999) is found to be most suitable based on the purpose of the study and with the research question in mind. The sections below aim to describe the different stages of the process, beginning with the cognitive task of scanning.

2.7.1 Scanning

Scanning is a process in which individuals examine and notice information with the purpose of selecting data of importance and simultaneously filtering out less relevant data (Starbuck & Milliken, 1988). This process can be carried out individually and independently from other group members and then collectively added up in the group to provide the best data selection (Milliken & Vollrath, 1991). Starbuck and Milliken (1988) argue that scanning represents a formal process of information collection, in contrast to noticing, which is more informal and spontaneous. In the context of boards, the term scanning is seen to be the most appropriate as the process of information gathering is often formalised.

Milliken and Vollrath (1991) claim that large and diverse groups with limited interaction in the scanning process are the most effective in collecting relevant information. Rindova (1999) proposes that corporate boards fall into this category of groups with the assumption that more group members will increase the amount of data available for making informed decisions. In contrast to this, Feldman and March (1981) state that scanning is merely a symbolic activity undertaken by the board members where they consistently collect more information than justified, thus tend to ignore the information they already have available. However, Milliken (1990) argues that a larger amount and range of information has strategic and performance related implications as the perception of uncertainty is reduced in the group.

The diversity and size of the group is another aspect which influences the process of information scanning, as members will notice different stimuli, thus increasing the information available and bringing forward a wider range of perspectives (Rindova, 1999). In addition, group member's experiences and current occupations can strongly affect the availability of information and also the individual's ability to present the information effectively to the other members in the group (Starbuck & Milliken, 1988). Furthermore, Rindova (1999) argues that by having limited interaction between group members in the scanning process, the effects of size and diversity will be maximised. This is because it enhances the group member's ability to use their individual characteristics in the best possible way with limited interference from others. Excessive influence from other parties is often attributed as one the most frequent criticism in corporate boards. Without being able to create individual perspectives, *rubber stamping* can become routine in boards. This places the directors in a position where they merely perform a ceremonial role and accept the proposals made by the management team without opposition (Tricker, 2015). However, if directors can freely produce changes to the way information is collected with limited interference, it creates a broader collection of information and consequently more issues are brought forward (Rindova, 1999). On the other hand, Rindova (1999) also argues that the individual characteristics of group members can create a bias to look for the familiar in the scanning process based on their previous experience and current occupation.

2.7.2 Interpretation

Following the scanning process which is focused on the individual input of information, the group members will then begin interpreting the data by applying existing cognitive models for understanding in order to bring out the meaning of the information (Daft & Weick, 1984). The process of interpretation will result in the categorisation of incoming data which will create connections between this information and the individual's existing knowledge and perspectives. This process will create a foundation in which individuals will use the information to develop actions and consequences (Dosi & Egidi, 1991). Considering this, interpretation becomes a crucial part of strategic decision making as the board members will make sense of the information in order to identify key issues and conceive solutions (Dosi & Egidi, 1991).

Directors will have experience from different industries and companies that determines their

area specific knowledge. This will make them more motivated to be engaged in issues which are targeted towards their specific expertise as they can rely on lessons learned from past experiences (Kroll, Walther & Wright, 2008). These individual differences in knowledge will result in a greater variety of alternative solutions developed for solving a problem. Rindova (1999) states that directors can be viewed as a source of external, requisite and representative variety, which in turn determines the decision making quality of boards.

2.7.2.1 External variety

The external variety can be related to the diversity in the frameworks of interpretation and conceptual models used by directors in a board in relation to those which are typical of the industry or specific firm (Rindova, 1999). According to Porac, Thomas and Baden-Fuller (1989), these perspectives can be based on a collective cognitive community where the firms in an industry have similar views and definitions in regards to their products, markets and success factors. Therefore, directors that primarily have experience from other industries it is likely to have different interpretation frameworks, thus bringing a variety of perspectives that might deviate from the collective cognitive community in the industry (Rindova, 1999). This will inevitably create a situation where there are opposing perspectives, which in turn can create conflict. However, directors with different industry backgrounds will be able to more clearly identify and eliminate competitive blind spots by bringing a dynamic mind-set that is valuable in a changing competitive environment (Zajac & Bazerman, 1991).

2.7.2.2 Requisite variety

The requisite variety is based on the diversity of perspectives relative to the change and complexity in the fundamental structures found in a firm's environment (Rindova, 1999). In other words, a variety in director perspectives can prevent boards from developing *tunnel vision*, which is caused by having standardised information flows (Hedberg, Nystrom & Starbuck, 1976). This is also driven by the desire of directors to repeat past success, which in many cases can create a narrow and misguided focus in context to the changing complexity of the firm's environment, which can ultimately lead to poor performance outcomes (Lant, Milliken & Batra, 1992). In many cases, directors have a misguided belief that a narrow set of practices can be attributed as the source for a past success. However, in reality it is the actual

variety of practices that attributes to the past success and by abandoning this variety, the board will have put themselves in a position of disadvantage (Rindova, 1999).

Miller (1993) argues that following a narrow set of practices creates an environment where opposing views are rare because there is a belief that these practices have worked before, therefore they will work again. Standardised routines and practices may promote some innovation, however it will only be within the current ideological and strategic boundaries. So, even though the directors believe they are acting in the best interest of the shareholders, it is the opposite. Therefore, Miller (1993) states that preserving variety among directors in their interpretations is the best way to guard the interest of shareholders. Directors on boards, like other decision makers, will have to translate vast amounts of complex information in order to develop the best alternatives. The strength that groups have over single individuals when it comes to decision making is their variety of interpretations, which can effectively compensate for any biases and simplifications of individual group members. This is not only because directors have different perspectives on the same information, but also because it increases the overall availability of information, number of alternatives and creativity in solutions (Janis, 1972). Requisite variety can thus be viewed as one of the most relevant aspects of cognitive diversity in cross-organisational groups like boards (Milliken & Martins, 1996).

2.7.2.3 Representative variety

Representative variety can be viewed as the most common among directors on boards where members often represent different stakeholders and interests (Rindova, 1999). Freeman (2015) mentions that variety in directors will create greater representativeness of interests of various organisations and individuals that are affected by the strategic decisions of the company. In contrast to requisite variety which is focused on the environmental complexity that the directors face as a group, representative variety refers to the diverse interest in the firm's environment beyond its shareholders (Hill & Jones, 1992). In cases where directors represent creditors, suppliers or customers of a firm, the ability of the board to make strategic decisions that are in line with interests of a broader set of stakeholders increases (Hill & Jones, 1992).

Concluding, the addition of variety in director interpretation in the strategic decision making process reduces internal biases and provides a more representative perspective of the different

interests in which the strategy is based. Each of these sources of variety has the potential of improving the quality of decisions. By having external variety among directors, decisions will be more innovative in relation to the industry or firm specific practices. Requisite variety facilitates a more effective match between the decision complexity and the complexity of the cognitive frameworks used to create understanding. Lastly, representative variety improves the match between the interests considered in the decision and those that actually surround the firm (Rindova, 1999).

2.7.3 Choice

The final stage in the strategic decision making process is choice, which is the evaluation and selection of different alternatives. By scanning and more importantly interpreting information, the directors can develop alternatives and then choose the one that is interpreted as the *best* option (Rindova, 1999). Nutt (1984) argues that the quality of the decision is based on the number of alternatives that have been brought forward in the interpretation stage. Milliken and Vollrath (1991) identify two ways in which *best alternatives* are selected. In situations where there is one single best alternative that has been objectively identified, a larger group with diverse skills is the most effective. In contrast to this, in situations where there is no clear best alternative identified, the decision making process becomes more of a negotiation, which naturally will be more efficient in groups that are homogenous in their way of thinking. Whereas, it could be argued that a large and more diversified board will inevitably complicate the decision making process. However, Janis (1972) states that having diverse perspectives often leads to constructive challenging within the group which in turn will lead to improving the decision making. This type of active discussion often takes longer, thus making it more likely that a larger number of perspectives will be presented and discussed, eventually leading to consensus within the group regarding the best alternative (Rindova, 1999). However, consensus in decision making can also be the effect of more than just a constructive discussion and opinion sharing. To further review on this, the following section will present the cognitive concept of groupthink in the context of strategic decision making in boards.

2.8 Groupthink

The term was first discovered and defined by the psychologist Irving Janis in 1972 with the intention to explain political decisions and disasters (Psychology Today, 1993). Janis saw very

negative consequences developing from groupthink as he defined it as a “result of a desire for conformity and concurrence within the leadership group - at the expense of critical and objective thinking.” (Psychology Today, 1993, p.8). Despite criticism and limited focus on historical cases it was quickly noticeable how groupthink was taking place in many situations where agents act on behalf of principals. In the groupthink cases examined by Janis (1982, p.3), it was displayed that “groups bring out the worst as well as the best” in regards to decision-making. Consequently, he defined three preceding positions for groupthink. These are group cohesiveness, organisational structural faults and situational factors from external components. While the problems of group cohesiveness are explained in the next paragraph, organisational structural faults include relevant conditions such as group insulation, absence of open-minded leadership and equality of group members (Janis, 1982). From these preceding situations Janis (1982) discovered consequences and categorised them in symptoms of groupthink as well as symptoms that show defective decision making. A total of three symptom types emerged (Janis, 1982, pp.174-175):

- “Type 1: overestimation of the group” referring to delusion of invulnerability
- “Type 2: closed mindedness” materialising from unified rationalisation
- “Type 3: pressure toward uniformity”

The symptoms of defective decision making are manifold and consist of the following (Janis, 1982, pp.174-175):

- “incomplete survey of alternatives”
- “incomplete survey of objectives”
- “failure to examine risks”
- “failure to reappraise rejected alternatives”
- “poor information search”
- “selective bias in processing information”
- “failure to work out a contingency plan”

However, other scholars like Esser (1998) expressed that above assumptions confirm the existence of groupthink but noticed a shortfall in the groupthink experiments. Despite tests in various group environments, researchers developed diverse perspectives in regards to advantageous or disadvantageous reasons for groupthink (Esser, 1998).

2.8.2 Boardroom Dynamics

A boardroom is made up of several agents that act on behalf of stakeholders. Hence, it is a very suitable example to investigate the topic of groupthink. Directors generally say that board decision making is driven by the quality of interactions between board members, in other words, the boardroom dynamics (Letendre, 2004). Hence, researchers illustrated the well known agent-principal relationship as a situation where final reward for agents will be influenced by their decision but also determined by those of others. Benabou (2009) even looked at groupthink from the mirroring perspective, meaning the positive consequences besides harmful groupthink. He highlighted collective denial and wilful blindness as mechanisms of groupthink that involve from collective optimism although negative characteristics are visible (Benabou, 2009). The paradox of collective denial and wilful blindness is one of many attributes that have developed over the years to describe the dynamics inside boardrooms. Huse (2007, p.224) has summarised the most appropriate pairings for dynamic boardroom culture:

- “distance and closeness;”
- “independence and interdependence;”
- “trust and distrust;”
- “engaged and but non-executive;”
- “challenging but supportive;”
- “independent but involved; and”
- open dissent but respect, trust and candour”

For the purpose of this paper, the two main groupthink components of boardroom cohesiveness and cognitive conflict have been selected and are further explained below.

