

## **BOARDS' STRATEGIC INVOLVEMENT: SOME EVIDENCE FROM REPUBLIC OF NORTH MACEDONIA**

**Tihona Bozhinovska**

*Ss. Cyril and Methodius University in Skopje, Faculty of Economics – Skopje*  
[tihonabozhinovska@gmail.com](mailto:tihonabozhinovska@gmail.com)

**Ljupcho Eftimov**

*Ss. Cyril and Methodius University in Skopje, Faculty of Economics – Skopje*  
[ljupco.eftimov@eccf.ukim.edu.mk](mailto:ljupco.eftimov@eccf.ukim.edu.mk)

### **ABSTRACT**

*Boards' strategic involvement has been a prominent issue in the management literature, although the research on boards work and how board members fulfill their roles is limited. Therefore, the purpose of this study is to investigate how boards members in companies with one-tier and two-tier board systems understand the concept of boards' strategic involvement and what determines boards' members strategic involvement. For answering the defined research questions, we have designed a study that has two parts: qualitative and quantitative. The qualitative analysis has enabled us to develop two separate frameworks on boards' strategic involvement for companies with one-tier board system and for companies with two-tier board system. The results from the quantitative analysis have shown that director's participation in discussions, their knowledge and previous organization performances are statistically significant predictors of boards' strategic involvement. The frameworks we have designed, as well as the regression model can be used in future research for broadening the academic understanding of the boards' members role in strategy and their involvement in strategic decision making.*

**Keywords:** *strategy, organizational performance, boards' strategic involvement, executives, non-executive directors*

**JEL classification:** *M10, M12, M19*

### **1. INTRODUCTION**

Boards' tasks related to strategy represent their most important function (Wommack, 1979; Rosenstein, 1987; Bezemer et al., 2023). Directors' involvement in strategy or strategic decision-making represents a separate concept that incorporates several elements: 1. director understanding of boards strategic role (Levräu and Van den Berghe, 2007), 2. directors job involvement (Ghaya, 2011), 3. understanding of the tools or mechanisms that directors have to influence the strategic process, or to be more precise understanding the depth of the concept (Bezemer et al., 2021). Therefore, the popularity of this topic remains high since it focuses on the key organizational processes, the processes that ensure organizational survival and enable organizational growth. However, this topic's popularity was additionally stimulated in the past 3 years since Covid 19 pandemic showed with how many different issues board members should cope in these specifically tough times. The Bezemer et al. (2021) study very carefully presents the variety of issues incorporated in this topic. Namely, his findings imply that in the period

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between 2008 and 2020 have been published 152 articles (in 45 high quality journals) on this topic that has been focusing on: boards' strategic performance, boards' strategic processes, boards' strategic decision making and boards involvement in other topics such as executive compensation, CSR disclosure, joint venture contracts and CEO strategic behavior. Our analyses of 48 articles published in journals indexed in Scopus and SCI in the past 5 years (2019-2023), have shown that recent research on this topic analyses the board process related to strategy and their ability to impact the key strategic activities, particularly those related to strategic human resource management, as well as boards capacity to influence organizations strategic performance, that enables organizations' sustainability. The crises induced by the Covid 19 pandemic showed the need for broadening this topic, as well as the need for investigating more thoroughly the depth of this concept.

In order to contribute to this research area we have designed a study that focuses on the understanding of boards' strategic involvement in joint-stock companies in our country, Republic of North Macedonia, which is a small and open economy, but whose governing system has passed through several severe changes in the past nearly 80 years. Therefore, the history of the companies included in our research is unique and their perspectives may give different understanding on some elements of the concept. The purpose of the study is to investigate how boards members in organizations applying the one-tier and two-tier board system understand the concept of boards' strategic involvement and what determines boards' members strategic involvement. To achieve this goal we have developed the following 3 research questions: 1. What does boards' strategic involvement includes in companies with one-tier board system?; 2. What does boards' strategic involvement includes in companies with two-tier board system?; 3. What are the predictors of directors' (or board members) strategic involvement?.

The study is structured in the following manner: *literature review* that enables better understanding on the concept of boards' strategic involvement and tools used for its investigation, *methodology* that explains the design of the empirical part of the paper, *results* or presentation of findings, *discussion, conclusions and limitations*.

## 2. LITERATURE REVIEW

Although the importance of board strategic involvement has been emphasized in numerous papers in the period between 1970s and 1990s, the academic or systematic scientific research on this topic has started at the beginning of the 1990s (Puglise et al., 2009). The need for more formal and congruent research on the concept has been identified by the practitioners in the 1970s who insisted that directors must adopt more engaged and meaningful approach in fulfilling their strategic tasks (Wommack, 1979; Cheffins, 2015). However, the scientific approach in investigating the concept of boards strategic involvement was introduced at the beginning of the 1990s, after Zahra and Pearce (1989) have *defined and explained boards' impact on organizations' strategic outcomes that lead to achieving to the targeted financial, systemic, and social organizational performance*. Basically, one of the main arguments of Zahra and Pearce (1989) is that *boards' main job is to ensure delivering strategic outcomes that lead to achieving the desired levels or financial, systemic, and social organizational performance*, that can be done by fulfilling their roles. Building on the premises of the agency and resource dependence theory, Zahra and Pearce (1989) *defined the boards' strategic role* and created the foundation for further empirical and conceptual research on boards' strategic involvement. According to Zahra and Pearce (1989) resource dependence theory implies that "directors may be actively involved in the strategic arena through *counsel and advice to the CEO, by initiating their own analysis, or by*

*suggesting alternatives*” (p.298). The agency theory, on the other hand, focuses more on the boards’ decision-making processes and “places a premium on boards strategic contribution, specifically boards involvement and contribution to the articulation of firms’ mission, the development of the firms’ strategy and the setting of guidelines of for implementation and effective control of the chosen strategy” (Zahra and Pearce, 1989, p.302-303). Therefore, the models on boards’ strategic involvement or boards’ involvement in strategic decision-making, or specific strategic decisions that can be classified as strategic, whether conceptual or empirical, created in the subsequent years, represents the literature foundation in this research area.

The authors of this study have identified 8 models that represent the core of the concept and classified them into 3 groups, based on the analysis of their elements. The first group of models are named generic or basic models that includes the models on determinants of board strategic involvement developed by Zahra and Pearce (1990) and the model on boards’ involvement in strategic decision process developed by Judge and Zheithaml (1992). Zahra and Pearce (1990) have distributed a questionnaire to companies that have critical importance to the US economy and identified the predictors of the level of boards’ strategic involvement by using a regression as a data analysis method. Their findings indicate that directors’ expertise and role criticality are the statistically most significant predictors of the level of board strategic involvement. On the other hand, Judge and Zheithaml (1992), use gathered qualitative and quantitative data and investigated the determinants and consequences of boards’ involvement in strategic decision-making process. Judge and Zheithaml (1992) findings imply that organizations’ age, level of insider representation on board and board size are statistically significant predictors of boards involvement in strategic decision-making, although the relation between board size and boards’ involvement in strategic decision-making is negative. The second group of models incorporates the models called behavior models, out of which most of them are conceptual. The models within this group have been built on the assumption of agency theory about human nature, the propositions of other theories, such as strategic choice theory, stewardship theory, stakeholder theory, resource dependance approach, upper echelon theory, and other approaches close to organizational sociology and organizational psychology. In this group we have incorporated the models developed by McNulty and Petigrew (1999), Forbes and Millicken (1999), Rindova (1999) and Pye and Camm (2003). McNulty and Petigrew used interviews with company directors as data gathering method and based on a qualitative analysis, he identified the levels of directors’ strategic involvement and the factors affecting boards’ strategic involvement. Rindova (1999) use some evidence of the Konr/Ferrys’ 1998 annual board of directors’ study regarding the time directors spent on boards’ work and their participation in meetings, together with an extended literature review, to create the model that defines the predictors and effects of directors’ involvement in strategic decision-making. Pye and Camm (2003) by using descriptive statistics on a survey in which non-executive directors participated and their own experience have designed the models of learning board and non-executive directors’ contribution. Finally, the last group of models, named integrative models, incorporates the model of Ghaya (2011) and the model developed by drew and Kaye (2007). While Ghaya (2011) relies on his profound literature review for creating the model of boards’ strategic involvement, Drew and Kaye (2007) uses the literature and practitioners’ experiences to create a model that enables increasing boards involvement in setting corporate direction. Drey and Kaye (2007) confirm the Zahra and Paerce (1989) argument that boards job is creating strategic outcomes that lead to improved organizational performance (financial, systemic and social) and therefore rely on the literature in which balance scorecard has been developed.

