

SUPERVISORY BOARDS AND THEIR NEW ROLE AS A STRATEGIC BUSINESS COACH: OPENING THE GERMAN BLACK BOX OF UPPER ECHELONS

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Abstract

The board's work is one of the most often discussed corporate governance mechanisms. Nevertheless, the board's work often is considered a black box or a closed circle, too. The traditional view on German supervisory boards' tasks within the two-tier system is the one as a past-oriented supervisor of the management board. In light of the current financial crisis, the call for a general role transfer of German supervisory boards to pro-active, future-oriented/strategic business coaching is getting louder. An empirical study opening the German black box of upper echelons investigates if or/and how such a role transfer has already been carried out. Findings reveal that supervisory boards now actively advise the management board to build up and monitor strategic goals and react immediately in case of evidence of a crisis. Moreover, supervisory boards do not longer exclusively consider financial key data but also qualitative data on human resources (e.g. skills/know-how) and sustainability issues (e.g. stakeholder integration) when evaluating strategies.

Keywords: Corporate Governance, Two-Tier System, Upper Echelons, Strategy, Germany

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Introduction

Supervisory boards within the German two-tier system have to fulfill a widespread range of tasks, e.g. evaluating the financial situation, strategic plans and the risk situation of the company. Additionally they are responsible for selecting, valuing and if necessary replacing the CEO and other management board members. Moreover, supervisory boards have to negotiate the CEO's salary, nominating new board members and supervising major strategic decisions (e.g. Judge, 2010). Germany has traditionally mandated the two-tier board system separating management and supervision. By theory and law, the German corporate governance system promotes long-term thinking and strategic stakeholder management (Theisen, 2003). Therefore, Thomsen (2008) calls the German corporate governance system "conservative", "low risk-taking" and "more sceptical to economic reform". However, practically the recent financial crisis also forced German supervisory boards to rethink their conventional attitudes and stereotypes about past-oriented supervision in favour of strategic business coaching (Giuffra and Korsmo, 2009). So far

there is only one detailed study (Grothe, 2006) on the structure and the strategic alignment of German supervisory boards for the time period 2004/2005. This is surprising with respect to the fact, that future-oriented, strategic business coaching has been explicitly emphasized as the second main task of supervisory boards (in addition to monitoring) by German jurisdiction since 1991 (German Federal High Court, 1991). Thus, we again open the German black box of upper echelons and research the current state of German supervisory boards' attitude towards and practice of strategic business coaching. The remainder of our study proceeds as follows. Section 1 provides the theoretical background concerning the German two-tier system and principal-agent theory. Section 2 describes current state of knowledge on German supervisory boards' strategic business coaching and our research dimensions derived from that. Section 3 reports the empirical approach and the results and the limitations of our study. We come to a conclusion in section 4 and give some recommendations for future research on the issue.