2.8.3 Boardroom Cohesiveness

Boardroom dynamics and the resulting quality of decision making is closely linked to the explanation of board cohesiveness which is defined as the magnitude of board members being attracted to each other. Also, how affective members are and in what way they are motivated to reside in the board (Summers, Coffelt & Horton, 1988; Forbes & Milliken, 1999). The relationship plays a very important role since board meetings are normally scheduled on quarterly basis with directors that are fulfilling a part-time contract. Therefore, being treated and trusted as part of the team involves some level of shared understanding (Weick, 1979). In

fact, directors in more-cohesive boards are more likely to influence other member's behaviour or mind-set (Janis, 1982). Previous research on chemistry of board members revealed that directors cherish team spirit with their colleagues. It shows the presence of group cohesiveness as a value to an effective board (Van den Berghe & Levrau, 2004). Discussing significant decisions for a company is one of the director responsibilities. But it remains to be seen whether having close relationships with your board colleagues will harm or benefit boardroom effectiveness.

At the foundation of boardroom cohesiveness and groupthink in general, lies the time aspect because board members who have been working in the same board for a long time are likely to share the same way of thinking. In more drastic situations, they may even have the same interpretation and come to conclusions with no or limited dissension (Tricker, 2015). It is proven that strong bonds usually develop between group members that are part of the same clan. Loyalty effects then come into place where some members drive a group towards targeted discussions (Sjöstrand et al. 2016). As a consequence, the degree of dissent is reduced which may prevent discovery of new viewpoints and the tendency to use repeated routines instead of re-evaluating a chosen direction. Finding the appropriate balance of dissent for a constructive discussion should be the objective of any board conversation (Lorsch, 2012). On the contrary, aiming for a too high level of dissent may lead to negative outcomes and tension as further elaborated in the following section of cognitive conflict.

2.8.4 Cognitive Conflict

With the earlier described paradoxes, it is inevitable to have tensions inside a boardroom in order to facilitate desired objectives. Those disagreements are named cognitive conflict (Huse, 2007). It is widely used to explain the type of debates in boardrooms. It shows "task-oriented differences in judgement among group members" emerging from open and friendly discussions or arguments in an adversary setting (Forbes & Milliken, 1999, p.494). The most common environments for cognitive conflict are large groups such as boards that are challenged by multiplex decisions (Forbes & Milliken, 1999). Due to the fact that majority of boards are faced with complicated, obscure and uncertain issues their members are accountable to characterise and interpret questionable issues in various ways in order to develop diverse opinions (Dutton & Duncan, 1987). Professional experience and various perspectives of board members are key to make decisions as the knowledge of one person is often insufficient to resolve complex board

topics (Schweiger, Sandberg & Ragan, 1986). Those interpretations do not only create diverse opinions inside a boardroom, they ultimately result in more alternatives and a more detailed analysis of the presented alternatives. Consequently, the overall board can take benefit from a significantly higher quality decision making process (Eisenhardt, Kahwajy & Bourgeois III, 1997; Jackson, 1992). However, this benefit can only be exploited if board members are able to openly share their own distinctive views besides the equally important aspect of critically assessing other member's viewpoints that seem unfeasible to them (Eisenhardt, Kahwajy & Bourgeois III, 1997). Therefore, the existence of cognitive conflict can impact the boards' level criticality and creativity. Having a boardroom with diverse backgrounds is not enough, making sure that those different perceptions are used is what makes a board work efficiently, although cognitive conflicts can be tedious (Huse, 2007). Otherwise, there is a risk of excessive conformity where group members experience pressure from a group to follow the majority viewpoint. This conformity is classified as excessive as soon as it results in incomplete decision making (Lorsch, 2012).

Although researchers claim that sound chairmanship (Sjöstrand et al. 2016) and diversity inside the board can reduce groupthink because directors are able to express their thoughts, it still remains an attitude of mind (Tricker, 2015). A chairman can actively prompt for constructive challenge but it has to be considered that board members act beyond formal board meetings. A so called lead director is becoming more popular as this role can act as a liaison between non-executive directors and the chairman with the ultimate purpose of reducing board games (Lorsch, 2012). However, the overall aim of having standards that strengthen discussions and creativity remains (Sjöstrand et al. 2016).

2.9 Theoretical Framework

The theoretical framework is based on the model of "directors' cognitive contributions to strategic decision making" (Appendix A) developed by Rindova (1999, p.958), where the main stages scanning, interpretation and choice are examined from a cognitive perspective. The stage of scanning is primarily conducted on an individual basis, whereas interpretation and choice is done in a group setting, thus suggesting that groupthink is most prevalent in these stages. To identify how groupthink affects this process and the individual stages is the fundamental purpose of this thesis. Boardroom dynamics, cohesiveness and cognitive conflict have been

identified as the most important aspects which contribute to the stages. Moreover, it is beneficial to consider how corporate governance systems in which boards operate affect the decision making process. So, the two distinctive board systems of Germany and Sweden will shed further light on variations between fundamental systems. The three main factors that have been identified as being the most influential are the ownership structure, the structure of the board and country specific corporate governance regulations. These form the basic cognitive framework for strategic decision making, however, they also influence the occurrence of groupthink. The theoretical framework has been adapted to the research question and is used as the basis for the data collection and analysis.

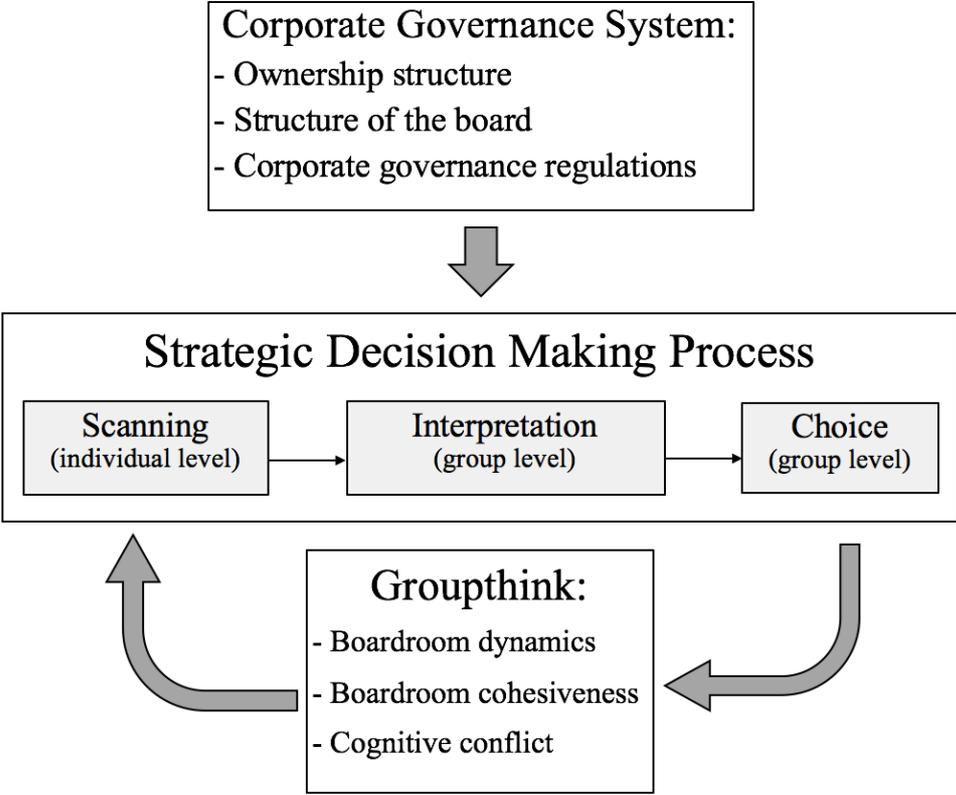


Figure 2: Theoretical Framework (created by authors)

The theoretical framework shows the strategic decision making process containing the stages of scanning, interpretation and choice. The first stage of these cognitive tasks is conducted individually, whereas the two following stages are done in a group setting. The curved arrows illustrate a dynamic process where groupthink becomes more prevalent with each decision made over time. Moreover, the strategic decision making process is fundamentally influenced

by the corporate governance system in which the board is active. The arrow originating from the corporate governance system represent a static influence on the decision making process that do not change over time.

3. Method

In this section of the thesis we will justify our selected research method, design and approach in order to answer the intended research question. We also elaborate on possible problems and limitations that influenced our research.

3.1 Research Approach

Having reviewed the research strategy options of deductive and inductive research we came to the conclusion that an *abductive approach* is preferable for the purpose of our boardroom study. The types of reasoning in organisational research from Mantere and Ketokivi (2013) are describing *deductive* research as a process of confirming hypotheses from theoretical applications, in other words a so called theory-testing research approach. On the contrary, an *inductive* approach covers theory development from qualitative data that can be tested after evolution. Therefore, an interpretive approach or abductive reasoning is used to establish a dialogical process between the elements of theory and empirical phenomena (Bryman & Bell, 2015). In that way, we managed to associate our theoretical framework to first-hand information from individual board members. Thereby, the limitations of inductive and deductive approaches can be defeated although initial functions of building logical inferences and theories of the world remain. A weakness of deductive reasoning is the strong focus on logic of a theory but selecting appropriate theory in the beginning can be challenging. In the case of inductive reasoning it can be problematic that limited or no volume of empirical data will facilitate constructive theory building. Hence, a combination of deductive and inductive approach helps to confront empirical phenomena that can not be explained with existing theory (Bryman & Bell, 2015). Since boardroom behaviour has not been analysed from our chosen perspective yet, it is imperative to expand on the existing theory to fully understand all circumstances. By diagnosing phenomena conditions researchers can clarify incomprehensible developments and gain implicitness (Mantere & Ketokivi, 2013). To succeed in this research field, it is crucial to perform alternating undertakings with the social world and accompanying literature in order to develop theoretical ideas in a process of so-called *dialectical shuttling* (Atkinson, Coffey & Delamont, 2003). Due to the fact that researchers are confronted with numerous conclusions or conjectures it is essential to identify and select strategies that provide the most promising path for explanatory reasoning through the research field (Schurz, 2008). According to Schurz

(2008), the abduction process contains evaluating any kind of backward and forward traces, implementing new concepts or models, taking into consideration all indispensable features and carefully appraising causal interpretations. All of the above are equally important to investigate all possible angles that influence boardroom and director behaviour and will be further pointed out in the next section of research design.