In order to enrich this literature review, we have also made a short overview of the studies that focus on investigating boards involvement in concrete or specific decisions that are tightly related to organizations strategy and impact organizational performance, and therefore can be included as part of the boards' strategic role. Namely, significant body of literature have focused on examining the predictors or determinants of boards involvement in top management or CEO succession (Dalton and Kesner, 1985; Fredrickson et al., 1988; Cragun, 2018; Datta and Guthrie, 1994; Ocasio, 1999; Shen and Cannella, 2002; Zhang and Rajagopalan, 2004; Zhang, 2006; Chen et al., 2016; Guthrie and Datta, 1997; Schepker, 2017; Berns and Klarner, 2017; LeCounte et al., 2017; Cragun, 2018; Connelly et al., 2020) and in decision related to mergers and acquisitions (McDonald et al., 2008; Levi et al., 2014; Lou, 2021). In general, it can be noted that the finding in most of the studies indicate that top management team member or CEO succession cannot be simplified to the level of a single appointment decision, but rather that it represents a serial of decisions regarding the development of the key human resources of the organizations in which board members must be involved (Kesner and Dalton, 1994; Guthrie and Datta, 1997; Cragun, 2016; Berns and Klarner, 2017; LeCounte et al., 2017; Connelly et al., 2020). Furthermore, McDonald et al., 2008 are investigating how directors experience affects acquisition performance and their findings indicate that directors' ability to develop expertise for acquisition decisions influence the acquisition performance. Levi et al. (2014) examined the impact of directors' gender on M&A decisions and conclude that female directors are more concerned with the ability for creating shareholder value through these decisions. Lou (2021) findings indicate that top management teams use experience-based intuition when making strategic M&A decisions and that these decisions are positively related to M&A performance. Additionally, Lou (2021) findings indicate that boards' strategic involvement impacts the approach that management structures are going to use in the decisions related to mergers and acquisitions.

Regarding the research of directors' strategic involvement in companies with two-tier board system, Gelther and Siems (2021) indicate that although letting companies to choose between the board systems can be a "far-sighted" strategy, the implementation of a two-tier board system can lead to a uncertainty because the strategic setting cannot be always clearly defined or limited. Furthermore, Block and Gerstner (2016) argue that in order to achieve the acquired level of integration of the supervisory board members in strategy, organizations must work on the unity of the management and supervisory boards, usually through combined and more frequent meetings. Bezemer et al. (2014) research also supports the previous statement and suggests that the complex strategic problems should be addressed in conjunction with the supervisory board members, since their processes and social interventions can be crucial for the organization. Kolatkiewick et al. (2017) have investigated the role of strategy committees on the Polish supervisory boards by analyzing interviews' data, and their findings indicate that these committees represent a structural solution for increasing supervisory boards' involvement in strategy and their engagement in the strategic process. Furthermore, the authors note that these committees in some companies are permanent structures, while in others are ad hock formed, and that their formation largely depends on organizations' size and complexity. Cindric (2021) research supervisory boards strategic involvement in a sample of Croatian companies and her findings indicate that supervisory boards actively participate in the overall strategic process, especially in time of crisis, and that their strategic involvement is determined by the boards' structural attributes.

The analysis of the literature in the past decade on boards' strategic involvement indicates that most of the research focus on boards' involvement in issues related to strategic human resource management (Aber and Torchia 2019; Nahum and Carnelli, 2019; Zenou et al. 2020; Zhu et al., 2020; Campopiano et al., 2020; Luciano et al. 2020; Klarner et al. 2021; Jung et al., 2023), on their understanding of sustainability as a strategy and their contribution in achieving sustainable performance (Kanadli et al., 2022; Amorelli and Garcia-Sanchez, 2020; Amorelli and Garcia-Sanchez, 2023). In conclusion, we can note that boards' involvement in strategy has important place in management literature, and the implication of the research on this topic are of value for the academic community, as well as for the practitioners. Furthermore, we can record that directors involvement in strategy is less investigated in a companies with two-tier board system.

### **3. METHODOLOGY**

In order to answer the research questions defined in the introduction, the authors have designed a study that includes a qualitative and quantitative part. The aim of the qualitative part is to investigate how board members define boards' strategic involvement, which are the characteristics of the context in which strategic participation occurs and what are the constrains that they face in this process. While the aim of the quantitative part is to investigate which factors influence boards' strategic involvement through a regression analysis. Therefore, the study has been designed as an exploratory mix methods research.

The analysis of the case studies has given significant insight about how boards' actually fulfill their strategic role and participate in the strategic process. Additionally, the qualitative part has given an opportunity for identifying the determinants of boards' strategic involvement. After constructing the models, based on the analysis of the case studies, we have employed quantitative data analysis methods to investigate whether the proposed relations are statistically significant. In the quantitative part multiple regression has been used as a method for analyzing the board members' responses.

It is a fact that qualitative research methods research the process in more natural settings and although this type of research is less structured, it enables the development of new theories and deepening the understanding on certain phenomenon and processes, and the context in which it occurs. On the other hand, quantitative research enables theory testing, exercises more the point of view of the of the researcher, relies on numbers and had data and is more structured (Graue, 2015, p. 6). To conduct qualitative research, the researcher needs to be close to the objects of interest (sample units), while for the quantitative research, the distance between the researcher and the sample units is inherent (Graue, 2015). Therefore, to understand the boards' strategic involvement we combine these two approaches. As Graue (2015, p. 6) notes, the choice of research approach largely depends on the researchers' epistemologically grounded beliefs and what he sees in the data reflects who he is (Therry et al., 2017).

In order to investigate the concept of boards' strategic involvement in small transitional economy, such as the economy of the Republic of North Macedonia, the authors conducted an analysis on a sample of 12 joint-stock companies. In this study we used cases of companies that regularly publish information on their corporate governance structure and on their function (companies that are part from the some of the segments on the Macedonian stock-exchange) and companies that were willing to give more information about their work, and particularly about their boards' strategic involvement. Therefore, we can say that the sampling strategy was to focus on information-rich case studies. According to Patton (1990), the information-rich cases are those "that manifest the phenomenon intensely, but not extremely, such as good

students/poor students, above average/below average” (p.183). For identifying the so-called information-rich cases the researchers have to analyze their history and the strategic moves, or strategies implemented in a given period of time. The connections or relations with a few directors from several companies were used in order to approach the rest of the companies. As in any industry or profession, when you are recommended by someone you get the access you need. The same approach has been used by Hill (1995). From a methodological point of view, this is called snowball effect or chain sampling (Patten, 1990). An overview of the case studies included in the sample is presented in Table 1. As presented in Table 1 the sample consists of 5 organizations with one-tier board system, and 7 organizations with two-tier board system. 5 companies are from manufacturing, 2 from services and 5 of them are financial institutions. In the last group, besides bank also insurance companies have been included. However, since we are interested in analyzing the process of strategy making and strategic decision-making, as well as understanding boards and directors’ role and their perception about boards’ involvement in the strategic process, we do not think that the industry in which they compete should be given more attention. Although banks are more regulated, for them there are higher standards regarding transparency about corporate governance and other relevant issues, we do not believe that bank regulation should be separately discussed in this paper. The main issue that we are researching is boards and directors’ involvement in the strategic process and how and when they share their implicit knowledge regarding strategy for fulfilling their tasks. In the banks corporate governance structures are more complex, but the members of the supervisory boards often are or were managers/executives/non-executives in companies. Therefore, they use the same implicit knowledge, logic, and practices for developing strategic alternatives, evaluating them, and making strategic choices in companies, as well as for fulfilling their roles as members of the banks’ boards. Regarding strategy and the strategic process, there is not much difference between companies and financial institutions, in terms of knowledge and logic employed. However, in more regulated industries there may be some limitations, such as the fact that they do not have the freedom to decide which type of board system they are going to implement. Furthermore, in more regulated industries the frequency of changes in regulatory may be higher and sometimes additional demands may be imposed. Therefore, in these industries, including bank industry, the need for regular update on regulatory changes, is more highlighted.

*Table 1: Overview of the companies included in the sample*

<i>Case</i>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<i>characteristics</i>					
<b>Board system</b>	Two-tier	One-tier	One-tier	Two-tier	Two-tier
<b>Sector/industry</b>	Manufacturing	Manufacturing	Manufacturing	Manufacturing	Manufacturing
<b>Organizations’ size (employee number)</b>	Medium	Medium	Small	Medium	Large
<b>Type of directors included</b>	Executive and non-executive	Executive and non-executive	Executive and non-executive	Executive and non-executive	Executive
<i>Case characteristics</i>	<b>6</b>	<b>7</b>			
<b>Board system</b>	One-tier	One-tier			

<b>Sector/industry</b>	Service	Service			
<b>Organizations' size (employee number)</b>	Medium	Small			
<b>Type of directors included</b>	Executive and non-executive	Executive			
<i>Case characteristics</i>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>
<b>Board system</b>	Two-tier	Two-tier	Two-tier	Two-tier	One-tier
<b>Sector/industry</b>	Financial institution	Financial institution	Financial institution	Financial institution	Financial institution
<b>Organizations' size (employee number)</b>	Medium	Large	Large	Large	Medium
<b>Type of directors included</b>	Executive	Executive	Executive and non-executive	Executive	Executive and non-executive

(Source: Authors analysis)

The gathered data were analyzed on a group level. The organizations were classified in two groups: the first one incorporated organization with one-tier board structure (n=5) and the second one included companies that have adopted two-tier board system (n=7). In order to better explain the context in which Macedonian join-stock companies operate, we would like to note that some of the financial institutions (such as banks) in our country in order to ably the law have to incorporate two-tier board system, while the other companies have the possibility to choose between one-tier or two-tier board system.