1 Characteristics of the German two-tier system

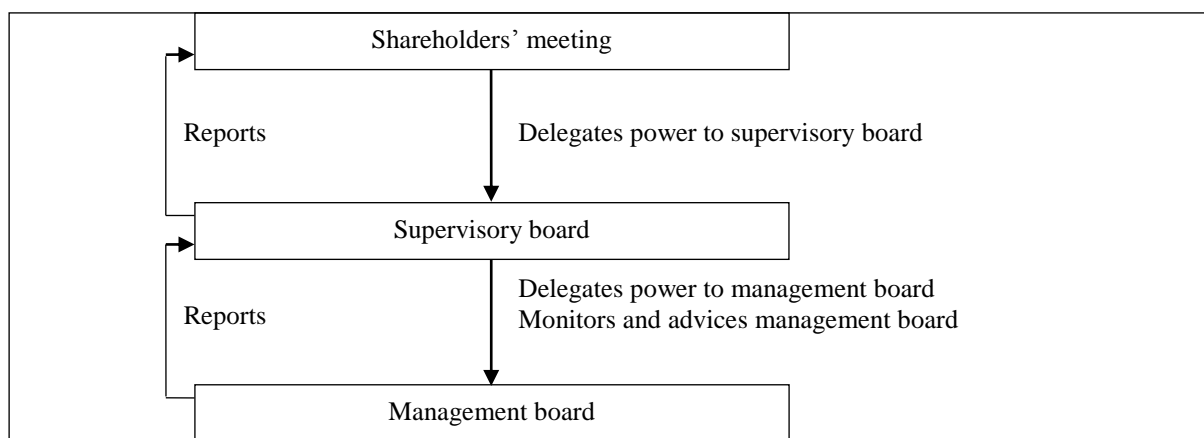
1.1 General notes

In contrast to the one-tier system typical for Anglo-Saxon countries, German stock corporation law has provided for two administrative bodies with the management board (Vorstand) and the supervisory board (Aufsichtsrat). This two-tier system follows the idea of an organizational separation of management and supervision. This principle of separation is represented in the fact that members of the supervisory board may not simultaneously belong to the management board of the company (§ 105 German Stock Corporation Act (GSCA)). While the management board manages the firm (§ 76 GSCA), the supervisory board appoints, supervises and advises the members of the management board (§§ 84, 111 GSCA). The members of the supervisory board are elected by the shareholders at the general meeting (Hauptversammlung) (§ 101 GSCA). In German firms with more than 500 or respectively 2,000 employees, the employees are represented in the supervisory board, too. Therefore one-third of the supervisory board members in enterprises with more than 500 employees and one-half of the members in companies with more than 2,000 employees are representatives elected by the employees (§ 4 One-Third Participation Act respectively § 7 Codetermination Act). In firms with more than 2,000 employees, the chairman of the supervisory board has the casting vote in the case of split resolutions (§ 29 Codetermination Act). To increase its efficiency, the supervisory board has the possibility of appointing committees (§ 107 GSCA), e.g. an audit committee, a remuneration committee or a strategy committee.

1.2 Relationship between the management board and the supervisory board

“Managers’s natural tendency is to allocate the firm’s resources in their own best interests, which may conflict with the interests of outside shareholders” (McConnell and Servaes, 1990, 597). The costs of such conflicts of interests, in combination with the costs of monitoring and bonding the management board to limit this divergence, are called agency costs (Bartholomeusz and Tanewski, 2006). The mandatory installation of a supervisory board among German corporations (together with the management board representing the German two-tier board structure, Figure 1) is considered a remedy for such conflicts of interest. The supervisory board is considered to bundle monitoring and advice on the interest of the shareholders and thus to lower agency costs (Klein, 1998). The classical principal-agent relationship between the management board and the supervisory board is based on the fact that the respective contractual partners act in line with their individual preferences and expectations (Eibelshäuser, 2011). An agency approach reveals essential problems of the contractual relationship between the supervisory board and the management board, especially as far as the characterisation of the two contractual partners’ interests and levels of information are concerned. Furthermore, it substantiates the need of supervision and explains the framework conditions for such supervision of the management board (for instance Ross, 1973). Accordingly, it is the supervisory board’s task to reduce information asymmetries and to ensure a corporate management policy based on value orientation and strategic business objectives (Beckmann, 2009). Supervision by the supervisory board thus serves to make sure that decisions taken by the agent comply with the principal business objectives (Witt, 2009).

Figure 1. German two-tier system (according to Stiglbauer, 2010, 41)



As a result, the agency approach is able to explain the supervision exercised by the supervisory

board in a well-founded manner (Jaschke, 1989) and constitutes an essential referential framework for the