3.2 Research Design

In order to evaluate and frame the desired field of study, the research design needed to be determined. As the purpose of the research was to study the impact of groupthink on board directors in the stages of the strategic decision making processes, a research design which facilitated in-depth examination was necessary. Despite the distinctive board systems of Germany and Sweden, the purpose was not to conduct a pure comparative study. Instead the different systems have been selected to highlight variations in the field of board director cognitive behaviour beyond the confines of the specific corporate governance system. The use of two differentiating board systems is appropriate for understanding of social phenomena like groupthink. The research can be viewed as a case study because of the clear focus on corporate boards, which can be regarded as entities of functioning parts that serve a clear purpose and are part of a bounded system (Bryman & Bell, 2015). Moreover, a common focus in case studies lies on participant observations and the intense examination of a setting (Bryman & Bell, 2015). The study used information from ten different board members, which provided observations from a large amount of different board room settings. The primary level of analysis lies on observations from individual board member in Germany and Sweden that have served as board directors or chairmen of boards for one or multiple companies. This could also suggest that it is a multiple case study, however, these are often undertaken with the purpose of comparing the cases, which is not the primary focus of this study (Bryman & Bell, 2015). Instead, the purpose was to examine the impact of groupthink on board directors in the context of the strategic decision making process.

3.3 Data Collection Method

After deciding on the area of study, we were contemplating whether to do a quantitative or qualitative study. A quantitative approach is appropriate for testing theories through objective observations and emphasises the quantification in the collection and analysis of the data. In

contrast to this, a qualitative study is appropriate when generating theories and emphasising words instead of numbers in the collection and analysis of data (Bryman & Bell, 2015). In the initial stages of the process, we were focused on conducting a quantitative study as we believed it was the better option for providing comparative data between Germany and Sweden. However, due to the large sample size required combined with severe time constraints it became obvious that it was not a realistic approach. In the end, we chose to conduct a qualitative study with the purpose of getting more comprehensive and in-depth data. We believed that this was valuable for the analysis as it revealed more underlying elements and also provided us with interesting insights through independent reflections, which would not have been easily achieved through a quantitative study. This is because qualitative research is focused on finding out how individuals interpret their reality (Bryman & Bell, 2015), which is very much in line with the purpose of this study. Due the nature of the research area, it was straightforward to create more open-ended questions suitable for a qualitative study. In addition, the required sample size was reduced, thus making the approach more appropriate considering the time constraint. However, some quantitative data such as age, years of experience and company size was used in order to identify individual differences between interviewed board members. It was important to collect relevant information in regards to their current role and previous experience in order to provide a basis for individual board member comparisons. The purpose of this was to provide a more comprehensive foundation of data available for the analysis.

3.3.1 Sampling Process

Contemplating about the best approach of collecting the required data for answering our research question we decided on a purposive sampling strategy. This is often the case when the research question indicates what units are needed to be sampled (Bryman & Bell, 2015). In the case of this study, it was board members in Sweden and Germany. The objective of this type of method is to sample participants in a strategic way so that they are relevant to the research question (Bryman & Bell, 2015). It can be argued that a convenience sampling method was used as we used personal contacts and the contacts of the supervisor to get in contact with relevant interview candidates. However, as Bryman and Bell (2015) state, in a convenience sample the respondents are available simply by chance. This was not the case in this study as every respondent was chosen with the research question in mind and by their representativeness. The initial contact with board members was done directly by us or through our supervisor. In

cases where we initiated contact the respondents were identified through our personal network. In the instances where our supervisor opened contact, the respondents did not receive any information beforehand, only that we would contact them. This created a situation where we could control the information provided to the respondent and thus eliminate any potential influence from the supervisor. The secondary contact was made by phone, where a short description of the study was provided and then additional information was sent by e-mail. This information contained a brief presentation of the three themes of the interview (Appendix B) with the purpose of making the respondent aware of the intended topics in addition to information regarding the confidentiality of the data (Cassell, 2015). This can be beneficial as the respondent will have time to reflect about the topic and provide more relevant data in the upcoming interview. However, there are also negative aspects in regards to the respondents' ability to give open answers because they might be too prepared, thus restricting their free thoughts (Bryman & Bell, 2015). By having contacts within the direct network of board directors we were able to build trust and credibility from the start when first contact was established. This positively impacted the data collection as it made the respondents more willing to participate and share relevant information.

Although several of the respondents are only active in one board, many have experience from several boards. This was an important aspect as it increased the scope of the data collection and provided a more representative picture of the decision making process across many boards, strengthening the validity of our study. Our intention was not to obtain information about companies but rather use individual board members as informants about board behaviour and boardroom discussions. To achieve a balanced picture, the data collection aimed to have five respondents from Swedish boards and five from German boards. Moreover, as Germany has a two-tier board structure, it was important to get respondents from both the supervisory and managerial board. Both of these requirements were achieved successfully.

Since we investigated behaviour in boardrooms, we are able to expand our sample to a larger group, namely all board members that have shaped the strategic decision making process. Although, combining different levels of analysis has raised debates, it helps us to explore different standpoints from asking more group oriented interview questions (Bryman & Bell, 2015). However, when combining the individual and group level, Rousseau (1985) recommends to have clear differentiation on when each level is used to avoid any

misinterpretation. In this connection, we have categorised all German and Swedish companies according to the following small and medium-sized enterprises (SMEs) definition of the European Commission (n.d.) as presented in Table 1. Dividing all 38 companies into categories supported anonymity requirements and the ability to oversee the diverse sample of companies.

Table 1: Enterprise Categories (adapted by authors from European Commission, n.d.)

Enterprise category	Staff headcount	Annual revenue
Large	>250	>50 million EUR
Medium	<250	<50 million EUR
Small	<50	<10 million EUR
Micro	<10	<2 million EUR

As part of the post-interview information refinement (Bryman & Bell, 2015), interviewees details were summarised and their company size categorised as displayed in table 2. It also reflects the variety of industries and individual director experiences.

Table 2: Interviewee Details (created by authors)

Interviewee name (pseudonym)	Interview date	Age	Board experience in years	Management board	Supervisory board	Country	Industry type	Enterprise category
Bengt Karlsson	03/04/2017, 14:00-15:30, in person	63	11	n/a		Sweden	Medicine and health	medium
							Medicine and health	medium
							Medicine and health	micro
							Medicine and health	small
							Medicine and health	medium
							Medicine and health	medium
							Medicine and health	micro
							Media	micro
							Financial services	large
							Consulting	medium
							Financial services	micro
							Construction and real estate	micro
Medicine and health	micro							
Medicine and health	micro							
Sports club	small							
Medicine and health	micro							
Medicine and health	micro							
Per-Erik Svensson	05/04/2017, 09:30-10:15, in person	56	15	n/a		Sweden	IT	micro
							Financial services	micro
							Energy	medium
Manfred Ludwigsburg	04/04/2017, 10:40-11:10, via telephone	58	4		X	Germany	Machine/industry engineering	small
Björn Weber	05/04/2017, 14:00-14:50, via telephone	57	8		X	Germany	Finance	medium
Olof Andersson	12/04/2017, 10:00-10:50, in person	41	14		n/a	Sweden	Medicine and health	medium
Jochen Messerschmidt	26/04/2017, 16:00-16:50 via telephone	64	12	X		Germany	IT and Consulting	large
Günther Neumann	03/05/2017, 09:00-09:45, via Skype	48	18	X		Germany	Consulting	medium
				X			Telecommunications	small
					X		Consulting	medium
Karl-Johan Lindström	03/05/2017, 13:00-14:00, in person	73	27	n/a		Sweden	Energy	micro
							Telecommunications	large
							Machine/industry engineering	large
							Consulting	micro
Jakob Lundqvist	08/05/2017, 11:00-12:00, in person	57	7	n/a		Sweden	Medicine and health	micro
							Financial services	small
							Medicine and health	large
							Construction and real estate	medium
Holger Schubert	13/05/2017, 18:30-19:00, in person	53	8			Germany	Medicine and health	small
							Energy	medium
					X		Public sector	large

3.3.2 Semi-structured Interviews

Beginning with the literature review it was clear that our interviews had to be conducted in the form of an open but guided interview. Hence, the format of semi-structured interviews was seen as most appropriate (Easterby-Smith, Thorpe & Jackson, 2015). It was advantageous as those interviews allow us to phrase open questions (Appendix C) that result in theories emerging from the received answers (Bryman & Bell, 2015). The idea was to avoid any short answers but rather making interviewees speak about their experience as board members. In order to cater for this, we started our interviews with general questions on their board experience such as the number of years served as board member and size of their boards. It helped to increase comfort levels between both parties and prepare interviewees for more complex questions afterwards. After defining all questions, we conducted a pilot-interview and with some minor adjustments afterwards we came to the conclusion that all our questions are targeting the desired topic in a perfect way. In summary, all questions were phrased in a way of expressing only one idea per question, that were based on the cognitive model of Rindova (1999), and asked without any intend to lead to a specific answer (Easterby-Smith, Thorpe & Jackson, 2015). The key term of groupthink was never used before or during the interviews with the purpose of not directing the respondents thought process towards our specific research area.

A topic guide, one of the key features in semi-structured interviews, was seen as useful to divide our questions in general opening questions, questions around the three key topics of scanning, interpretation and choice besides two closing questions. It also gave us the opportunity to address questions for each section in a different order, in cases where interviewees jumped between different aspects (Easterby-Smith, Thorpe & Jackson, 2015). Additionally, we made use of laddering up and down where we asked for examples or further explanations on why certain steps were taken (Easterby-Smith, Thorpe & Jackson, 2015). This was especially relevant in cases where interviewees raised important groupthink topics and we had to ask for elements of interest to understand and later evaluate their behaviour. Each section in the topic guide had between four and ten questions to fully cover all aspects (Appendix C). The last interview section of choice ended with a question where interviewees were able to share any further experience from boardrooms. Thereby, we managed to round up the interview and got a chance to discuss any potential cases that were not covered through the preceding questions (Cassell, 2015).

For an interview to be useful for researchers it is vital to establish trust between the respondent and the interviewers. As our research topic is concerned with people working in a very confidential environment where high level decisions are made it was necessary to convince each participant about the anonymity of our interviews very early in the process. To avoid any reluctance in sharing useful information or examples we made it clear that our intention was not to test their board capabilities or company decisions. The subject of anonymity will be discussed further in the next section but because it can have an impact on the willingness to act we will elaborate on the interview settings now. Firstly, our initial email or telephone conversations with the participants highlighted the importance of our topic as well as personal benefits from participating in our interview (Easterby-Smith, Thorpe & Jackson, 2015). Personal benefits are a self-reflection of their board behaviour but also the chance to see and learn from our final thesis how well other boards perform in strategic decision making. Promising to share our thesis with each participant and limiting the interview duration to maximum 60 minutes further improved the willingness to act. At the same time, this restricted us in a way that we tried to ask all questions and had to allocate maximum response times for each section. Despite this time-frame, many times we were able to conduct longer interviews. Looking at the interview preparation, we conducted some research about each of the interviewee's companies to familiarise ourselves with the type of business and get an idea of possible challenges in the market they are operating in. We also carefully selected personal interview locations to ensure a neutral environment and place. As both authors were always present to thoroughly seize all information we divided the responsibilities into one person being the moderator and the other transcribing and recording the interview. All interviewees were briefed that our interviews will be recorded for accuracy and follow-up purposes only and agreed on the same (Easterby-Smith, Thorpe & Jackson, 2015). This setup was also used for interviews conducted over Skype and telephone as not every person was able to meet us in person. Performing Skype interviews helped us to create interview settings similar to a personal interview and gain time and cost savings for interviewees that are based in Germany (Bryman & Bell, 2015). For selected German and Swedish board members we also offered to use Swedish and German language if they were unable to phrase observations or concrete examples in English. However, everyone was able to conduct the full interview in the English language.