The data from the units (case studies) were analyzed with the application of the framework approach. As elaborated by Smith and Firth (2011), the framework approach has many similarities with the thematic analysis, especially in the initial phases, when the themes are identified, but it gives an opportunity for constant refinement of themes which leads to the development of the framework. We did not used a software for thematic analysis, the analysis was done manually. The use of a software may not identify some of the linkage within the data and the researcher may not get sufficient information regarding the context in which the process occurs. Therefore, the use of software although it may be suitable when sample is bigger, it also may be very limiting. The software is not much of a use when we intend to analyze the context and to get deeper understanding on some processes. As Terry et al. (2017) have noted that although some people claim that the use of computer program is the best way for data analysis, "any researcher needs to identify the right tools for them, in the context for their particular project" (p.26).

In the quantitative part, we used bivariate analysis and multiple regression analysis as data analysis methods. The analyses were computed with statistical software (SPSS). We used data from a questionnaire that included different types of questions. The questions related to the constructs on boards' strategic involvement, directors' knowledge, individual participation in discussions, all members participation in discussion included items measured on a five-point scale. The construct regarding decision type or decision focus also included items on which respondents need to access their level of involvement in different decisions on a five-point scale. The quantitative analysis includes the data from 35 respondents.

In the following section we describe both the results from the qualitative and quantitative data analysis.

## **4. RESULTS**

### **4.1. Results from the qualitative analysis**

#### *4.1.1. Results from the research on organizations with one-tier board system*

The organizations that are included in this sample have a long history and tradition. Their persistence in maintaining good corporate governance practices and offering quality products/services is what ensured their survival even in the most difficult times. However, the challenges they faced during this 32 years transitional period has imposed the need for reorganizing their operations and in some cases significantly reducing their size and scope of operations. Some of them have lost significant markets, while others faced different types of challenges.

Additionally, some of them have made changes in their boards' structure in these 32 years, since there were also several changes in the Companies Law. Furthermore, as was mentioned in the previous section, the Companies Law in our country allows the transition from one-tier to tier board system and vice versa. Some of the key findings from the case study analysis are presented in Table 2.

According to the presented analysis, the following propositions regarding boards' strategic involvement in organizations with one-tier board system can be induced:

Proposition 1: The participation of each board member in the discussions related to making strategic decisions largely depends on their role, e.g. whether they are executive or non-executive directors. In the other word, executive directors have higher level of participation and are prepared to express their thoughts regarding the strategic alternatives, while the non-executive directors are rarely prepared to express their disagreement with the alternatives defined by the management.

Proposition 2: Board size also influences the level of individual participation in strategic activities by board members. Our findings implicitly lead to the conclusion that that when boards are larger, board members are more likely to restrain their participation in the discussions.

Proposition 3: Organizational size also has an impact on boards' members individual involvement within the strategic issues and their engagement in the boards' discussions. The directors that are members of boards in larger organizations are more cautious in strongly expressing disagreement and opposing opinions, but, on the other side, contribute by gathering additional data and information, that are not part from the managements' reports.

Proposition 4: The type of strategic decision made, also influence the level of directors' involvement. In situations in which the board discuss issues related to organizational development, the level of responsibility is higher for all board members, and all of them contribute by enriching the debate, and asking critical questions.

Proposition 5: Although in some companies executives directors and/or chair tend to dominate the strategic process, in situations when developmental strategic decisions are made the board leaderships (CEO and board chair) prefer higher level of boards' members participation in the process, although the essence of each member contribution tend to be different (in accordance with their experience, expertise and access to information).



*Table 2: Factors influencing boards' members strategic involvement*

**Theme 1: Individual participation**

<b>Directors role (executive or non-executive)</b>	Executive directors have stated that they have higher level of participation all aspects of the strategic process, and have a tendency to give higher rates/grades for others' members participation in this process. The non-executive directors are not always prepared to think "outside the box", and even when their opinions differ in comparison to those of the other board members, they are not always prepared to share them. Furthermore, the non-executive directors are less likely to openly state a disagreement with managements' (executives') propositions.
<b>Board size</b>	The members of the larger boards are more restrained in presenting different stand points regarding large scale questions/issues.
<b>Organization size</b>	Organizations' size has an impact on the way directors behave and think and how they share the information on the formal board meetings. Namely, boards members in larger organizations have a higher level of caution in expressing different opinions, but on the other hand have a significant contribution in gathering additional data (outside of the information provided in the management reports). However, the additional information with which cumulate can have an impact in improving decisions quality
<b>Decision type (classification by Nutt, 2006)</b>	The type of decisions that are subject to a certain meet also has in impact on the directors; strategic involvement. The directors in the companies that have discussed on a board level several decisions that can be classified as developmental (according to the Nutt, 2006 classification), usually are more willing to share their information and knowledge and to involve in a fruitful debate. However, they do not have a tendency to present certain attitude towards the alternatives proposed by the management, but are more focused on asking critical questions regarding the suggested alternatives. Implicitly, we can conclude that in the process of making developmental decisions, that by definition imply more resources and undertakings with which the

	organization has no experience, the non-executive directors are ensuring that the management team (together with the executives) have on its disposal the “right” information and is aware of the different types of risks.
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## Theme 2: Capacity for domination of the strategic process

<b>Executive/non-executive</b>	The executive directors rarely state that the boards’ meeting are dominated by the executive directors, or by the CEO, which was expected. Their perception regarding the flow of the boards’ meeting is that every member actively participates in the discussion of the strategical issues. On the other hand, the way in which the non-executive directors think about this, differs significantly. Namely, one part of the non-executive members feel/state that the CEO or board chair dominate the meeting.
<b>Board size</b>	Board size is important since it influence <i>how</i> board members understand the need for discussion on the board meetings. Board members in the smaller companies resonates that the domination of the CEO and/or the board chair is expected. On the other hand, in the larger organizations the directors tend to state that all board members actively participate in the discussions, in accordance with their role within the board
<b>Organizations’ size</b>	Regarding the impact and role of organizations’ size on this topic we could not induce clear conclusions. Generally, it can be noted that some differences in the reasoning of the board members in small and medium organizations do exists. However, those differences are more likely to relate to the level of concertation in the organizations’ ownership structure, than to the organizations’ size.
<b>Decision type</b>	Decision type has impact on the intensity and depth of boards’ discussions. In the process of making developmental strategic decisions the boards’ leadership is more likely to insist of participation of larger number of board members, although the essence of their participation/contribution might largely differ (in accordance with their expertise, experience, access to information, are on which the decision

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is focused ect.). When the board is involved in the process of making developmental strategic decisions the domination of one person tends to decrease.
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(Source: Authors' analysis)