coordination of management and supervision systems (Picot and Neuburger, 1995). However, the behavioural assumptions made in the principal-agent theory cannot be applied generally to the supervision functions required in the context of a crisis situation. Since the existential threat in an (exogenously caused) crisis situation also impacts the future professional existence and remuneration of the management board, crisis situations may bring about a harmonization of interests between the managing and the supervising bodies (Donaldson and Davis, 1997). In the framework of its supervising activity, the supervisory board then acts as an advisory body in the company, exerting influence on strategic management in such a way that the company is able to overcome its current crisis (Eibelshäuser, 2011). Thus, German supervisory boards are called upon to make a general role transfer to pro-active, future-oriented/strategic business coaching of the management board – the traditional approach of solely operational and past-oriented monitoring of results counteract crisis situations. By contrast to the traditional monitoring of operational results, strategic supervision is considered a permanent information and decision-making process running parallel to formulation and implementation of corporate strategy (Hasselberg, 1989). This process permits continuous reviewing of corporate strategy and ensures that existing threats or strategy-endangering developments are identified in good times. To perform the monitoring and advisory task and make the supervising processes more efficient, supervisory boards depend on adequate scope and quality of information (Theisen, 2003). In this context, the supervision functions to be exercised by supervisory boards are related to decisions taken by the management board in the framework of corporate management and essentially influence the development of a company. The supervisory board hence has to make contributions to upcoming strategic decision proposals, confirming them and monitoring the implementation of adequate measures or processes (Griewel, 2006).

2 Current state of knowledge and research dimensions

Grothe (2006) provides a first and this far the only insight on the structure and the strategic alignment of German supervisory boards. Here researches 46 supervisory board members (employee representatives as well as shareholder representatives) of German listed and non-listed corporations (11 of them are supervisory board chairmen of DAX 30-companies) in the time period 2004/2005 and demonstrates that German supervisory boards are mainly past-oriented and mainly work passively in the strategy formulation process (Grothe, 2006). Furthermore, supervisory boards do mainly consider key financial data in the strategic supervision process. Grothe (2006) carried out his study before the

financial crisis. Thus, it seems interesting whether the financial crisis has led a general role transfer of German supervisory boards to pro-active, future-oriented/strategic business coaching. This fact seems very interesting precisely because the financial crisis caused strong demands for strategic supervision. Supervisory boards are expected to give advice to the management board and to provide assistance within the strategic management process (Coulter, 2005). These requirements for a modern two-tier system are the central issue of this study. They provide a basis for developing and operationalising three main propositions.

Proposition 1: Supervisory boards must play a pro-active/strategic role to help managing future crisis. In order to ensure that supervisory boards act strategically and perform the tasks required in the strategic management process, alongside the operational one, a correspondent self-understanding is required within the supervisory boards (Grothe, 2006). Thus the first research dimension is “Supervisory board members’ self-understanding of their role and function within the strategic management process”. In principle, it is possible to distinguish between two different concepts of how supervision is understood. Whereas the classical monitoring of results focuses on past-oriented supervision measures, pro-active supervisors do have a strategic perspective as well. Proactive supervision extends the original acts of monitoring the corporate management by an advisory or supporting function (Paetzmann, 2008).

Proposition 2: Strategic supervisory boards are expected to react immediately as early as there is evidence of a critical situation. The second research dimension “Supervision structure” relates to the prevailing opinion that the supervisory board needs to take corresponding organisational measures in order to perform its tasks (Lutter and Krieger, 2002). Although the German Corporate Governance Code (GCGC) considers the supervisory board’s organisational structure as being an important instrument to ensure performance of the supervisory task, a consistent concept has not been developed so far (Werder and Talaulicar, 2010). With respect to the financial crisis, the supervision structure and the supervision intervals must be flexible in order to counteract a lack of reliability in planning and in order to ensure the effectiveness of the supervision process.

Proposition 3: In order to act strategically supervisory boards do have to use a broader range of information additionally to key financial data. The third research dimension examines the management board’s “Supply of information” to the supervisory board. Within the framework of passive information gathering, the supervisory board resorts to the legally standardised reporting from the management board and relies on the latter’s duty to furnish information (Potthoff and Trescher, 2003). In order to lower

information asymmetries between the management board and the supervisory board and in order to ensure performance of the supervising tasks, the supervisory board can gather information in a passive or active way. In the framework of active information gathering, the supervisory board makes use of its entitlement to inquire about (further) information. By doing this, it complements the management board's unrequested reporting with reports explicitly requested from the management board (Jürgens et al., 2008). In particular, the complex strategic management process requires the extension of key financial data by further information, e.g. on skills and

know-how of the employees (resource based view) and additional external (market) information (market based view) (Grant, 1998).