3.4 Anonymity Problems

In order to achieve the desired amount and depth in the data collection, we chose to conduct the study confidentially. As anonymity is of paramount importance for the respondents because of their work and possible non-disclosure agreements, it requires a high level of confidentiality in the collection and handling of the data. Bryman and Bell (2015) state that anonymity and confidentiality raises some issues in regards to qualitative research where it is important to restrict the ability to identify individuals, organizations and locations. Before each interview, we informed the board members that “*the material collected will not under any circumstances be shared with anyone. The final paper will not contain any names of participants, companies or specific locations. The data will be confidential and all participants anonymous*” (Appendix B). The purpose of this was to create trust towards our interviewees to make it more likely that they would agree to conduct the interview, but more importantly to share their thoughts freely during our interview. This was a very important factor in order to create an environment for collecting the best possible data. Moreover, the purpose of the study was not dependent on sensitive information about the specific companies. Instead, the relevant information required from each board member was related to general observations of the cognitive behaviour within their boardrooms. The need to share any confidential information about the companies was therefore eliminated. In conclusion, the anonymity of the respondents did not have a substantial impact on the ability to answer our research question. However, there are negative aspects connected to the anonymity of respondents in a study. It makes it more difficult for the reader to understand the context of this study, which will negatively impact the validity of the study. Even though it had limited impact on the ability to answer the research question, it can still be considered one of the flaws of this study. Specifically, confidentiality and anonymity brings up certain problems when it comes the the analysis of qualitative data (Bryman & Bell, 2015). As it is of utmost importance to uphold confidentiality of the respondents, the ability to express ourselves freely with the help of company specific examples was hindered to a certain extent as every company name in connection to the respondents had to be deleted. Moreover, as this limitation stems from an outside parties’ interest, the objectivity of the study is affected. However, other than creating aliases for the respondents, the impact on the study is limited as the respondents have not affected the opinions, ideas or conclusions presented in the study. In the process of selecting pseudonyms we carefully selected names that make respondents views distinguishable throughout the study while keeping their identity anonymous. Thus, the first

column of table 2 is not showing their real names but all remaining respondent details are reflecting the reality.

3.5 Data Analysis

The analysis of the empirical data was conducted in a multiple step process. Analysing qualitative data requires specific steps to extract value from it. First and foremost, the raw data in form of personal, telephone and Skype interviews has to be managed. Due to the fact that one of the authors has always noted down the key points and answers for each questions it was possible to highlight initial findings early in the process. However, a more professional transcription of all interviews was executed afterwards with the help of audio recordings to get precise accounts. The second part of the process was focused on creating additional structure where the data was categorised according to the themes of scanning, interpretation and choice. Following this, a more detailed examination was conducted of each theme and colour coding was used to highlight the most relevant parts of the data. Using the theoretical framework as the basis, the most relevant and valuable data was extracted for use in the analysis. We found that there was an inconsistency among the respondents in their ability to share relevant observations. It was therefore important that data from all of the respondents was included in the analysis in order to present an objective selection. In cases where this was not possible, we used the data which represented the majority of the respondents. In order to enhance the generalisability and validity of the study, it was important for us to use a structured approach when analysing the data. By using the theoretical framework as the basis for the analysis we could get a logical structure and minimize the risk of leaving out any important aspects. Furthermore, a *pattern matching* technique was used for analysing the empirical data, with the aim of strengthening the validity of the study. This means that an identified pattern in the empirical data is matched with one or more expected patterns based on theoretical assumptions. This makes it possible to identify how well the empirical data and theoretical assumptions match and in what way they deviate from each other. If the result of the pattern matching provides consistently similar result, the validity is strengthened (Yin, 2014).

3.6 Validity

Bryman and Bell (2015) describe validity as being concerned with the integrity of the conclusions generated from the research. Specifically, the internal validity is connected to

whether the conclusion that is based on a causal relationship can be viewed as reliable. We argue that the internal validity is high as the collected data has a strong connection to the research question because all respondents had extensive knowledge and experience in the subject. In addition to this, the external validity has to be evaluated which is concerning the generalisability of the results beyond the specific context. This makes the issue of selecting the people and organisations for the research very important (Bryman & Bell, 2015). By having respondents from different sized companies and a wide range of industries, the board members represent observations from 38 different boards, which increases the generalisability of the study. The earlier mentioned categorisation into micro, small, medium and large also underlines the broad range of enterprises and their respective board members included in this thesis. According to the European Commission (n.d.) SMEs amount to 99 percent of all businesses registered in the European Union.

3.7 Reliability

According to Bryman and Bell (2015), reliability is the evaluation of whether the results of a study are repeatable. The key question is whether similar results would be reached if someone else conducted the same study (Easterby-Smith, Thorpe & Jackson, 2015). In the case of our study, we used a thematic framework when we developed the questions for the interview which gave us a structure to the answers. In order to improve the reliability further, we conducted a pilot interview with the purpose of testing all interview questions. We could then correct any weaknesses in the questions and maximise their relevance. The respondents were all selected based on their ability to give relevant data in connection to the research question. All respondents had extensive knowledge and experience in the subject area. By selecting individuals from both, Germany and Sweden, with different industry and boardroom experiences we received different perspectives. Using semi-structured questions, the respondents were able to share their own thoughts and opinions, which gave us valuable data which strengthened the analysis. By recording all the interviews, we were able to transcribe them, thus eliminating any issues in regards to interpretations and uncertainty.

4. Analysis and Discussion

The objective of the analysis is to examine how groupthink influences the decision making process based on the empirical data gathered through semi-structured interviews. This will be based on the research question:

What is the impact of groupthink on board directors in each stage of the strategic decision making process?

In addition, the theoretical framework will be used to provide structure and connection between the key theoretical factors. The main aspect of the analysis is connected to the occurrence and effect that groupthink has on the different stages of the decision making process: scanning, interpretation and choice. Within the analysis we will also focus on how the different aspects of the corporate governance system affect the decision making process and the prevalence of groupthink as they provide a base for the first development of cognitive behaviour. Further to the theoretical framework, the analysis will be strengthened by the usage of pattern matching as outlined in the method part.

4.1 Scanning

As mentioned in the theoretical review, strategy formulation is a process of creating and examining alternatives with a long-term view (Tricker, 2015). This process starts at the scanning stage, a mechanism whereby individuals investigate information in order to highlight valuable facts, collect additional material and at the same time filter out data of less importance (Starbuck & Milliken, 1988). In the interview data, groupthink subjects were particularly prominent in these areas and have been categorised into information processing, information stimuli and reasoning, and lastly consideration of other board members.

4.1.1 Information Processing

Depending on the complexity of the business, the scanning process can be time consuming for board members. The empirical data revealed that for six full day board meetings per year, a board member will typically need additional six days to analyse pre-meeting information

(Lundqvist). Accordingly, it can be argued that the influence of group think is low at this stage because information is examined without direct influence from other board members. However, empirical evidence indicated that groupthink also occurs in this phase, which would suggest that it is not purely an individual process.

“We all know each other quite well and often there are phone calls in between the meetings. So we do not simply restrict our activities to these [meeting] times.” (Weber).

This confirms communication between board members in the scanning stage which should ideally be performed on individual level to avoid any group influences. In other cases, board meetings are supplemented with lunch or dinner. *“We always started with a board dinner the day before and we then invited people that are of interest to the board.”* (Lindström). These interferences with the optimal practice of individual scanning indicate groupthink and how the scanning stage moves from being an individual stage to a group stage.

Board directors that have worked together for a longer time start to know the mind-set, behaviour and focus points of their board colleagues. Likewise, for new boards, our findings show that others can quickly notice the other director’s cognitive structure (Lindström). This is taken into consideration when individual directors prepare their information and arguments. *“I frame my arguments in a way that fits with the way the others think”* (Karlsson) is a clear indication of how this looks in practise and thereby unintentionally leads to groupthink preparation. The relevance of solid scanning and the ability to detect issues or new ideas from information that is shared before a meeting is a vital part in the decision making process. If not all of the board members are able to obtain the same knowledge about a particular topic but have to search for supplementary data in the actual board meeting it can lead to influenced opinion building in meetings (Neumann). *“We really share the information during the board meeting, it’s not normal in our case that everything is done before the meeting.”* (Neumann) clearly represents this behaviour. In that case, the decision making is considered as defective due to poor information research, a group symptom identified by Janis (1982). The objective of any board is to minimise bounded rationality, constraints in the information processing that restrict rationality of decision makers, and have full information transparency (Rindfleisch & Heide, 1997; Weber). It helps to avoid *“surprises as everything is very transparent”*, thereby providing a transparent ground for decision making (Weber). As Huse (2007) confirmed, trust

and distrust is seen as an appropriate pairing for dynamic boardroom culture. Therefore, it is crucial to evaluate information sources carefully. Relying on secondary information for high level decisions can be risky. For this reason, it is advisable to question external information and confirm it with internal information sources to reduce uncertainty levels further (Schubert). The underlying motivation of sharing or emphasising particular information is not always known and bears a risk of following objectives of other directors. On that account, the influence of stewardship theory is applicable which recognises discrepancies in motivations that are not in line with principals (Davis, Schoorman & Donaldson, 1997).

Furthermore, a larger amount of information is expected to have strategic and performance related connections on the grounds that uncertainty is scaled down (Milliken, 1990). A possible explanation for the inefficiency of completing all agenda items can be correlated to poor scanning before meetings (Neumann). The observations from our interviews showed that the degree of discussion varies. There are several possible explanations for this result that are further investigated in the choice section. Nonetheless, extensive amount of information is not valuable if it is not structured in a useful way. This is of importance for German boards that have higher regulatory pressure than Swedish boards. In Germany there are information standards, especially for financial institutions (Weber). It is interesting to note that in all five interviews with Swedish board members the topic of regulatory influences was never mentioned while German board members commented on this to a large extent. This discrepancy can be attributed to the ownership variances where Germany is seeing a high share of bank as stakeholders in companies compared to concentrated holdings in Sweden.

