

Effects of CEO-BOD Mentoring on Firm Competitive Behavior

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Executive Summary

While a great deal of research examines how mentoring improves individual behavior and performance, it is unclear how mentoring might impact firm behavior and outcomes. We develop a conceptual model to explain and predict how mentoring can improve a firm's competitive behavior and its overall competitiveness. Specifically, we propose that mentoring of a firm's CEO by its board of directors improves the CEO's willingness and capability to competitively engage the firm. When the CEO is mentored by the board of directors, the CEO's human and social capital will be enhanced, which can be used to undertake bolder and more complex competitive moves. Firms can design and implement specific organizational development (OD) interventions to enhance effective mentoring of the senior management and, as a result, improve firm outcomes. We discuss several of these interventions and also highlight implications of our model for OD, mentoring, and firm competitive behavior.

The objective of this paper is to put forth a conceptual model that explains and predicts how mentoring can improve a firm's competitive behavior and its overall competitiveness through the CEO and Board

of Directors relationship. The importance of mentoring seems particularly important at the upper echelons of an organization. Twenty-eight years ago, the *Harvard Business Review* published executive interviews concerning the perceived importance of mentoring (Collins and Scott, 1978, 3). Almost all of these executives identified the presence of a mentor as a causal factor in their career success. Recent research confirms these sentiments. For instance, Messmer (2000, 44) found that 94% of top executives supported either formal or informal mentoring in the workplace. While some evidence does appear to link mentoring to organizational benefits, the preponderance of identified mentoring consequences tend to coalesce at the individual level of analysis (Kram, 1985). Moreover, despite the importance of mentoring top executives, little theoretical research has examined this phenomenon and how it could impact the functioning and competitive posture of the organization. Since senior executives' orientation and decisions importantly affect firm outcomes (Hambrick and Mason, 1984, 193-206), it is quite likely that the mentoring of executives influences the quality of their decisions, and as a result, affects several outcomes for the firm. Importantly, this manuscript advances this line of inquiry by examining mentoring relationships between

the Board of Directors (**BOD**) and the chief executive officer (**CEO**) and the impact of such mentoring on firm competitive behavior.

This topic is relevant and important for several reasons.

- First, the competitive behavior and competitive dynamics literature largely ignores the human dimensions and human drivers of firm competitive moves. As a result, there has been a call by leading researchers in this domain to advance this line of conceptual and empirical research (Smith, Ferrier, and Ndofor, 2001, 315-361).
- Second, our inquiry informs a governance literature that is largely focused on the compliance, control, and audit function of directors as opposed to the mentoring, coaching, and counseling duties of good boards (Johnson, Daily, and Ellstrand, 1996, 409-438).
- Finally, we have developed our theory in an effort to further open the “black box” of the CEO-BOD relationship.

Given the strategic importance of these two sets of actors, it is surprising that more dialogue is not centered on the nuance of the CEO-BOD relationship such as knowledge transfer or learning processes such as single, double, or triple loop learning. Consequently, our paper is meaningful and significant because it attempts to understand the sophisticated, dynamic, and nuanced relationship between the CEO and BOD.

In summary, we will offer compelling logic that the directors’ mentorship of a CEO through coaching and counseling improves the CEO’s understanding of the competitive environment and makes the CEO more confident and comfortable in undertaking complex competitive actions. Moreover, the sponsorship and protection functions of mentoring increase the likelihood that the CEO will undertake bold actions and gain external legitimacy of such

actions. The firm’s overall competitiveness is enhanced because competitors are unlikely to respond to such bold and complex actions (Chen, 1992, 439-455). Furthermore, directors can improve a CEO’s environmental scanning, information processing, knowledge creation, and deployment of that knowledge in undertaking competitive moves. This, in turn, enhances the CEO’s strategic decision making, which is a pivotal factor in remaining competitive in today’s global market.

This paper makes important contributions to the three distinct literature streams. First, we develop a new lens to look at mentoring at the strategic apex of the organization. Second, and in terms of the competitive strategy literature, we articulate and demonstrate how and why human and social capital of the CEO is enhanced through effective mentoring, which enhances a firm’s competitiveness. Finally, we contribute to the organization development (OD) literature by suggesting ways in which mechanisms for effective executive mentoring could be developed for better organizational outcomes.