3 Research design and empirical results

Our study chooses an approach with structured face-to-face interviews with supervisory board (vice-) chairmen of the largest German DAX-companies within the Prime Standard Index at the Frankfurt Stock Exchange. guided through a questionnaire (Table 1).

Table 1. Questionnaire

<p>Company: _____</p> <p>Industry: _____</p> <p>Number of employees: _____</p> <p>Annual turnover: _____</p> <p>Is your company public-listed? <input type="checkbox"/> yes <input type="checkbox"/> no</p> <p>If yes, which index is it listed in? <input type="checkbox"/> DAX <input type="checkbox"/> MDAX <input type="checkbox"/> others</p> <p>Instruction: Please choose a minimum of one answer; more than one answer is possible. Thank you for your support!</p> <p>1 Supervisory boards' role and self-understanding within the strategic management process</p> <p>1.1 Is the supervisory board generally suited for strategic supervision?</p> <p><input type="checkbox"/> Yes, <input type="checkbox"/> No</p> <p>1.2 Does the supervisory board play an active or a passiv role in defining strategic premises?</p> <p><input type="checkbox"/> Active, <input type="checkbox"/> Passive</p> <p>1.3 How does your company/two-tier structure build up strategic goals?</p> <p><input type="checkbox"/> Management board defines strategic goals and informs supervisory board about the decision</p> <p><input type="checkbox"/> Management board defines strategic goals and hands them in to the supervisory board to get recommendations or acceptance from the supervisory board</p> <p><input type="checkbox"/> Management board and supervisory board define strategic goals in joint work</p> <p><input type="checkbox"/> Supervisory board defines strategic goals and hands them in to the management board for negotiation purpose</p> <p><input type="checkbox"/> Others: _____</p> <p>1.4 Do you find it necessary for supervisory boards to define a right to reserve approval against the management board's strategic goals?</p> <p><input type="checkbox"/> Yes, <input type="checkbox"/> No</p> <p>2 Supervision structure</p> <p>2.1 Do you find it necessary that a supervisory board has a separate strategy committee?</p> <p><input type="checkbox"/> Yes, <input type="checkbox"/> No</p> <p>2.2 How frequently does your supervisory board have a meeting in case of a crisis?</p> <p><input type="checkbox"/> Board meetings are fixed scheduled</p> <p><input type="checkbox"/> Board meetings in case of evidence of a crisis</p> <p><input type="checkbox"/> Board meetings in case of a crisis</p> <p><input type="checkbox"/> Others: _____</p> <p>3 Supply of information by the management board</p> <p>3.1 Which information is necessary for the strategic supervision process?</p> <p><input type="checkbox"/> Knowledge of internal processes</p> <p><input type="checkbox"/> Key financial data</p> <p><input type="checkbox"/> Information about skills and know-how</p> <p><input type="checkbox"/> Information about the integration of stakeholder interests</p> <p><input type="checkbox"/> Others: _____</p> <p>3.2 When should strategic milesones be reported by the management board?</p> <p><input type="checkbox"/> Monthly, <input type="checkbox"/> Quarterly/per session, <input type="checkbox"/> Semiannually, <input type="checkbox"/> Annually, <input type="checkbox"/> Every 2 years,</p> <p><input type="checkbox"/> Never/hardly ever</p>
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After some general questions on the industry, the number of employees and the annual our questionnaire covers three dimensions: 1) "Supervisory boards' role and self-understanding within the strategic management process", 2) "Supervision structure" and 3) "Supply of information by the management board". The interviews were carried out in a time period between February 2010 and August 2010. The sample consists of 13 (43.3 %) of the DAX30-companies and in sum 24 (18.4%) of the 130 biggest German companies listed in the Prime Standard Index, which can be

characterized as a good sample size with respect to the limited temporary resources of such persons. Furthermore, these companies are heavily covered by analysts and underly the highest listing standards at the Frankfurt Stock Exchange. Thus, our sample seems very valuable from an academic's as well as from a practitioner's point of view. Researching these companies and getting insight into these companies' supervisory board practices might also have a signalling function for smaller listed and non-listed companies.