4.1.2 Information Stimulus and Reasoning

From pre-meeting information, which in most cases is shared a few days before a meeting, it is the directors' duty to identify issues or concerns. More importantly for strategic decision making is the stimulus for new ideas that are gathered from this information or any additionally collected material. As highlighted by Rindova (1999), it is the diversity that brings a broader range of perspectives. Any additional inputs in the form of presentations or invitations of employees to board meetings are supposed to *"fill some gaps after studying the pre-meeting papers"* (Messerschmidt). The factual analysis of information is very often based on board members' work and professional experience. The present results are significant in a way that

directors make use of previous cases or assignments and apply successful solutions in different contexts (Svensson & Weber). Again, the board diversity and openness for sharing is crucial to take benefit from this (Lundqvist). Yet, this benefit can be maximised if the scanning process is performed individually with no interaction before a meeting as recommended by Rindova (1999). However, it is not only the directors' ability to scan information but the individual's ability to present his or her arguments to the other board members (Starbuck & Milliken, 1988). In this regard, board member experience is expected to impact this skill positively because board members develop techniques to influence others. The board tasks evolve into common customs and younger board members start to value well-informed and experienced members more (Karlsson). Consequently, those people will have an influence on the group and thereby execute groupthink behaviour. On the contrary, a newly established board would not suffer from groupthink as the relationship dynamic is still developing. Undoubtedly, this is only valid for a limited time as one Swedish respondent accentuated that it only takes two to three board meetings to get to know other board colleagues (Karlsson) which is also the core of the next part.

4.1.3 Inclusion of other Board Members

As part of the information scanning, board members tend to develop ideas how other members will approach topics. This goes beyond the responsibility areas of selected representatives. For instance, it was brought to our attention that it can be easy to anticipate beforehand how a board meeting will look like. Some decisions could be solved through brief e-mail conversations, so it can reach a point where a board meeting develops into a formality instead of a place with intense discussions (Andersson). This is very relevant for German supervisory boards since they evaluate proposals submitted by management board members or committees. Sometimes it can be more important and influential for the final decision making to be a member of a committee instead of the actual supervisory board (Schubert). Despite infrequent meetings it does not take a lot of time to develop this understanding of board colleagues. Empirical findings affirm that only two or three meetings need to occur for board members to develop a feeling of others' cognitive behaviour (Karlsson). A countermeasure for this groupthink aspect is found in the German company law which emphasises the independence and diversity of the board of directors. It is recommended to replace board members after a maximum of five financial years (Federal Ministry of Justice and Consumer Protection, n.d.a), a recommendation that is taken

very seriously by most companies (Weber). Thereby, the nomination process is taking on requirements that can be regarded as voluntary measures against groupthink. After all, the aspiration to hire competitive directors that have similar mind-sets and knowledge of the business model remains strong to maintain established groupthink levels (Weber). Using board meetings to get informed about a topic or neglecting the scanning stage completely is not appreciated by anyone (Karlsson). The objective of sharing different viewpoints and having controversial discussions is key (Messerschmidt) and will be analysed further in the section of interpretation and choice.

4.2 Interpretation

As the theory states, interpretation is the process of connecting information received in the scanning stage with the individual's existing knowledge and perspectives (Dosi & Egidi, 1991). The empirical evidence confirms that previous experience and knowledge are important aspects of individual interpretation in boards. The board members observe that "*you can rely on what you know*" (Karlsson), use "*analog reasoning*" (Svensson) and reference "*from other company cases or relevant situations*" (Lundqvist). This is very much in line with the reasoning by Kroll, Walthers and Wright (2008) where the accumulated past experiences of each board member form the basis for current problem solving expertise. Contradicting to this, one interviewee argues that "*it is not all [about] experience but also about creativity, ideas or other areas of understanding. Diversity is very important*" (Lundqvist). This highlights a central aspect of the interpretation process where board members are viewed as different sources of variety (Rindova, 1999). Discussion, opinion sharing and dissent are all key activities in the interpretation stage and also for determining the level of groupthink on boards. It can therefore be suggested, that the interpretations stage is of key importance for examining how groupthink influences strategic decision making.

4.2.1 External Variety

As Rindova (1999) states, the external variety is based on the diversity of a board member's interpretation framework and how it relates to the conceptual models that are typical for the industry or firm. Most of the respondents confirm that diversity of board members' professional experience has a positive effect on the decision making process. Two board members expressed this opinion by stating that the best board members "*have no background in my area of*

expertise” (Karlsson) and “if everyone had the same background you only need to be one” (Svensson). Despite this general view of external diversity as having a positive impact on decision making on boards, one German board member observed that the diversity could be better (Neumann). Figure 3 below indicates that the Swedish board members overall provide a greater external variety than their German counterparts, which also influences their ability to contribute with perspectives from companies of different sizes and industries.

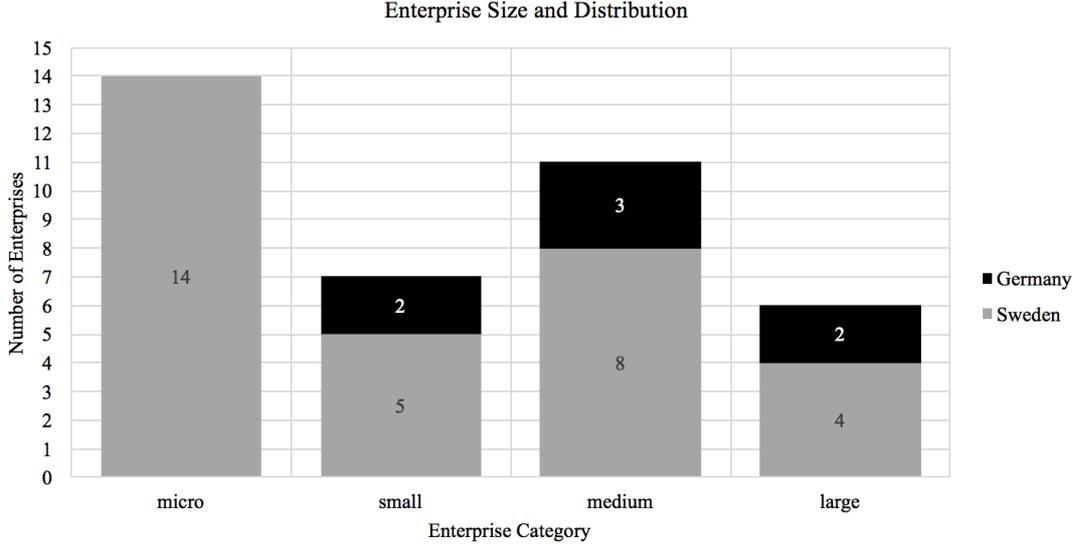


Figure 3: Enterprise Size and Distribution (created by authors)

The empirical evidence indicates that a majority of the respondents are aware of the positive effects of external variety in counteracting groupthink. Despite this, many of the board members from Sweden and Germany affirm that there is often a need to bring in people from outside the board to give additional perspectives and expertise. This would in turn indicate that experience from a greater number of boards might not clearly influence the actual external variety in the boardroom. In addition, many of the board members’ observations indicate that the external variety can have a negative impact on the decision making quality as outside “experts” often make recommendation on past events which means that they are “closing the door to look into the future” (Karlsson). This statement very much highlights the important role of previous experience and knowledge in the interpretation stage and its impact on strategic decision making. According to the respondents, board members are often given “roles” (Karlsson) and are then treated as “experts” within their field (Ludwigsburg). This would indicate, especially in the context of Swedish board members, that their wide experience from different industries and companies is not utilised to its fullest extent as they become fixed in “roles”. This also

emphasises an interesting aspect where external variety creates experts in the board which according to Zajac and Bazerman (1991) eliminates blind spots and facilitates a dynamic mindset. However, as the empirical evidence confirms, the board members are striving for external variety which in turn prevents groupthink. It also indicates that this behaviour can actually facilitate groupthink. For example, one respondent observed that seniority based on experience gives board members more weight in the discussion (Karlsson). This can be observed in many cases and highlights an important issue of external variety. As board members become *experts* and get *roles* in accordance with their previous experience and knowledge, it often results in a general acceptance of their opinion. This can have related to the fundamental statement that groupthink is a motive for conformity and concurrence of the leading opinion at the price of critical and objective thinking (Janis, 1982). Moreover, it specifically relates to the third symptom of groupthink which is “pressure toward uniformity” (Janis, 1982, pp.174-175). One respondent highlighted the harmful effects of groupthink in relation to excessive conformity:

“Board members that are not adding much value don’t talk very much or contribute to the discussion. When they contribute they normally say something like “I agree with the statement”. It’s more of confirmatory statement. That board member is pretty useless in a board and it’s not that uncommon.” (Lundqvist).

However, the respondents also observe that this is not the case when a topic is of great individual importance for a board member (Andersson & Svensson). In these situations, the level of critical discussion is more prevalent and therefore the effects of groupthink and excessive conformity is counteracted. In addition, most of the board members observe that there is an underlying environment in the board where constructive discussion and openness to share opinions is encouraged, which often brings out opposing views among the board members. These differing observations illustrate the impact of cognitive conflict in the field of influencing the level of groupthink. As Eisenhardt, Kahwajy and Bourgeois III (1997) argue, the ability to share opinions are equally important as critically assessing different perspectives, therefore diverse backgrounds by itself is not enough for counteracting excessive conformity (Huse, 2007). The empirical evidence presents a consensus among the board members from Sweden and Germany on the importance of external variety for counteracting groupthink. One respondent from a German supervisory board confirmed that their statutes require that at least half of the board members represent different professional backgrounds. In contrast to this, the

Swedish board members did not refer to any statutory demands as an argument for having external variety in the board. This highlights an important difference between Swedish and German boards in the context of external variety. However, this aspect becomes even more contrasting in the context of requisite and representative variety.

4.2.2 Requisite Variety

As stated by Rindova (1999) and Hedberg, Nystrom and Starbuck (1976), requisite variety is related to the diversity of perspectives among directors based on the change and complexity found in a firm’s external environment. By having requisite variety, the board can prevent their members from developing tunnel-vision. Many board members recognize the danger with having a fixed mind-set and are aware of the risks of developing tunnel-vision. One German board member stated that if the focus becomes too fixed on internal factors, there is a risk that the board might ignore the external “*competitive environment, new markets and innovation*” which results in the board becoming “*blind for change*” (Messerschmidt). Moreover, two respondents made a connection between their long experience and how it limits their ability to “*add value*” (Lundqvist) and “*contribute with different perspectives*” (Weber). In addition, one interviewee argued that “*people get more defensive with age*” and that it becomes “*harder to change point of views*” (Karlsson). This indicates a connection between the experience of board members and the likelihood of developing tunnel-vision, which limits the ability for creative thought. As the figure 4 below illustrates, our respondents have an average board experience of 12.4 years and their average age is 57 years, which can be considered relatively high.