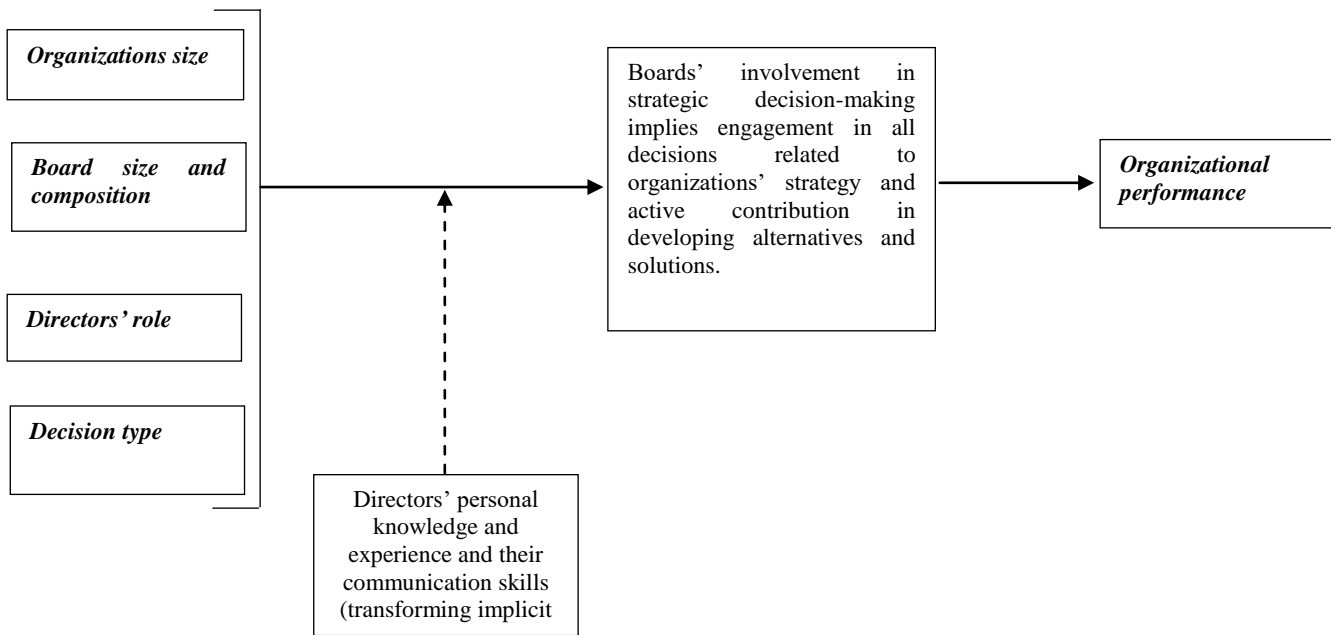
Additionally, we have identified significant differences in the description of the boards' strategic involvement (in terms of its scope and mechanisms) among directors. The way boards' strategic involvement is described significantly differs in accordance with board members' role (whether he/she is an executive or non-executive member). In this sense, for the biggest number of executive directors, boards' strategic involvement refers to active participation in the process of strategic alternatives development and preparation, in defining strategies, as well as, in initiating strategic changes. On the other hand, according to the non-executive directors' responses, their understanding for the strategic involvement process is related to the participation in the strategy definition and evaluation. Their understanding of the boards' strategic involvement includes giving general directions, which should be implemented in accordance to the analysis of the impact of others external of internal factors in the alternatives generation process. Basically, their contribution in the strategy formulation phase refers to the selection of one of the alternatives generated developed by the management and the executive directors (CEO mostly). The non-executive directors do not perceive that they should actively participate in the alternative generation process.

A crucial precondition for developing fruitful discussions that stimulate larger boards' member strategic involvement is the directors' knowledge related to the internal organizational environment and their previous board experience. The case study analysis has shown that non-executive directors tend to state that they have broader expertise and experience in different industries, while executive directors have larger experience in some functional areas within the organization. These results lead to the support of the thesis that executive directors possess broader and deeper knowledge about the organization and the industry in which the organization competes, and that their ability to share and exchange this knowledge largely influence boards' overall strategic involvement.

The analysis has shown that boards' strategic participation includes stimulating debate on boards meeting and active participation of all board members. The way and the level of boards' members participation in the formulation and evaluation of the strategic alternatives, as well as the selection of the most appropriate one, largely depends on the organization's size, boards' size and the type of decision they are expected to make (developmental or non-developmental strategic decision).

Based on the findings in the qualitative analysis, the analysis of the case studies, a model on boards' of directors involvement in strategy has been constructed. This model includes the predictors of board of directors' strategic involvement , as well as, the essence of the concept. The model is presented in Figure 1.

Figure 1. Boards' involvement in strategy in organizations with one-tier board system



(Source: Authors' construction)

#### 4.1.2. Results from the research on organizations with two-tier board system

The strategic involvement of management and supervisory boards in companies that have adopted a two-tier board system should be analyzed separately. Namely, in this section first the involvement of management board in strategy is analyzed and afterwards, we performed an analysis of the supervisory board strategic involvement. In regard to the characteristic of the sample, it is important to be noted that most of the included corporations are large, and some of them are financial institutions (for which, in accordance with the applicable law in Republic of North Macedonia, the two-tier board system is mandatory). Understanding how the governing structures in large corporations function represents a special challenge, and in the same time an opportunity to acquire new knowledge that is not transferred through the traditional educational approaches. However, this tacit knowledge seems to be one of the crucial factors for success. The successions in some of the corporations in our country have confirmed this thesis. Namely, part of the successors that has been systematically and methodologically prepared, through step-by-step promotions in the organizational hierarchy, seems like did not acquired the implicit knowledge their incumbents had, which incorporated a mix of soft skills, ability for conceptual thinking, as well as resilience that is crucial in thought time.

Management board includes only executive directors, or the key managers in the organization. Their ability to manage the internal organizational processes, as well as the interests of the key stakeholders represents the foundation of the success of any organization. In large companies the middle level managers can also be included in several activities related to strategy formulation and can contribute to shaping the alternatives

According to the management boards' members responses, their involvement in strategic decision making includes the activities related to the initiation of strategic

suggestions/alternatives, which are discussed and evaluated on boards meetings. The management board members have a crucial role in initiating issues related to undertaking corrective action.

In large organizations, the management board members actively participate in defining strategic options, as well as, in evaluating strategies. Most of the management board members highlight that initiating strategic change is one of the ways to give a contribution in the organizations' strategic process. Additionally, most of them agree that giving directions for undertaking corrective action is also one of the ways to contribute in the strategic process. Moreover, management board members have a significant impact in society and therefore their activities related to advocacy, especially in the stakeholder management issues, should not be undermined. Although management board members have significant social capital, few of them have stated that one of their strategic tasks is increasing their networks. Additionally, management board members' role in lobbying is not perceived as a strategic activity. Namely, a significant number of the management board members state that lobbying does not represent a way of strategic participation.

The analysis of the determinants of management boards' strategic involvement is trying to estimate the factors that have potential impact on directors' active participation. The case study analysis has shown that the role of the director within the management board impact on his/her perception of the concept of board strategic involvement and his/her understanding of the participation in boards discussion. Other factors that should be analyzed include management board members tenure, the period in which they work together, as well as their connection or their relationship with the management board chair. Additionally, it was noted that the manner in which management board members communicate and share their views on crucial issues largely depends on organizations' size and the type of decisions that they should make.

*Table 3: Factors affecting management board strategic involvement*

<b>Theme 1: Individual participation</b>	
<b>Management board members role</b>	According to the case studies analysis it can be noted that the management board chair, who is usually the general manger, in the same time, often thinks and resonates differently in comparison to his/her colleagues and has high level of self-esteem in expressing and presenting different views and perspectives. His/her participation in boards' discussion is crucial and he feels the comfortable to presents his/her suggestions, and to ask critical questions regarding the information that are delivered to him by the other management team members. The other management board members (those that are not chair) it can be noted that are less likely to express different opinions and to resonate in a different way in comparison with their colleagues. However, most of them feel that their task is to gather additional information, besides those obtained in the management' reports and to ask critical questions regarding the data that for the basis of their decisions.
<b>The tenure of the management board members and the impact of the management board chair on their appointment</b>	According to the case study analysis, it is not that when the management board members have longer experience in working together, or when they have a tenure that is longer than 4 years, some of the directors feel more comfortable to express their opinion even when it is significantly different that opinion of his/her colleagues. It is important to note that when the management board chair has a more significant role in the process of selecting and appointing the other board members (or he has suggested some candidates) he feels more comfortable in expressing his/her opinions and asking critical questions.
<b>Organizations' size</b>	In regard to the organizations' size it can be noted that in the larger organizations the management board members have more proactive role in the discussions and feel that they can freely express their opinion regarding the proposed alternatives, to reevaluate them and ask additional information. Furthermore, the management board members in larger organizations are more focused on gathering additional information, as a addition to the information presented by the other management team members. However, the analysis of the case studies did not provide basis for supporting the thesis that the organizations' size is related to the expression of different views regarding the kye strategic issues.
<b>Decision type</b>	The type of decisions which the management board

	members discuss also impacts their level of involvement. In organizations in which the management board members are involved in making developmental strategic decisions, the boards discussions are longer, the directors ask more questions and proactively gather information.
<b>Theme 2: Individuals' domination</b>	
<b>Management board members' role</b>	Most of the management board members agree that they have active and significant participation in the boards' meeting discussions. In most of the cases management board members state that all directors equally participate in the discussions. However, in some case studies, the management board members state that in some situations the discussion can be dominated by certain members and it is notable that the decision-making culture slightly differs between the analyzed companies.
<b>The tenure of the management board members and the impact of management board chair on their appointment</b>	The tenure of the management board members, according to the analysis, does not impacts the way in which they assess the directors' participation in making when making key strategic decisions. The analyses have shown that most of the directors state that the views of all management board members are taken into account and that the discussions are not dominated by one individual.
<b>Organizations' size</b>	The management board members in larger organizations more often state that in the process of strategic decision making boards' meetings are characterized with broad and long discussions and that there is no domination by the management board chair.
<b>Decision type</b>	In context in which developmental strategic decisions have to be made, some members that have specific/rare expertise, may be allowed to discuss longer, but this does not mean that they are going to dominate the discussion and the meeting. Even in this circumstances the management board chair is usually responsible for stimulating active participation by all the members.

*(Source: Authors' construction)*

According to analysis presented in Table 2, the following propositions regarding management board members strategic involvement can be formulated:

Proposition 1: The management board chair, who is also in the position general manager, in the process of strategic thinking is more likely to present different views than his/her colleagues and has a high level of self-confidence in the discussion regarding these perspectives. The management board members, who are not chairs, on the other hand less frequently present different views regarding the key strategic issues.