Table 2. Sample structure

Public listed	100%		
Two-tier board	100%		
Company size by employees	to 50.000	50.000 to 100.000	more than 100.000
	58% (in absolute terms 14)	17% (in absolute terms 4)	25% (in absolute terms 6)
Company size by sales volume	to 10 billion Euro	10 to 50 billion Euro	more than 50 billion Euro
	50% (in absolute terms 12)	21% (in absolute terms 5)	29% (in absolute terms 7)
Percentage of DAX-companies	DAX 30	MDAX	SDAX/TecDAX
	45,83% (11 of 30 companies)	29,16% (7 of 50 companies)	25,01% (6 of 80 companies)

The sample structure (Table 2) can be separated by company's size which was measured by the number of employees and by their sales volume in billion Euros. 42 percent of the interviewed companies employ a workforce larger than 50 thousand and 50 percent of our data sample has a total sales volume of € 10 billion or more. The industry

structure of these companies reflects a wide range of different businesses, including e.g. automotive, financial, chemical, pharmaceutical, steel and other. All companies are multinational with their headquarters in Germany and are directed and controlled by a dualistic board structure.

Table 3. Results for dimension 1) "Supervisory boards' role and self-understanding within the strategic management process"

1 Supervisory boards' role and self-understanding within the strategic management process	Year	
	2010	2005
1.1 Is the supervisory board generally suited for strategic supervision?	Percent	
Yes	88	61
No	12	39
1.2 Does the supervisory board play an active or a passive role in defining critical strategic premises?	Percent	
Active	17	28
Passive	83	72
1.3 How does your company/two-tier structure build up strategic goals?	Percent	
Management board defines strategic goals and hands them in to the supervisory board to get recommendations or acceptance from the supervisory board	79	40
Management board and supervisory board define strategic goals in joint work	13	7
Management board defines strategic goals and informs supervisory board about the decision	8	53
Supervisory board defines strategic goals and hands them in to the management board for negotiation purpose	0	0
1.4 Do you find it necessary for supervisory boards to define a right to reserve approval against the management board's strategic goals?	Percent	
Yes	92	54
No	8	46

We find some remarkable changes in supervisory boards' work with respect to strategic supervision starting with the results for dimension 1) "Supervisory boards' role and self-understanding within the strategic management process" (Table 3).

Whereasin the Grothe (2006) study four out of ten supervisory board members state that the supervisory board is generally suited for strategic supervision, we only find one out of ten who states this impression. Only little has changed with respect to inactivity of supervisory boardsin defining critical strategic premisis. We explain this by the fact that strategy definition (including the definition of critical strategic premises) is a clear management task (Grant, 1998) andmost supervisory board members respect and support this allocation.It is the same with the process of building up strategic goals which is also a clear management task but the role of the supervisory board has changed here dramatically. They now provide active support to the management board for building up strategic goals and get into intensive dialogue (business coach) with the management board instead of only taking note of this process. This is connected with the answers to the last question on dimension 1. Whereas only 54 percent of the supervisory board members found it necessary for supervisory boards to define a right to reserve

approval against the management board's strategic goals in 2005, now there do 92 percent of the interviewed experts consider this as a suitable measure for supervisory boards to stop/prevent (in view of the supervisory board) unclear, questionable or even wrong strategic decisions.