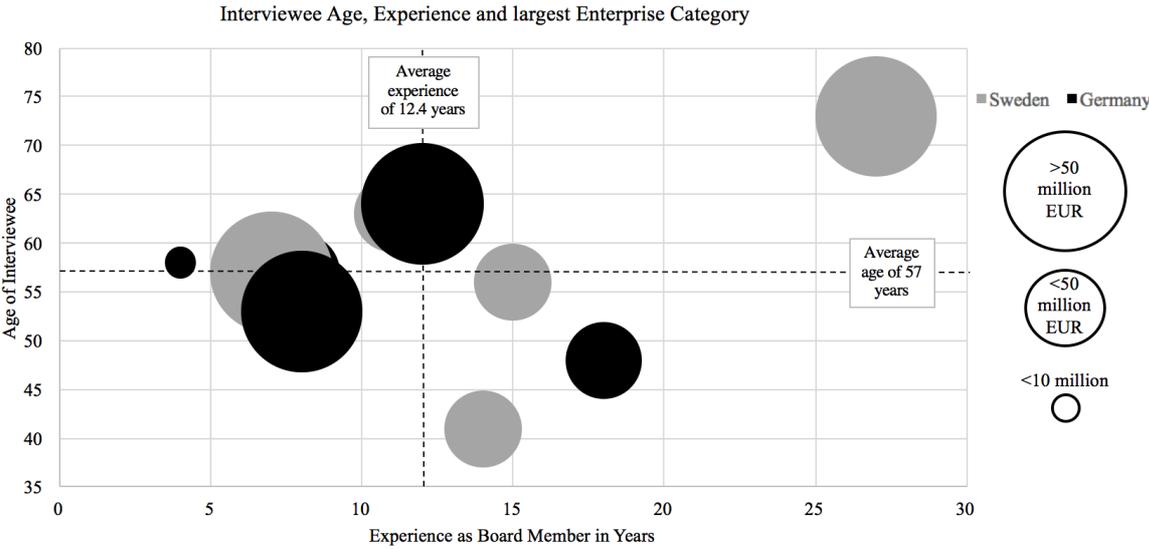


Figure 4: Interviewee Age, Experience and Enterprise Category (created by authors)

Thus, having extensive experience can be viewed as something preferable when it comes to being a board member. However, these factors can also enhance the risk of developing tunnel-vision which is closely related to groupthink, especially the second symptom of *closed mindedness* materialising from unified rationalisation (Janis, 1982, pp.174-175). As Lant, Milliken and Batra (1992) argue, tunnel-vision can also be driven by the director's desire to repeat past success, which can result in a narrow and misguided focus in relation to the dynamic and complex environment of the firm. One Swedish respondent argued that many people have a strong desire to repeat past success with the mind-set that "*if it is not broken, do not repair it*" (Karlsson). This can be related to the first symptom of groupthink, "overestimation of the group", and the delusion of invulnerability (Janis, 1982, pp.174-175). In contrast to this, the respondent also observed that some board members have a tendency of wanting to change things on a regular basis. Although this mind-set does bring forward new perspectives, the desire to promote change is not based on the best interest of the business, but rather the individual's own desire to "*show power*" (Karlsson). This would not suggest groupthink in the context of overestimating the group, but rather an individual's overestimation of their own importance and a desire to exert dominance which causes agency problems. Many of the German board members observed that the inherent focus on following regulatory frameworks creates a situation where it becomes a challenge "*to maintain an entrepreneurial spirit*" which makes it harder to take any risks (Weber). Therefore, this focus promotes aversion to risk and creates a fixed mind-set among the board members. This suggests that the level of groupthink increases due to close mindedness and unified rationalisation (Janis, 1982) as the board members' cognitive ability is limited.

4.2.3 Representative Variety

The representative variety is related to repetitiveness of different stakeholders and interests among directors on boards (Rindova, 1999). All of the respondents confirm the importance of representing the shareholders of the firm in their position as a board member, which is in line with the definition of the principal agent relationship. However, one Swedish board member stated that it is difficult to find the right composition because the owners want board members with a character that "*fits their values*" (Andersson). In response, the board member is trying to promote the addition of "*two new external people*" to increase the representative variety. (Andersson). Another German board member confirmed this perspective and stated that the "*fundamental base is very clear. It is common sense. I believe it is good to have the same*

fundamental values” (Neumann). These responses suggest a level of groupthink and specifically related boardroom cohesiveness, which is the level of personal compatibility between board members (Summers, Coffelt & Horton, 1988; Forbes & Milliken, 1999). More than indicating groupthink, the above empirical evidence illustrates the complexity of the principal agent relationship where the agent is trying to promote the best interest of the company, but is unable to do so because of the principals. It can be argued that the level of groupthink increases because the board is deviating from a *pure agency relationship*, where ownership is separated from control (Jensen & Meckling, 1976).

Several board members, primarily in Sweden, observed that it is very common that the recruitment of new board members is conducted within their personal networks and that sometimes this path of recruitment is even more important than “*traditional head hunting*” (Karlsson, Lundqvist & Svensson). This would suggest that representative variety becomes limited and boardroom cohesiveness is enhanced. However, many respondents argued that their personal relationships only play a minor role and that the final board member proposal is primarily based on the best interests of the firm (Lindström). This would suggest that the motivation among board members to achieve cohesive boards is not a substantial influence on the board composition. Moreover, this also indicates that the board members view themselves as stewards as their own motivations are in line with the objectives of the principals (Davis, Schoorman & Donaldson, 1997).

Despite this, Weick (1979) argues that being part of a team requires some level of shared understanding which is based on trust. Many board members are being chosen “*because someone has experience from what you did on a different assignment*” (Karlsson), which indicates that previous experience regarding the individual’s previous work is an important factor. This can influence the level of groupthink as directors on boards with high cohesiveness are more likely to influence other member’s cognitive behaviour (Janis, 1983). In addition, the boardroom cohesiveness is strengthened when a person enters the board as “*each board has its own team-culture*” which in turn is enhanced “*as you get to know the board member better*” (Lundqvist). As Tricker (2015) states, the basis for influencing the level of boardroom cohesiveness and groupthink in general lies in the aspect of time, where board members that have been working together for a long time are likely to share the same way of thinking.

All the board members from Sweden and Germany confirmed that it becomes easier to make decisions over time. One Swedish board member describes it as developing certain routines and that *“you don’t have to talk that much about it”* (Lindström). Furthermore, one element of developing these routines is that *“everybody knows about everybody else”* (Lindström). This suggests that the board develops a shared cognitive framework that could limit the cognitive conflict and enhance groupthink. Still, this also brings positive effects as the board becomes more proficient in their work. Furthermore, a German board member observed the potential hazardous effects of having excessive boardroom cohesiveness. *“When you stop sharing different point of views because you know each other well, it might lead to bad decisions”* (Messerschmidt). As the overall sample of board members confirms (Figure 4), the duration of board memberships in the same company are often exceeding multiple years.

The empirical evidence suggests that the representative variety is directly related to the recruitment process and therefore the board composition. A difference between the respondents from Sweden and Germany is their observations in regards to how representative variety is achieved. In terms of ownership, the mind-set among the majority of the board members is that they *“represent every shareholder and not the group that got you in this position”* (Lindström), indicating an alignment with the agency theory view of a fundamental principal agent relationship. However, as Hill and Jones (1992) state, the representative variety not only refers to shareholder representation, but also to the other stakeholders in the firm's environment (Hill & Jones, 1992). The members of supervisory boards in Germany refer to the regulatory requirements in regards to representation and specifically that they come from different areas and *“represent employees with different opinions and viewpoints”*. This suggests a limited influence from the shareholders and therefore a greater representative variety. The Swedish board members emphasise the importance of having balanced ownership representation. However, as the regulatory requirements in regards to employee representation are less influential on the overall board composition in Sweden, it could affect the representation variety. The empirical evidence suggests that the representativeness in Swedish boards is more influenced by personal compatibility (Andersson & Lindström) in order to achieve a *“team-culture”* (Lundqvist). This would in turn indicate that having additional employee representation is not actively strived for beyond the regulatory requirements. Therefore, excessive boardroom cohesiveness can be a prevalent factor for enhancing the level of groupthink in Swedish boards.

4.3 Choice

Choice is the last and most decisive phase in the entire decision making process as it combines the previous elements of scanning and interpretation to derive an alternative that is considered to be of highest value to all stakeholders (Rindova, 1999). Accordingly, this stage has been divided in six distinctive parts.

4.3.1 Discussion Intensity

The earlier mentioned inefficiency of marking all agenda items as completed can be discussed from different viewpoints. First, using more time to discuss topics on a granular level can be judged as fruitful but time consuming with the possibility of changes in opinion (Neumann). Secondly, a lack of in-depth discussions can help to reach a consensus faster. In both cases groupthink can have positive and negative consequences where other board members are influenced by groupthink in a way that changes their opinions due to time constraints. Interestingly, it was observed that German board meetings last significantly longer with up to one full day meeting (Weber) compared to Swedish board meetings, which may only take couple of hours (Svensson). Although board composition differs between the two countries, the decision process time is extended and thereby the chance of group influences on decision making is increased by longer interactions with others members. Despite powerful responsibilities of board members there is still a possibility of making an errant decision. On this subject, a respondent highlighted the effect of debating on a topic for too long. This Swedish board member prefers to finalise a decision when discussions lead to no additional value because it is *“not important to be 100% right, but more important that someone makes a decision as it can be worse not making a decision”* (Karlsson). Similarities are seen from another German board director who emphasises how their decision making process is continuously decentralised as *“otherwise we would be too slow and would lose it to competition”* (Messerschmidt). These statements point out the importance of responsiveness throughout the strategic decision making process.

4.3.2 Number of Alternatives

At the central part of choice lies the art of using, sharing and discussing alternatives before concluding on a strategic decision. The most striking result to emerge from our interview data

is that the means of producing alternatives vary widely on all levels of comparison. This variation is often caused by too many operational evaluations on boards as stressed by one respondent “*we have to make sure that we only get the important decisions and purely strategic decisions into the board*” (Messerschmidt).

The concepts of presenting alternatives start from having a philosophy that allows for only one alternative which is highly biased as it was developed by a single employee or management team member for example (Neumann). This approach is a typical symptom of defective decision making whereby one has a selective bias in the way information is processed (Janis, 1982). Besides only one alternative we also explored behaviour where a minimum of two alternatives are usually presented. Here it was pointed out that five different alternatives would be regarded as poor job performance by managers. Hence, first decisions should be taken below management and supervisory board to reduce complexity (Messerschmidt). In such cases, bias is reduced slightly as boards work with multiple options received. In Germany, the management board takes on the role of reducing the number of alternatives and presenting solid arguments for each alternative to the supervisory board. Therefore, a good cooperation between the two boards is essential for board effectiveness (Ludwigsburg). With reference to presence of groupthink is noticeable that a management board is very likely exposed to groupthink behaviour. From the initial scanning stage, the management team then strengthens selected alternatives. We discovered that boards, including supervisory boards, tend to follow the direction of management team proposals (Lundqvist). Interviewees confirmed that it is extremely uncommon for boards to come up with totally different alternatives (Andersson). The ubiquity of boards not radically altering the proposals presented to them shows that groupthink is present all throughout the decision making process. In conjunction with the involvement of boards, we noticed sophisticated mechanisms. For example, not all supervisory boards are involved in so-called normal decisions because they make use of a trigger system that allows management boards to make agreements without involving a supervisory board (Weber). In comparison to Sweden, the non-existence of supervisory boards can create higher decision making power and higher level of dissent when decision filtering up to board level is low.