Proposition 2: All management board members feel that their task is to gather additional information, (other than those presented in the management's reports), and to ask critical questions regarding the data and information on which they rely in the strategic decision-making process.

Proposition 3: In the circumstances in which the management board members work together for a longer period of time, they feel more freedom in expressing different perspectives.

Proposition 4: In circumstances in which the management board members are appointed on the recommendation made by the management board chair, he/she (the chair) feels more comfortable in expressing different perspectives and strategic alternatives/solutions.

Proposition 5: In larger organizations the management board members have more active participation in the discussions developed on the meeting on which strategic decisions are made and express a higher level of dedication in gathering data related to the analysed issue.

Proposition 6: In organizations in which developmental strategic decisions are made, the discussions are longer and all management board members are focused on asking critical questions regarding the information delivered by the management.

The management boards' strategic involvement, for the most members of these boards, includes initiating strategic alternatives, advising the lower-level manager that are assigned to formulate the strategic alternatives, evaluating the achieved progress in implementation phase and initiating the decisions for undertaking corrective actions.

In the assessment of their knowledge, the management board members state that they have more knowledge regarding the organizations' key operations and the organizations' weaknesses. On the other hand, they state that have less knowledge regarding the critical technologies and the threats of new entries in the industry. Furthermore, few of them state that they have experience in different industries.

When asked which of the following issues are most significant for the management board, the directors have stated that strategy evaluation and corporate governance issues are the issues with higher importance for their board. Most of the management board members have assessed strategy evaluation higher than the strategy formulation, which indicates that following the progress in the implementing strategy and assessing whether the chosen alternatives are suitable for the emerged changes in the external and internal environment is an essential element of the management boards' strategic involvement. By analyzing the information regarding the implementation of the adopted strategies the management board members are able to influence the formulation of new strategies. Therefore, the management board members state that strategy evaluation is one of their most important tasks.

Regarding the themes on which the management board members have spent most of their time in the past 3 years, the answers indicate that strategic planning and evaluating organizational performances were ranked highest on management board agenda. Considering the changes that have been brought in the crises emerged because of the Covid 19 pandemic, these responses were expected. The dynamics of the changes in the organizations' environment in the past 3



years imposed the need for allocating more time on defining new strategies and adjusting the organization on the newly arise circumstances, with a final goal managing organization survival on the long run. The second theme on which management board members have spent most of their time in the past 3 years is the evaluation of the organizational performance. Evaluating organizational performance is a theme that is always highly ranked by board members. However, the Covid 19 crises amplified its importance, bearing in mind the increased level of uncertainty in the environment and the speed in which changes occurred.

In accordance with the presented data from the analyzed case studies we can synthesize one additional proposition regarding management board strategic involvement.

Proposition 7: Management board members asses that evaluation of the existing strategy represents an issues that has higher importance than the strategy formulation. These findings indicate that considering the information on strategy implementation evaluation, the management board members can influence the process of strategy formulation.

The analysis of the supervisory board members strategic involvement gave an isight on the question how non-executive directors, in organizations with two-tier board system, understand strategic involvement, which themes are most important to them, and which factors impacts their participation in strategic decision-making.

The supervisory board members imply that their strategic involvement includes: gathering or securing sufficient information regarding the implementation of strategic decisions, following and assessing the achievements in the implementation process and raising initiatives for undertaking corrective actions, as well as generating suggestions for improving the strategic decisions. The analysis leads to a constatation that the supervisory boards focused more on overseeing strategy implementation, while in the process of strategy formulation they participate through suggestions for improvements.

According to the supervisory board members opinion, their boards main task include periodically assesing managements' work, evaluating strategies, approving annual reports, contribution in strategy formulation, advising the management, giving directions for undertaking corrective action, controlling the reports prepared by the management and by initiating strategic changes. Therefore, supervisory board members participation in the strategic process includes active contribution in the strategy evaluation (as a phase of the strategic decision-making process), giving directions for undertaking corrective actions, and initiating strategic changes. It is interesting to note that significant number of supervisory board members indicate that their contribution also includes networking and active participation in the organizations' advocacy activities. In this segment there is a significant difference with the insights from the management board members' responses. According to the analyses case studies it can be noted that the management board members define their contribution in strategy as involvement in strategy formulation and strategy evaluation, while supervisory board members are more focused on strategy evaluation and assessing the need for undertaking corrective action. Furthermore, supervisory board members believe that their contribution to strategy can be achieved also with participation in advocacy activities, which is not emphasized in the responses of the management board members. Some of the management board members state that participation in advocacy is not a task related to their boards' strategic role. According to the presented insights it can be concluded that management board members are focused on managing the internal organizational processes and defining alternatives, while the supervisory board members are more focused on the political aspects of the strategic decision-making process.

In regard to the factors that influence supervisory board members strategic participation, it can be observed that organizations' size, the time spend working together and supervisory board members individual social capital, as well as the need for making developmental strategic decisions have positive impact on their strategic involvement. It is notable that the members of the supervisory boards in larger organizations feel more comfortable expressing their opinions that significantly differ in comparison of the opinions of the management board members or their colleagues. Furthermore, if the directors have spent more time working together and have significant individual social capital, they feel more comfortable in presenting new information. In context in which making a developmental strategic decision is needed the supervisory board members feel greater responsibility, put more effort in gathering additional information, and feel greater need to ask critical questions related to the managements' propositions. The analysis of the factors impacting the dynamics of the supervisory board meetings, gives slightly different insights. Whether the supervisory board meetings are going to be dominated by the char is largely determined by the organizations' size and the decision type.

*Table 4: Factors affecting supervisory board members strategic involvement*

<b>Theme 1: Personal participation</b>	
<b>Organizations' size</b>	According to the analysis it can be noted that organizations size is related to supervisory board conformity to present different viewpoint and opinions on boards' discussions. The supervisory board members in larger organizations feel more confidence to present different perspectives and to resonate differently than management. Furthermore, the members of the supervisory boards of larger organizations stress the need for gathering additional information (outside the organization) as part of their participation in the strategic process and the need to ask critical question.
<b>Supervisory board members tenure</b>	When supervisory board members work together more than 4 years and have a widespread network outside the organization, are more comfortable in expressing different opinions regarding the strategic decisions, even when they significantly differ from the managements' or colleagues' positions.
<b>Decision type</b>	The type of decision that organizations make also impacts the level of involvement of supervisory board members. If the organization is focused on making a developmental strategic decision the supervisory board members are more engaged in assessing additional information through their personal network, as well as in asking critical questions for verifying and deepening their understanding of the information presented by the management board members and the other members of the top management team.

**Theme 2: Individuals' domination**

<b>Supervisory board members tenure and the time spent working together</b>	The insights of the responses do not indicate that the tenure of the supervisory board members and the time spent working together influence or enables domination of the organizations' strategic process by an individual.
<b>Organizations' size</b>	The members of the supervisory board in larger organizations may indicate that some of the boards' discussions related to strategic decision-making are dominated the boards' chair. However, the members of supervisory board in smaller organizations may indicate that all members actively participate in the discussions related to strategic decisions.
<b>Decision type</b>	If the organization is preparing developmental strategic decision the ability for domination of the strategic process is limited, since some members of the supervisory board possess specific and rare knowledge or information that can reveal new perspectives regarding the context in which the decision is made. In this situation, besides the char, other members of the supervisory board, as well the general director (manager) get more involved and engaged.

*(Source: Authors' construction)*

The propositions regarding supervisory board members strategic involvement include:

Proposition 1: The supervisory board members personal participation and engagement in the strategic process is determined by organizations' size, in terms that the members of supervisory boards in larger organizations tend to be more engaged in gathering additional information for supporting the decision-making process and are more comfortable in presenting different opinions and perspectives.

Propositio 2: The supervisory board members individual participation in making strategic decision is impacted by their tenure and time spent as member of the supervisory board (the time spent working together with other members of the same board) and their social capital. When supervisory board members have been part of the same board for a longer period and when they have significant social capital, feel more confident in expressing their perspectives.

Proposition 3: In circumstances in which the organizations make developmental strategic decisions, the supervisory board members feel more responsible for achiving higher level of participation in the process through gathering additional relevant information (widening the scope of information provided by the management) and through critical thinking and asking questions.

Proposition 4: The ability for indivudual domination of the strategic decision making process is under influence of the type of decision should be made. Namely, in situations in which developmental strategic decisions should be made the individuals with greatest expertise in the area may (sometimes unintentionally) dominate the process.