Considering dimension 2) "Supervision structure" we do not find changes of supervisory board members' attitude towards the installation of a separate strategy committee within the supervisory board from 2005 to 2010 (Table 4). A great majority of conversational partners don't still think that is a suitable measure to improve supervision structure. Before the recent financial crisis performance of supervision by supervisory boards was somewhat slow without changing fixed board meeting schedules or only changing them in case of a crisis. The experience of the recent financial crisis seems to have changed this practice from passive into active with supervisory boards reacting immediately when there are weak signals (Ansoff, 1975) that a crisis might occure and endanger the current strategy. In this context our interview partners additionally explained, that the supervisory board members are more sensitized for critical developments because of their negative experience with strategic uncertainty during the crisis.

Table 4. Results for the dimension 2) "Supervision structure"

2 Supervision structure	Year	
	2010	2005
2.1 Do you find it necessary that a supervisory board has a separate strategy committee?	Percent	
Yes	21	30
No	79	70
2.2 How frequently does your supervisory board have a meeting in case of a crisis?	Percent	
Board meetings in case of evidence of a crisis	67	35
Board meetings in case of a crisis	25	35
Board meetings are fixed scheduled	8	30

Ending with dimension 3) "Supply of information by the management board" the comparison of our findings with those of the Grothe (2006) study stressesfurther changes in supervisory boards' work. While Grothe (2006) detect a clear board alignment mainly to perform strategic supervision by concentrating on key financial data our study finds that key financial dataare still highly important in 2010 but with the integration of stakeholder interestsand expectations (e.g. Stiglbauer, 2011) taking the second place.This is a considerable change towards an extended understandingof corporate governance in terms of environmental as

well as social demands which are integratedwithin the strategic supervision process. Additionally, knowledge about human resources and skills (Grant, 1998) as well asknowledge on internal processes is comparable important over the last five years.Furthermore, supervisory boards demand for a higher frequency of reports on strategic milestones by the management board towards monthly reporting whereas the majority of experts have regarded quarterly reporting as sufficient in 2005.Nearly on third has regarded annual reporting of strategic goals as sufficient in 2005 (4 percent in 2010).

Table 5. Results for the dimension 3) “Supply of information by the management board”

3 Supply of information by the management board	Year	
	2010	2005
3.1 Which information is necessary for the strategic supervision process?	Percent	
Key financial data	75	54
Information about integration of stakeholder interests	71	7
Knowledge of internal processes	42	52
Information about skills and know-how	42	36
3.2 When should strategic milestones be reported by the management board?	Percent	
Monthly	62	11
Quarterly/per session	21	41
Semiannually	13	2
Annually	4	26
Every 2 years	0	11
Never/hardly ever	0	9

Despite these tremendous changes in strategic supervision conducted by German supervisory boards from 2005 to 2010, we ought to report some limitations of our study which impairs comparability of the findings of Grothe (2006) study with the findings of the present study. First, different samples are used. Thus, we assume a sample selection bias (Heckman, 1979) when comparing the empirical studies above. Second, non-consideration of changes of listing within selection indices does even make single studies which are similar at first sight hardly comparable. Third, body of our research is limited to (vice-) chairmen of supervisory boards, which do have some different functions within the German two-tier system than ordinary supervisory board members which were also asked in the Grothe (2006) study. Supervisory board (vice) chairmen do have to prepare and lead the supervisory boards' meetings and should stay in close(r) contact with the management board (Number 5.2 German Corporate Governance Code). Furthermore, they ought to report pro-active and immediately on crisis situations (§ 90 German Stock Corporation Act). Thus, supervisory board (vice) chairmen are forced to advice the management boards to a greater degree than ordinary supervisory board members (Semler, 2004). Depending on the position within the supervisory board also differences in the intensity of and the satisfaction with the supply of information conducted by the management board have been reported, e.g. (vice) chairmen of supervisory boards did have more information and a better access to special information which the ordinary supervisory board members didn't have (Vogel, 1980). Furthermore, vice chairmen of supervisory boards did evaluate the supply of information by the management board better than the ordinary supervisory board members did (Bleicher, 1987). (Vice-) chairmen did also pay more attention to value-based measures than ordinary supervisory board members (Grothe, 2006). Fourth, the Grothe (2006) study was conducted in a period of economic upturn, whereas our study was conducted in a crisis period/situation. The evaluation of a specific

role/function within a supervisory board and the information which supervisory board members get are strongly connected with the interpretation of the situation (Finkelstein and Hambrick, 1990).