Nevertheless, there is still a chance of alternatives that evolve from meeting discussions, especially in cases of unclear or unfamiliar paths a company would like to take (Svensson). In other words, areas of uncertainty usually require more information but cognitive capabilities

limit the decision making, as explained by bounded rationality. In summary, researchers claim that the quality of decisions is generally determined by the quantity of alternatives a board is obtaining from the interpretation phase and the board diversity (Nutt 1984; Milliken & Vollrath 1991).

4.3.3 Opinion Changes

The advantage of asking questions that are linked to the symptoms of groupthink as outlined by Janis (1982) helped us to understand groupthink in practice. One of the distinct groupthink behaviours is that the influence board members have on other board members changes their opinions. A vast majority of interviewees have changed their opinions during a board meeting (Karlsson, Ludwigsburg, Lundqvist, Messerschmidt, Neumann, Svensson & Weber). At first glance, it reflects a strong influence from other group members with a correlation to unified rationalisation and pressure towards uniformity as described by Janis (1982). In truth, the actual influence emerges from the additional information that is shared or reviewed in a board meeting (Ludwigsburg, Lundqvist & Messerschmidt) which reflects the reduced perception of uncertainty in this group of board members (Milliken, 1990). Influence from outside perceptions and knowledge can have a similar impact on decisions of directors (Schubert). Groupthink continues to influence their strategic decisions largely when individual members are able to convince others with strong pieces of advice, information or examples that come from their personal experience. It has also been underlined by one board member how complex information or sophisticated businesses make it problematic to form an opinion before a meeting. Waiting for supplementary *“presentations and further questions or answers before forming an opinion”* may help to conclude on one’s personal opinion in such cases (Messerschmidt). Simultaneously, the impact of groupthink is increasing if opinions are formed inside a meeting room. Especially in situations of diverse opinions it will be convenient for board members to jump on a preferred point of view. However, when boards are unable to reach a consensus a voting process is sometimes applied as discussed in the next section.

4.3.4 Level of Dissent

Strong relationships within Swedish boards reduces the need, across all industries, for a final vote casting. *“You know who is a strong individual on a board where you know that in this specific issue you don’t go against him for instance.”* (Lindström). From this behaviour one

can identify a cognitive bias that causes groupthink. The depth of discussions is very much coupled with the quality of scanning as poor information preparation will cause more detailed questions and debates during a board meeting. In a perfect situation, all board members should have gained enough knowledge about a particular topic to confidently form their own opinions. If this is not the case, there is a risk of conformity where single board members tend to follow other board member's opinions, as further explained above. Moreover, there is a danger of hesitation in bringing up minor observations resulting in a lack of discussing details. This comes "*at the expense of critical and objective thinking.*" (Psychology Today, 1993, p.8) and therefore impacts decision quality. We noticed a pattern in the empirical data of neglecting detailed and in-depth discussions in order to accelerate the aim of reaching a consensus (Karlsson, Lundqvist, Messerschmidt, Neumann & Svensson). Of course, this is dependent on the complexity and importance of the agenda point, but in general, the board members' reliance on suitable information and proposal is high (Karlsson & Weber). Examples such as "*[our board meeting] is running like a Swiss clock*" (Weber) reiterate the point of structured board processes. However, the detected impact of groupthink is likely unnoticed by the members in these boards. Having clearly defined processes leaves little room for creativity and possibilities to step outside boundaries when it is vital to evaluate all contingencies. Therefore, it bears the risk of excessive conformity under which board members develop a pressure to follow majority viewpoints. Lorsch (2012) classifies this conformity as excessive when it causes incomplete decision making which may be the eventual result in boardrooms that cannot counteract conformity.

4.3.5 Role of Chairman

The chairman's responsibility is more complex than expected as this person is also in charge of providing a framework that allows for constructive, open and creative discussion. All other board members are supposed to act within this framework (Lundqvist). The role of chairman is crucial for creating effective discussions. This person has the ability to play with the various competences, personalities and characters that are found in boardrooms. By engaging others in quiet or too formal discussions the symptoms of faulty decision making can be overcome (Janis, 1982; Lundqvist). The same applies to typical groupthink behaviour, a behaviour which can be reduced by chairmen that create an environment where constructive challenges are welcome and seen as beneficial by the board members. The interview participants on the whole

demonstrated a common view of chairmen who lead and manage discussions rather than actively asking for member's point of view (Lindström, Ludwigsburg, Lundqvist & Svensson). One interviewee in particular mentioned that his *“role is not necessarily to be catalyser of good discussion as I count on each board member to take responsibility of contributing actively”* (Lundqvist). Together these results provide important insights into groupthink considering researchers' claims of using chairmen to prompt challenges within the board (Janis 1982; Lorsch 2012). Evidently, this is not seen in Germany or Sweden. As a matter of fact, we have also interviewed directors from companies that do not employ a chairman as their board setup is adequate enough to facilitate useful discussions with all members engaged (Neumann). On the contrary, the board of a large German company shared their satisfying chairman behaviour who approaches board members prior to board meetings in order to get an impression of their viewpoints (Ludwigsburg). Preparing argumentations and discussions ahead of time is a key measure to be taken in combating groupthink. Concurrently, it supports the recommendation of Lorsch (2012) that engaging a so called lead director with the intention of acting as a liaison.

4.3.6 Board Size Impact

Board size and its impact on decision making is a key facet of groupthink. Whilst a majority of interviewees mentioned that smaller boards ease the decision making process, there is one respondent with a clear contradiction to Rindova (1999) who says that larger boards have positive impacts. This particular interviewee mentioned that in larger boards there is a risk of losing focus and the share of each directors' responsibility is reduced. Additionally, the extent of engaging in discussions is smaller. *“If you are a smaller board then everyone is more engaged.”* (Lundqvist). Finding the right balance for the number of board members has been experimented with by some companies and one respondent clearly argued for four board members as the most appropriate number for a management board (Neumann). The standpoints on this question are debateable, also because Janis (1972) contends that larger sized boards accomplish more diverse perspectives and constructive challenges which lead to improved decision making. From our interview findings we see contrasting perspectives that related to the intensity of discussions. As a result, the presence of groupthink can be prevalent in both, small and large boards. While a larger number of board members creates more perspectives the influence from one of these members on others can be of equal likelihood as in smaller boards.

4.4 Revision of Theoretical Framework

On the basis of above findings, the initially developed theoretical framework shows notable deviations that need to be revised. Within the decision making process the three stages of scanning, interpretation and choice have been labelled with *individual level* for scanning and *group level* for the latter two. But, the analysis of scanning revealed a far more complex stage in which the external influences of other board members are causing the first significant symptoms of groupthink. Hence, the initial theory of this cognitive tasks being conducted individually is not always the case. In fact, that all three stages are performed on group level. Thus, the individual and group level labels have been removed in below figure 5 to reflect group influence throughout the process.

Additionally, the element of corporate governance system at the top of the groupthink model has earlier been named as a static influence on the process. While the static influence on the strategic decision making process remains, the extension of an arrow connecting corporate governance system directly with groupthink is necessary as shown in figure 5 below. The underlying factors from the distinct board systems proved to have a direct influence on groupthink which make this extension imperative.

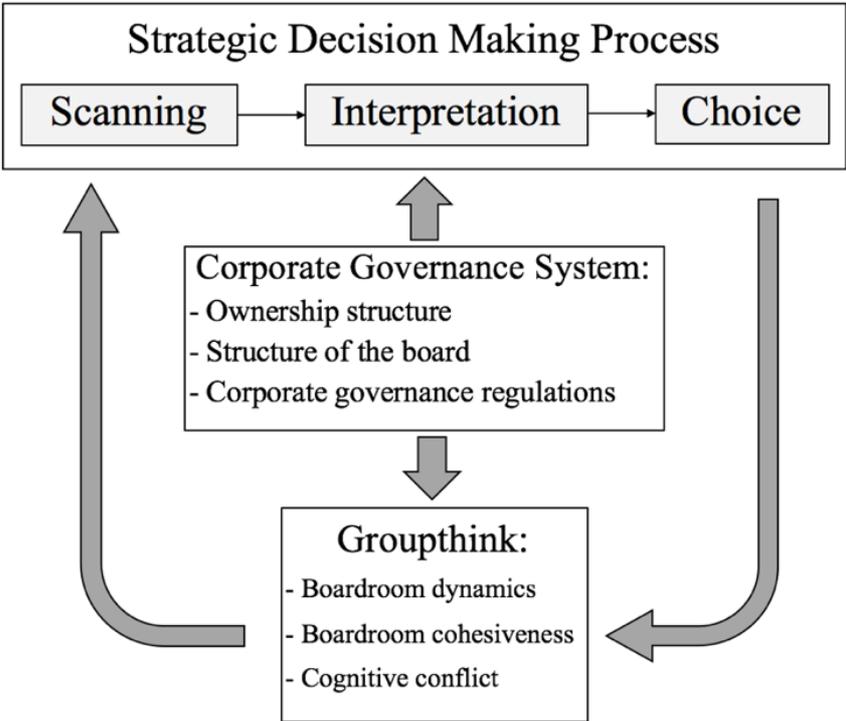


Figure 5: Revised Theoretical Framework (created by authors)

5. Conclusion

This thesis has explored cognitive behaviour on boards. This was achieved through a qualitative study, where the impact of groupthink on each stage of the strategic decision making process was examined based on observations from numerous board members. In the following section we reflect on the research aim set at the outset of this paper and present our main findings. This section is rounded up with remarks on the practical implications of our study and directions for possible future research.

5.1. Research Aims

The question that formed the basis for our research was: *What is the impact of groupthink on board directors in each stage of the strategic decision making process?* In depth semi-structured interviews were conducted with the purpose of gathering information from ten board members in Sweden and Germany. Together, these board members provided observations related to cognitive behaviour and the strategic decision making process in boards from two different corporate governance systems. Their observations were based on long experience from a wide range of different companies and industries. Overall, the aim of the study was not primarily to identify if groupthink impacts the two corporate governance systems differently. The value of having observations from two corporate governance systems was that it provided additional perspectives. These were found to be valuable for identifying the cognitive factors that impact the level of groupthink in boardrooms which do not solely originate from the system.

5.2. Main Findings

The widespread area of research revealed several findings. The most significant findings of groupthink throughout the process of making strategic decisions in boards are presented below.