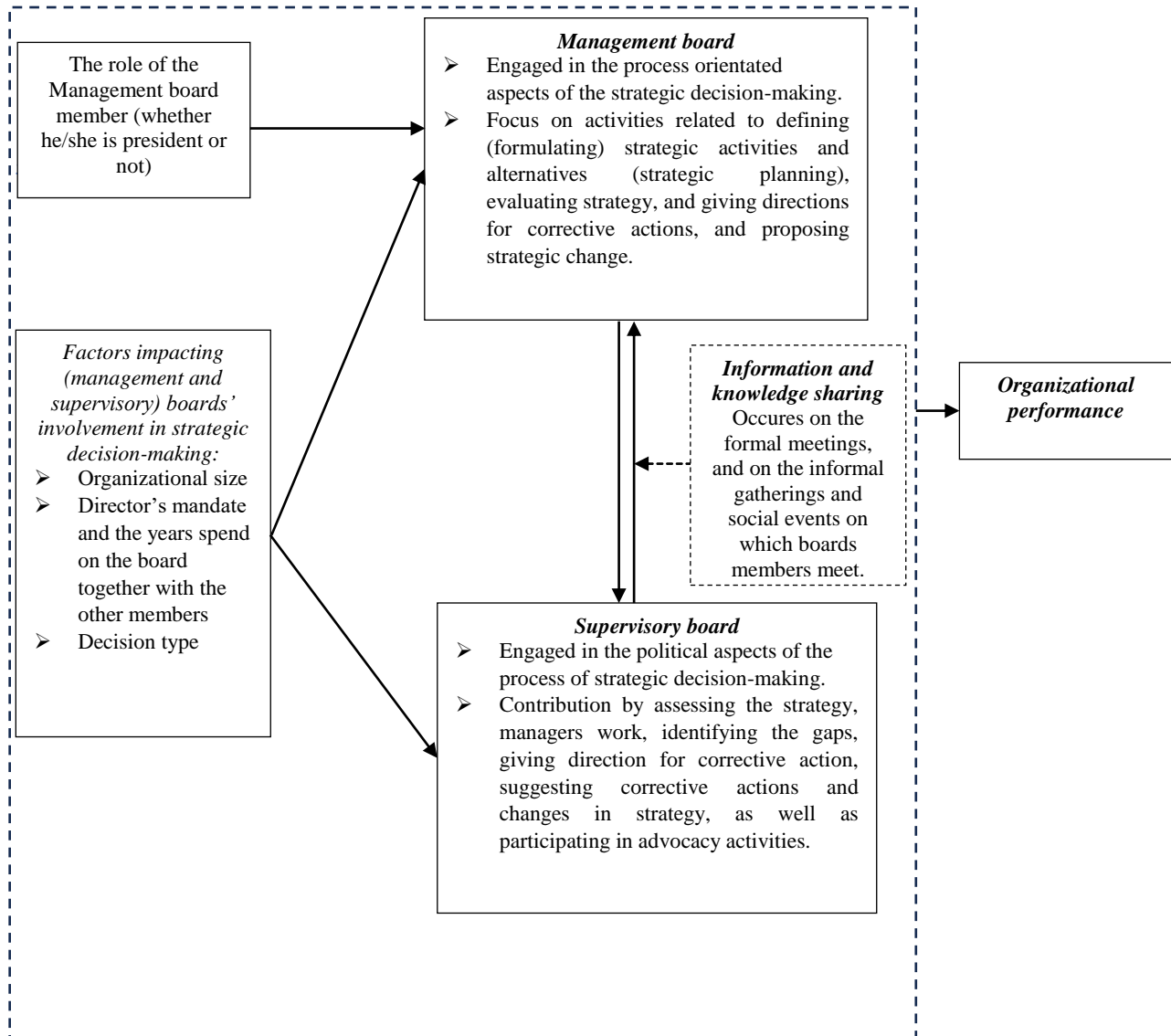
Regarding the themes on which supervisory board members have spent most of the time in the past 3 years, it can be noted that the evaluation of the organizational performance has a prominent role. The second-ranked topics are the evaluation of the general managers' (CEOs') performances and strategic planning. These responses indicate that supervisory board members have dedicated more time to assessing organizational performance than on strategic planning. For comparison, the management board members reports that spent nearly equally time on evaluating organizational performance and strategic planning. These responses correspond with

the supervisory boards' members of strategic involvement. Namely they emphasize the need for evaluating strategy and initiating strategic changes when appropriate. Consequently, they spent more time assessing organizational performance, through which they assessed the relevance of the adopted strategies.

The analysis of the issues supervisory board members rate as most important for the board in which they are appointed include: strategy formulation, assessment of the opportunities for new investments and strategy evaluation, as well as issues related to corporate governance. These responses indicated that supervisory board members find a relation between strategy formulation and assessing new investment opportunities and agree that both phases of the strategic decision-making process (formulation and evaluation) are equally important.

The following figure represents the model of the management and supervisory board involvement in strategy in organizations implementing two-tier board system, which comprises the determinants of strategic involvement, as well as, the understanding of management board strategic involvement, on the one side, and supervisory board strategic involvement, on the other side. Therefore, Figure 2 represents a model of boards strategic involvement in companies with two-tier board system.

Figure 2. Boards involvement in strategy in organizations with two-tier board system



Source: authors' construction

#### 4.2. Results from the quantitative analysis

Considering the findings from the quantitative case study analyses, we have developed a hypothesis for testing the relations presented in the models in Figure 1. and Figure 2. Namly, to test the relations presented in both models a questionnaire was distributed and a statistical analysis of the directors' responses was performed. First, we performed a bivariate analysis to identify the existence of statistically significant relation between several variables and constructed included, and afterwards we performed a multiple regression.

The main hypothesis related to factors influencing boards' strategic involvement include:

H<sub>1</sub>: Directors' knowledge regarding the organization and industry has positive and statistically significant impact on boards' strategic involvement.

H<sub>2</sub>: Directors individual participation in boards' discussions has positive and statistically significant influence on bords' strategic involvement.

H<sub>3</sub>: The engagement of all boards member during boards meetings has positive and statistically significant influence on boards' strategic involvement.

H<sub>4</sub>: The focus on developmental strategic decisions has a positive and statistically significant impact on boards' strategic involvement.

H<sub>5</sub>: The number of topics on which board members have spent most of their time in the past 3 years has a positive and statistically significant impact on boards' strategic involvement.

H<sub>6</sub>: Boards' strategic involvement is more likely to be increased when organizations face problems in organizational performance.

Part of the variables included in the model are constructs that include several items. On the variables that were measured with several items (the constructs) a reliability analysis was performed. After the reliability test has shown statistically acceptable values, they were included in the bivariate analysis and in the regression model. The variables that represent a construct and their reliability level (measured by Cronbach's alpha) are presented in the table below (Table 5).

*Table 5: Constructs and reliability levels*

<i>Construct</i>	<i>Reliability levels (Cronbach's alpha)</i>
<b>Boards' strategic involvement (10 items)</b>	0.798
<b>Directors' knowledge (self-assessment with 5 items)</b>	0.729
<b>Individual participation in discussions (self-assessment with 3 items)</b>	0.882
<b>All members participation in discussion (assessment with 3 items)</b>	0.782
<b>Decision focus (boards involvement in making developmental decisions – 10 items)</b>	0.718

*(Source: Authors' analysis)*

The results of the bivariate correlation analysis are presented in the table below (Table 6).

*Table 6: Results from correlation statistical tests*

<b>Correlations</b>											
	<b>Statistical Tests</b>	<b>BSI</b>	<b>WT</b>	<b>DK</b>	<b>IPD</b>	<b>BMPD</b>	<b>DF</b>	<b>EN</b>	<b>DT</b>	<b>ROA</b>	<b>NT</b>
<b>BSI</b>	Pearson correlation	1									
	Sperman's rho	1,000									
	Kendall's Tau	1,000									
<b>WT</b>	Pearson correlation	-,189)	1								
	Sperman's rho	-,138)	1,000								
	Kendall's Tau	-,117)	1,000								
<b>DK</b>	Pearson correlation	,394*	-,220)	1							
	Sperman's rho	,389*	-,230)	1,000							
	Kendall's Tau	,299*	-,199)	1,000							

<b>IPD</b>	Pearson correlation	,471**	,116	-,065)	1						
	Sperman's rho	,468**	,040	,103	1,000						
	Kendall's Tau	,344**	,035	,065	1,000						
<b>BMPD</b>	Pearson correlation	,611**	-,139)	,406*	,199	1					
	Sperman's rho	,661**	-,194)	,465**	,418*	1,000					
	Kendall's Tau	,517**	-,174)	,368**	,347*	1,000					
<b>DF</b>	Pearson correlation	,100	,031	,250	-,029)	,091	1				
	Sperman's rho	,433**	,141	,365*	,171	,420*	1,000				
	Kendall's Tau	,360**	,119	,286*	,130	,318*	1,000				
<b>EN</b>	Pearson correlation	,130	-,151)	,189	,221	,332	,326	1			
	Sperman's rho	,192	-,468)**	,134	,213	,265	,266	1,000			
	Kendall's Tau	,119	-,404)**	,099	,170	,189	,202	1,000			
<b>DT</b>	Pearson correlation	-,157)	-,160)	-,232)	,147	-,009)	-,039)	-,238)	1		
	Sperman's rho	-,164)	-,160)	-,225)	,105	-,100)	-,123)	-,208)	1,000		
	Kendall's Tau	-,139)	-,160)	-,194)	,092	-,090)	-,105)	-,179)	1,000		
<b>ROA</b>	Pearson correlation	-,551)**	,092	-,069)	-,267)	-,454)**	,320	,451**	-,396)*	1	
	Sperman's rho	-,479)**	,006	-,068)	-,322)	-,385)*	,075	,423*	-,397)*	1,000	
	Kendall's Tau	-,393)**	,006	-,061)	-,259)	-,322)*	,059	,317*	-,366)*	1,000	
<b>NT</b>	Pearson correlation	,367*	,166	,254	,367*	,246	,448**	,568**	-,194)	,242	1
	Sperman's rho	,345**	,097	,169	,320*	,223	,417**	,293*	-,117)	,116	1,000
	Kendall's Tau	,447**	,107	,230	,416*	,321	,529**	,313	-,130)	,130	1,000

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* . Correlation is significant at the 0.01 level (2-tailed).