4. Conclusions

Not only in light of the current financial crisis, there is a need for an efficient governing body. The focus of our research was about German supervisory boards' capability to strategically supervise management boards' action in the two-tier system. Supervisory boards' simple concentration on past-oriented monitoring and their self-understanding as a passive actor seems to be no longer sufficient for a stable German board system. Thus, this paper tried to validate whether German supervisory boards' work within the two-tier structure has changed since the situation as it was in 2005. Based on three propositions, we indicate a tremendous change of German supervisory boards' strategic supervision: First, German supervisory boards work as a strategic business coach of their companies' management board with regard to the self-understanding role of supervisory boards on their strategic abilities and their pro-active support on strategy formulation. Another point supporting this assumption is that German supervisory boards try to limit ate management boards' strategic decisions when they have the opinion that these decisions unclear, questionable or even wrong. Second, in case of a potential crisis, supervisory boards immediately change their meeting schedule. No changes have been found regarding the minor importance given to the installation of a separate strategy committee within the supervisory board. This shows the importance on the part of supervisory boards to take responsibility for strategic aspects as a whole body. Third, besides the focus on financial data reported for 2005, in 2010 supervisory board members use further sources of information and try to view things from an internal process and a stakeholder's perspective integrating the resource based view. Another point of improvement is that

supervisory board demand for quick and immediate information on strategic milestones by the management board.

Based on these findings (certainly accelerated by the financial crisis) we assume a general, new self-understanding of supervisory boards' role within the German two-tier system as a pro-active, strategic business coach of management boards. Thus, gaps for strategic information given by management boards will no longer be accepted. The valuation and integration of information heavily depends on the interpretation of one's own role which has an impact on perceived usefulness of information (Anderson, 1981). Building on the premise of bounded rationality (March and Simon, 1958) the theory of upper echelons emphasizes the importance of mental models of decision makers to understand their choices (Rost and Osterloh, 2010) based on a vast amount of information (Mintzberg, 1973) out of which they discard information that seems less important (Weick, 1979). The discard of information depends on the interpretation of the situation, application of their beliefs, knowledge, assumptions and values (Finkelstein and Hambrick, 1990). As a matter of principle, crisis situations lead to intense time and decision-making pressure, a high degree of momentum and serious behavioural changes among decision makers (Mayr, 2010). Looking for instance at the latest financial crisis, strong market dynamics of all lines of industry lead to constant shortening of planning cycles and greater uncertainty. Consequently, long-term strategies have to be reconsidered and revised as well as one's own role as we've illustrated in case of German supervisory boards. Nevertheless, we note critically that there's still a focus of supervisory boards on the supply of information by the management board as the basis of their decisions (Theisen, 2007; Dehnen, 2011). Intensifying own information initiatives are necessary to lower information asymmetries between management board and supervisory board on the one hand and to professionally fulfill the monitoring and advising tasks of the supervisory board on the other hand. In order to do this, supervisory boards deserve financial resources and a professional back office to support information procurement and information-processing, to compensate for the typical German part-time supervisory board mandate. Dealing with special topics like strategy formulation requires basic knowledge as well as professional experience. Thus, future supervisory board members aiming to professionally monitor and advice management boards need to guarantee sufficient academic education and training (Number 5.4.1 German Corporate Governance Code). Summarizing, supervisory boards today seem to fit better the demands of a faster changing and uncertain environment. The effectiveness of supervisory boards' strategic supervision seems to have improved substantially in Germany's big publicly listed

companies. But there's also a risk of overloading supervisory board members, especially with multi-mandate supervisors, leading to the demand that individuals may not serve on more than three supervisory boards of publicly traded companies (Number 5.4.5 German Corporate Governance Code).

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