5.2.1 Balancing Groupthink

Our research indicated that groupthink does not necessarily constitute a one dimensional hazardous impact on the board members' strategic decision making ability. The theoretical approach for the study supports the view that a high level of groupthink can be harmful for the

strategic decision making process, thus leading to poor decision quality (Lorsch, 2012; Tricker, 2015; Rindova, 1999). The factors that influence the level of groupthink are many times connected to board member engagement and time. As presented in the study, there are numerous ways for counteracting groupthink with the purpose of increasing the number of perspectives, create open discussions and promoting independent thoughts. Groupthink in the interpretation stage can be counteracted by having a variety of experience and knowledge among board members. However, there is a line where the value becomes marginal and even reduces the board members' ability for opinion sharing and dissent. Overall, there is a balance between the positive effects of counteracting groupthink and its actual impact on the board members' decision making ability. Because of the individual characteristics of board members, striving for increased engagement and time for each decision is not a certain path for achieving better quality decisions. Therefore, groupthink among board members can not solely be perceived as harmful, but also serving a practical function which ensures that the board can serve its inherent task.

5.2.2 Scanning transforms into Interpretation

The cognitive task of scanning, which is of high importance for board members' ability to contribute with their individual perspectives, sets a first direction in the strategic decision making process. Due to the fact that groupthink is build on the factors of discussion level, dissent and opinion sharing, the interpretation stage reveals largest levels of groupthink presence. Though, our research has demonstrated a prevalence of groupthink in the scanning stage too. The collaboration with other board members to scan and collect information is of high occurrence. Although, scanning is considered as a standalone individual stage of the process (Rindova, 1999), it is visible how many board members interpret information as a group in the scanning stage. Consequently, the scanning tasks flow into the next stage of interpretation as early as the first pre-meeting information is shared. This behaviour is to some degree unintentionally as board relationships develop quickly and communication between board members increases accordingly.

5.2.3 Institutional Influence on Groupthink

The overall impact of groupthink on board members in the strategic decision making process is not only based on the board specific context. This study illustrated that the institutional

environment impacted the collective level of groupthink among board members. This can be identified in all of the three stages, however, the most prevalent impact was found in the interpretation stage. Specifically, the German board members are influenced by a strict regulatory environment which creates a foundation for groupthink behaviour. It creates cognitive restrictions among the board members as the awareness of institutional demands impacts their ability to produce individual interpretations. In contrast, the study presented limited institutional influence on groupthink among the Swedish board members. Instead, the impact of groupthink in the strategic decision making process is to a larger extent founded on specific composition of boards and personal compatibility between board members.

5.3 Practical Implications

Being aware of groupthink and its impact on board directors is valuable for ensuring that decisions are made in the best interest of the company. Every board member has a personal and legal responsibility towards their stakeholders. Therefore, it becomes paramount that individual perspectives are not suppressed by the desire for conformity and the personal accountability is not perceived as being of secondary importance. Realising that groupthink exists in a boardroom is many times difficult as it can be misinterpreted as group efficiency and team performance. Therefore, it becomes crucial that routines are implemented to ensure that every board member is able and willing to speak their mind. Furthermore, the prevalence of pre-meeting communication between the board members is seen as a way for ensuring a smooth decision making process. However, this also creates a situation where many decisions are unofficially made beforehand which can create a dangerous precedent where the board meetings are merely perceived as a formal task of limited value. Considering this, there are benefits of limiting the pre-meeting communication in order to ensure that board meetings remain the primary forum for decision making. However, the motivation for this is also based on practical necessity as the board is often required to confirm a large number of operational decisions, which are not of high strategic importance. Therefore, there is a value in categorising decisions from a viewpoint of strategic priority, where operational decisions can be made further down the organizational hierarchy dependent on the resource commitment and overall operational impact. The involvement of boards would be reduced, thus ensuring that boards are focused on their primary task of making strategic decisions.

5.4 Future Research

In the course of conducting our research we encountered findings which are beyond our research scope but should be considered valuable for future research. Firstly, we observed an evolution in the way companies and their boards respond to changing market conditions. The need of high responsiveness is of increasing importance to survive in today's economies in order to counteract any disruptive development. Wherefore, the strategic decision making process is undergoing enhancements that aim for reducing the duration of decision making processes. The resulting consequences for groupthink can be serious as the three stages will most likely be shortened which causes board members to rely more on provided information or opinions of others.

This is closely related to the above future research aspect is the subject of business complexity which was discovered while analysing cognitive behaviour of board members. To reduce uncertainty levels before a decision it is now necessary to take numerous facts and stakeholders into consideration. With growing expectations to create value for all stakeholders the complexity levels have not declined but rather increased over the years. From the groupthink perspective, the tasks of board directors are becoming equally complicated which is expected to lead to closer cooperation between individual board members.

In summary, the highlighted points above require a larger number of observations to draw meaningful conclusions. Our intention to conduct research on individual board director level in combination with two distinctive board systems was rewarding to reveal worthwhile groupthink implications. Thus, we hope that this study adds value to researchers and board members alike.

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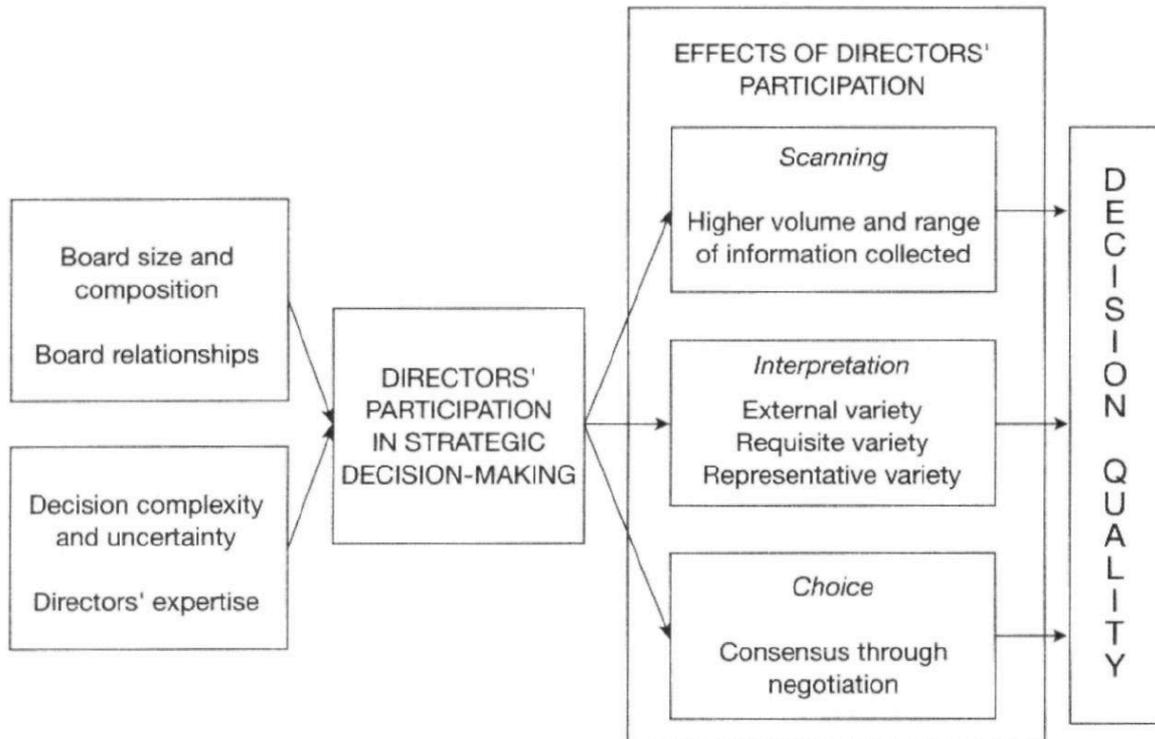
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Appendix A

Directors' cognitive contributions to strategic decision making model (Rindova, 1999):



Appendix B

Pre-interview e-mail to board members:

Dear board member,

Thank you for your time to conduct a personal/telephone/Skype interview on ... The purpose of our interview is to investigate how cognitive behaviour of board members impacts strategic decision making. After some general questions, the interview is structured into three sections that represent key activities of board members: scanning, interpretation and choice. Scanning covers the area of data selection and understanding of provided information prior to board meetings. Interpretation is looking at how you and the boardroom as a whole perceives, discusses and shares thoughts related to agenda items. In the last step, we would like to analyse how best strategic options are derived on boards.

The interview will take approximately one hour. Besides the final thesis, which we are happy to share with you, the interview will also give you a self-reflection of your board behaviour and effectiveness of your boardroom discussions.

The interview will be recorded for the purpose of accuracy and validity. However, the material collected will not under any circumstances be shared with anyone. The final paper will not contain any names of participants, companies or specific locations. The data will be confidential and all participants anonymous.

We highly appreciate your support.

Kind regards

Kai Jens Bütje
Henry Hodzic

Appendix C

Semi-structured interview questions:

General information

Can you tell us about your board experience? How long have you served as a board member and for how many companies?

In what industry is the company/companies operating in of which you are a board member?

What is the annual revenue of this company/these companies?

The/these board/s consist/s of how many board members?

How often does your board meet every year?

Is there at least one board member who is also on another board with you? If yes, please elaborate on the relationship.

Scanning

Is prior-board meeting information provided and structured in a way that is appropriate to your way of understanding its contents? To what extent do you filter or even add further information?

Have you experienced that this information gave you a stimulus of ideas or issues for the agenda items?

Do you look for familiar problems that you know from your current role or company you are working in?

When scanning information before a meeting, do you get an understanding of what parts the other board members will focus on? If yes, does this affect your opinion or your interpretation of the information?

Interpretation

Do you feel that different board member backgrounds create diverse interpretations of the information? In what way?

Do you feel that there is an underlying way of thinking within the board that everyone shares? If yes, is there a certain model that you use to structure and interpret everyone's thoughts?

What do you think is the reason for this shared way of thinking beyond formal models or approaches? E.g. experience, age, industry, etc.

Have you experienced board meetings where a single member brought up an issue or information that was not discovered by others?

How would you describe the typical process of discussion and coming to a decision? E.g. time, opinion sharing, openness for thoughts or complexity of topic.

Choice

What is the typical duration of your board meetings?

Would you say that this time is sufficient to cover all listed agenda items?

How many alternatives are initially presented by the different board members in regards to a certain topic or problem?

Are there instances where the best alternative is not in accordance with your initial interpretation but rather an overall opinion of the board?

Do you tend to change your opinion inside board meetings?

Would you describe the process as more of a compromise, negotiation or consensus based decision making?

Is the desire to come to a consensus based decision often stronger than the motivation to discuss the topic on a more detailed level, ensuring that all the relevant aspects have been considered?

Do you see the chairman of your board as someone who leads discussions or someone who prompts constructive challenges?

To what extent do you see the board size impacting the decision process? E.g. large boards complicate or ease decision processes?

Have you observed that it becomes easier to come to decision over time, if you have been on a board with the same people for years? If yes or no, why is that?

Closing questions

What do you see as the biggest issue when it comes to decision making inside boards?

Is there anything else you would like to share from your experience as board member?