(Source: Authors' analysis)

Explanation of the abbreviations:

BSI – board strategic involvement	EN – organizations' employee number
WT - time that board members have spent working together	DT – type of director (executive/non-executive)
DK – directors' knowledge, self-assessment on a five-point scale	ROA – identified 5 categories and each organization was put in one of the identified categories
IPD – individual directors' participation in discussions	NT – number of topics on which the board has spent most of the time in the past 3 years
BMPD – all board members participation in discussions	
DF – level of directors' participation in developmental decisions	

In order to assess the existing associations between the variables included in both models constructed on the case study analysis, we have run a bivariate analysis in which we include 10 (ten) variables. Besides the five constructs related to boards work and dynamics (boards' strategic involvement, directors' knowledge, individual participation in discussions, all members participation in discussions, and decision focus), we have add the following variables: the companies' number of employees, the boards members familiarity (do they work together more than 4 years and were they appointed by CEO/general manager proposal), directors' role (dichotomous variable measuring whether the board member is executive or non-executive director), ROA as a performance measure (in our analysis we have classified the performance measures in 5 categories) and the number of topics on which the board members has spent most of their time in the past 3 years. Besides the calculation of the Pearsons correlation (presented in Table 6), we have also calculated the Kendall's Tau correlation coefficients that are recommended in cases where the data set is small (Akogly, 2018).

The analysis of the parametric and non-parametric coefficients of correlations has shown that there is strong positive and statistically significant relation between BSI and all members participation in boards' meeting discussions (Pearson correlation is 0.611,  $p < 0.01$ ), directors' individual participation in boards' meetings discussions (Pearson correlation is 0.471,  $p < 0.01$ ), with directors knowledge (Pearson correlation is 0.394,  $p < 0.05$ ), and with the number of topics on which the board have spent most of the time in the past 3 years (Pearson correlation is 0.367,  $p < 0.05$ ). As for the construct decision focus, we have determined that there is a good and positive statistically significant relation with BSI but analyzed with the non-parametric coefficients (Sperman's rho 0.433, and Kendall's Tau 0.360,  $p < 0.01$ ). Additionally, we have identified strong and negative statistically significant relation between organizations' performances and BSI (Pearson correlation is -0.551,  $p < 0.01$ ).

The correlation analysis presents coefficients that determine whether there is any association, or relation between two variables and the direction of that relation (all coefficients can be ranked between -1 and +1, 0 meaning that there is no relation/association). However, these coefficients do not investigate whether there is a causality between the variables, or whether the variances in one variable can be analyzed as a predictor of another variable. Therefore, to test the hypothesis related to the determinants of boards' strategic involvement we have conducted additional analysis, a multiple regression analysis.

In the following section we are going to present the results from the multiple regression analysis. Considering that the sample is small we have limited the number of independent variables included in the regression model, following the recommendations for using regression analysis when the 5-1 subject-to-predictor ratio is complied (Green, 1991). Therefore, we have constructed four models and tested which of the independent variables are statistically significant predictors of the variances in the dependent variable, which is boards' strategic involvement. The results from the regression models are presented in Table 7.

The analysis of the four models presented Table 7 shows that the multivariate statistics, or the regression models have confirmed some of findings of the previous analysis. Namely, all four models indicate that all boards members' participation in discussions is one of the statistically most significant predictors of boards' strategic involvement. Additionally, directors' assessment of their own participation in the discussions and their knowledge regarding the organization's operations, weaknesses and strengths, as well as the threats from new entries has statistically significant and positive relation with boards strategic involvement. The coefficients in Model 2 and Model 3 did not support the hypothesis that when organizations are focused on developmental decision making boards get more involved in strategic decision making and the hypothesis that the number of topics on which boards spent time discussing



in the past 3 years can predict their level of strategic involvement. In the last model the coefficients show that besides the statistically significant relations between individual and group participation in discussions and directors' knowledge with boards' strategic involvement, there is a statistically significant and negative relation between organizational performances (measured by ROA) and boards' strategic involvement.

Table 7: Results from multiple regression models

	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>
	<i>Stan. Beta</i>	<i>Stan. Beta</i>	<i>Stan. Beta</i>	<i>Stan. Beta</i>
<i>Individual Directors' Participation in Discussion</i>	0.401***	0.401***	0.377**	0.350***
<i>All board members participation in Discussion</i>	0.432***	0.432***	0.427***	0.289**
<i>Directors' Knowledge</i>	0.245*	0.242*	0.229	0.278**
<i>Decision Focus</i>		0.011		
<i>Number of topics (in the past 3Y)</i>			0.065	
<i>ROA</i>				-0.307)**
R <sup>2</sup>	0.549	0.549	0.553	0.620
Adjusted R <sup>2</sup>	0.506	0.489	0.493	0.569
F	12.592 <sup>a</sup>	9.144 <sup>a</sup>	9.262 <sup>a</sup>	12,233 <sup>a</sup>

Notes: \*p<0.10, \*\*p<0.05, \*\*\*p<0.01, <sup>a</sup>p<0.001

(Source: Authors' analysis)

This finding imply that when organizations face negative trends in organizational performance, it is more likely that the level of boards strategic involvement is going to increase. These findings support Hypothesis 6. The first model explains 50.6% of the variances in the dependent variable, the second model explains 48.9%, while the third and fourth 49.3% and 56.9%, respectively. These results show that the last model, in which a measure of the organizational performance is included has the strongest explanatory power. Regarding the multicollinearity between the variables in the presented models we can report that in Model 1, Model 2 and Model 3, the Tolerance level of all variables was above 0.75, while in Model 4 only the Tolerance level of ROA was below 0.75 (it was 0.639). In general, it is considered that VIF and Tolerance as measures of collinearity in multiple regression should not be above 10 and below 0.1, respectively (Milles, 2014; Kumari, 2008, Robinson and Schumacker, 2009). If the VIF exceeds 10, then there is a harmful collinearity between the independent variable according to Mason and Perreault (1991), although the newer publications argue that VIF above 5 is also problematic. In the presented models the highest value for VIF was 1.564. Therefore, we can conclude that between the independent variables in the presented models there is no harmful level of correlation. The levels of Tolerance of the independent variables included in each of the regression models are presented in Table 8. The models presented in Table 7 have shown that individuals directors' participation in discussions and all board members willingness to prepare and participate in discussions related to strategic decisions making are the strongest predictors of the boards' strategic involvement, together with the directors' individual knowledge. The findings can be used for further research on boards' strategic involvement and its determinants. Some of the hypotheses should be tested on a larger sample.

Table 8: Tolerance levels as a measure of multicollinearity

	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>
	<i>Tolerance</i>	<i>Tolerance</i>	<i>Tolerance</i>	<i>Tolerance</i>
<i>Individual Director Participation in Discussion</i>	0.935	0.935	0.805	0.904
<i>All BM participation in Discussion</i>	0.784	0.784	0.780	0.639
<i>Directors' Knowledge</i>	0.813	0.770	0.764	0.803
<i>Decision Focus</i>		0.937		
<i>Number of topics (in the past 3Y)</i>			0.784	
<i>ROA</i>				0.751

(Source: Authors' analysis)

## 5. DISCUSSION

The findings in this study give an insight into boards work in small and transitional economy. The qualitative analyses of 12 case studies have provided evidence for defining boards strategic involvement in companies with one-tier and in companies with two-tier board systems, separately. According to the qualitative analysis the members of boards of directors define their strategic involvement as engagement in all decisions related to organizations' strategy and active contribution in developing alternatives and solutions. On the other hand, the management board members in companies with two-tier board system define its strategic involvement as contribution in the process-oriented aspects of strategy, emphasizing the focus on activities related to defining (formulating) strategic activities and alternatives (strategic planning), evaluating strategy, and giving directions for corrective actions, and proposing strategic change. The supervisory board members define their strategic involvement more as engagement in the political aspects of strategic decision-making and their contribution is reflected in the activities for assessing strategy, managers work, identifying the gaps, giving direction for corrective action, suggesting corrective actions and changes in strategy, as well as participating in advocacy activities. The analysis of the case studies has also enabled us to create model on boards' strategic involvement in organizations with one-tier board system, as well as a separate model on boards' strategic involvement in organizations with two-tier board system.

Although several previous studies have researched the effectiveness of boards in organizations with two-tier board system (Bezemer, 2014) and some authors analyzed the supervisory boards' role in the strategic process (Kolatkiewick et al. 2017; Cindric, 2021), none of them offer a comprehensive model of the role of both boards (management and supervisory board) in strategy. Therefore, it is notable that as result of our analysis we have constructed a model that incorporates most of the aspects of both boards (management and supervisory board) strategic involvement. The model on boards' strategic involvement in organizations implementing two-tier board system is a comprehensive framework that increases clarity of the work of both boards and can be used for future research on this topic. Regarding the predictors of boards' strategic involvement in the, the results from the statistical analysis have supported four of the developed hypotheses. The multiple regression analysis results have indicated that all board members engagement in boards discussions, the assessment of the individual director's participation in the discussions and directors' knowledge about the organization, together with the organizational performances are the strongest predictors of boards' strategic involvement. The regression model that incorporates these four independent variables has highest explanatory power (59.9%). The results did not

support the hypothesis that decision focus (whether organizations are focused on developmental strategic decisions) is positive and statistically significantly related to boards' strategic involvement.

Regarding the previous research on determinants of board' strategic involvement we can conclude that our findings are similar and partially or fully in line with the results presented by Zahra and Pearce (1990), Carpenter and Westphal (2001), Golden and Zajac (2001), Stiles (2001), Hyness and Hillman (2010), Hendry et al. (2010), Nielsen and Huse (2010), Oehmichen et al. (2017), Barroso-Castro et al. (2017), Lungeanu and Zajac (2018), Schonning et al. (2019). When we analyze the previous research on the relationship between directors' knowledge and boards' strategic involvement, we review the also the articles that incorporate at least one dimension indicating directors' knowledge, such as education level, experience or expertise. Some of the findings in those studies are presented in the following paragraphs. Similar findings has been presented by Zahra and Pearce (1990), indicating that directors expertise and role criticality are statistically significantly related to boards' strategic involvement. Carpenter and Westphal (2001) have investigated how several characteristics of boards' members, such as education level, management experience and functional background are related to directors' contribution to strategy. Their results indicate that directors' educational level (which can be analyzed as a measure of their knowledge) is statistically significantly related to directors contribution in strategic decision making. Golden and Zajac (2001) have provided evidence that boards' members occupational heterogeneity that is associated with their experience and expertise, is positive related to strategic change, but also with greater conflict and disagreement. Golden and Zajac (2001) finding also indicate that boards' process together with boards' power and the attention directors give to strategic issues influences boards' ability to impact strategy. Hayness and Hillman (2010) researching the relation between board capital and strategic change have found that board capital breadth (which includes board members have different occupational experiences, in different industries and/or are connected with other industries by interlocking) is related to greater strategic variability (strategic change). Furthermore, Hayness and Hillman (2010) also indicate board capital depth (when boards members have experience and interlocking ties only in one industry) is related to less strategic change. Nielsen and Huse (2010) findings indicate that women directors' different values are positively associated with their contribution to strategic decision-making, while women's directors different professional experience is negatively associated with women's ability to influence board work. They also found evidence that show that women directors' contribution to boards' decision-making was positively related to boards' strategic involvement. Oehmichen et al. (2017) have presented results that confirm the existence of positive and statistically significant relationship between boards' industry expertise and strategic change. Furthermore, Barroso-Castro et al. (2017) argue that directors' knowledge and boards collaboration are significant for boards' strategic involvement. Lungeanu and Zajac (2018) provide evidence that directors with deep/broad expertise are more likely to influence strategy and initiate strategic change. Schonning et al. (2019) in their research on the effects of directors' learning on boards' strategic involvement also provide evidence that there is a positive and statistically significant relation between directors' knowledge and boards' strategic involvement.

Regarding the previous research on the relation between directors' individual participation in boards' discussion and their assessment of the all board members participation in boards' discussions we can conclude that our findings are find support in the research of Stiles (2001), Hendry et al. (2010) and Barroso-Castro et al. (2017). Stiles (2001) also provides evidence that the opinions directors express at board meetings and in informal discussions are important and can predict the level of boards' strategic involvement. Hendry et al. (2010)

finding indicate that boards' mechanism for influencing strategy include face-to-face, formal, and informal social exchange which supports the incorporation of individual directors' participation in the discussion related to strategic issues as a variable in our model. Although, Minichilli et al. (2009) investigating boards' task performance have presented findings which imply that boards' critical debate is statistically significantly related to boards' effectiveness in advisory and networking but could not provide evidence for its relationship with boards' strategic participation. However, Minichilli et al. (2009) elaborated that critical debate is a key variable that defines boards' decision-making culture and strategic participation, and through that stimulate other research to focus on this issue.

## **6. CONCLUSION**

The results presented in the study enabled achievement of the papers' goal and provided answers to the three research questions defined in the introduction.

Namely, the results from the qualitative analysis showed the members of board of directors understand boards' strategic involvement as active engagement in all decisions related to organizations' strategy and active contribution in developing alternatives and solutions. On the other hand, the members of the management board suggest that management boards' involvement in strategic decision making includes the activities related to the initiation of strategic suggestions/alternatives, which are discussed and evaluated on boards meetings. Furthermore, the supervisory board members responses indicate that their strategic involvement is related to the political site of the process and that they contribute by assessing the strategy, managers work, identifying the gaps, giving direction for corrective action, suggesting corrective actions and changes in strategy, as well as participating in advocacy activities. In organizations that implement two-tier board system the opportunity for exchanging knowledge and information between the members of the management and supervisory board (whether formal and informal) is crucial, since the members of each board have the capacity to influence the strategic process in a different way.

Furthermore, findings from the quantitative analysis have shown that individual directors' participation in discussion, all board members participation in discussion, directors' knowledge and previous organizational performance are statistically significant predictors of the boards' strategic involvement. Those findings are partially or fully in line with the findings presented by Zahra and Pearce (1990), Carpenter and Westphal (2001), Golden and Zajac (2001), Stiles (2001), Hyness and Hillman (2010), Hendry et al. (2010), Nielsen and Huse (2010), Oehmichen et al. (2017), Barroso-Castro et al. (2017), Lungeaunu and Zajac (2018), Schoning et al. (2019).

The main contribution of this study is the development of the two separate models of boards' strategic involvement in companies with one-tier and two-tier board system. According to our knowledge a comprehensive framework on both boards (management and supervisory board) strategic involvement has not been previously developed. Furthermore, we introduce the construct on decision focus (based on the work of Nutt, 2006), and argue that organizations' focus on developmental strategic decisions can be significant predictor of boards' strategic involvement (although this hypothesis was not supported with the quantitative analysis). And finally, we provided some insights on how members of different boards (board of directors, management boards and supervisory board) understand their role in strategy and their boards strategic involvement. Furthermore, the quantitative analyses confirmed that the adverse trend in organizational performance is statistically significantly related to boards' strategic involvement.

In general, our findings reflect the experience and tacit knowledge of board members of organizations that have been through dramatic transformations in the past 30 years.

Furthermore, these organizations have been founded in period in which our country has had different governing system and we may conclude that all of the changes in the governing system have been indirectly incorporate in their history. Therefore, the functioning of the boards and management structures in organizations develop in such a specific environment may differ in comparison with boards and management teams functioning in other, European countries or USA.

## 7. LIMITATIONS

The sample size can be considered as one of the most important limitations of this study. However, the case studies method is not about a specific number of cases and sometimes even one case study can work well (Eisenhardt, 2021). Regarding the quantitative analysis that has been conducted on a sample of 35 respondents, the common rules for employing multiple regression analyses has been complied. Considering that we have followed the rule of thumb regarding the minimum number of units per independent variable proposed by Tabachink and Fidell (1989) which is 5-to-1, it can be concluded that our findings are relevant. However, the models tested on larger samples usually have higher explanatory power and therefore testing the proposed hypothesis on a larger sample in future research is welcoming. Additionally, some of the recent research on sample size when using regression as a data analysis method, have indicated that for some types of regression the minimum of 2 subject per variable is adequate (Austin and Steyerberg, 2015). Furthermore, Jenkins and Quantana-Ascencio (2020), recommend that research based on regression should use  $N \geq 25$ . . Furthermore, additional work on the construct regarding decision focus and its relationship with boards' strategic involvement should be embraced. Additionally, developing and testing hypothesis about boards' strategic involvement consequences is going to contribute to better understanding its relationship with subsequent organizational performance.

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