Conceptual Background

Mentoring

Most mentoring scholars tend to view mentoring as a process that involves a person with experience, expertise, or wisdom who uses these assets to teach, develop, and help another person both personally and professionally (Bell, 2000, 52-56; Kram, 1985). Kunich and Lester (1999, 17-32) describe mentoring as a defined process in which a mentor assumes the role of trusted adviser, teacher, counselor, or friend. The preponderance of mentoring research revolves around two major themes, which incidentally tend to focus on mentoring at lower levels of the organization as opposed to senior managers. The first theme suggests that the mentor must be superior or in a position of power over the protégé (Kunich and Lester, 1999, 17-32). The second dominant perspective

views mentoring almost exclusively as a career progression tool (Ragins, Collins, and Miller, 2000, 1177-1194). While both of these themes are important for mentoring in general, we suggest that a different perspective on mentoring is needed to examine CEO-BOD mentoring. Directors, who may or may not hold a superior power position over the CEO, can still serve as a powerful mentor to the CEO. In addition, many CEOs are at the apex of their career. While lateral transfers to CEO positions in other organizations are possible, career progression for a CEO is less likely as the CEO holds the upper-most position in the firm. For this reason, we explore mentoring not as a career progression tool, but rather as a competitive weapon capable of influencing a firm's competitive strategy.

Our perspective on CEO-BOD mentoring is based on organizational learning and resource-based views. By building on these literatures, we suggest that since learning and knowledge creation for strategic decision making happen at the apex of the organization (Lyles and Schwenk, 1992, 155-174), and shared knowledge structures or cognitive maps of the senior managers are critical for firms to respond to environmental changes (Gnyawali and Stewart, 2003, 63-89), CEO-BOD mentoring helps to create and refine knowledge of the competitive environment. More important, mentoring can assist senior managers to use such knowledge in making effective strategic decisions (Srivastava and Grant, 1985, 97-113). Directors may be able to use their knowledge and skills to mentor the CEO into becoming a better and stronger organizational resource by helping the CEO create a unique body of knowledge. Effective mentoring of the CEO should also account for how a CEO can use this knowledge to undertake competitive actions in the marketplace. When mentoring is viewed from this perspective and at this level, its benefits are not for the career progression of a single individual. Rather, mentoring becomes a tool to benefit one of the most important

elements of human capital inside a firm—the Chief Executive Officer (Daily and Johnson, 1997, 97-117).

Directors can influence strategy directly or indirectly through their interaction with the CEO.

The Chief Executive Officer

Our interest lies in the effects of mentoring on strategic decisions and competitive actions of a firm. The focus of mentoring, therefore, has to be at the strategic apex of the organization where such decisions and actions are taken. We particularly focus on CEO-BOD mentoring because the CEO is a special individual overseeing the Top Management Team (TMT). While some studies avoid studying the CEO as a separate entity, there are many who contend that the CEO, as a single individual, is of both theoretical and applied importance (Gupta, 1988; Harrison, Torres, and Kukalis, 1988, 211-232; Hosmer, 1982, 47-57). To begin with, the CEO is the spokesperson for the firm and often occupies the "bully-pulpit" of the organization. This public relations role of firm spokesperson makes the CEO symbolically important. Next, empirical work has directly correlated CEO power to firm performance (Daily and Johnson, 1997, 97-117). More powerful CEOs are better able to drive the competitiveness of the firm, and, as a result, tend to enjoy higher levels of firm financial performance. Also, others contend that the CEO is the most important member of the TMT and can set the strategic path for the firm through pseudo-political processes such as agenda setting (Waldman and Yammarino, 1999, 266-285). Similarly, CEO's are usually the highest paid executives in the firm, driven by the belief that they are of critical importance. Moreover, the recruiting and selection of a CEO requires extensive outlays of firm resources, leveraged on the belief that the CEO is of substantive importance to the firm. Given both the symbolic and

substantive value of the CEO, any development tool (e.g., mentoring) that can enhance the performance of this single individual is worth investigating. While we focus on CEO-BOD mentoring, the perspective and arguments we develop could be applied to the entire TMT of a firm. By building on the ideas developed in this paper, future research could develop a more holistic perspective of mentoring of the TMT.

The Role of Board of Directors

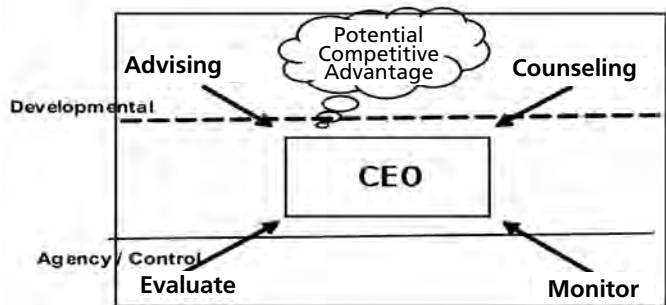
It is likely that issues pertaining to corporate governance will continue to rise given the recent corporate scandals and their implications. In fact, many in the applied business press attribute corporate failures to breakdowns in a firm's governing body (Hymowitz, 2003, R1-R12). Clearly, more insight into the functioning of the BOD and their influence on strategic outcomes is of both theoretical and applied worth.

Many scholars outline four key functions for the BOD. They include: (1) endorse management initiatives, (2) monitor management, (3) distribute feedback, and (4) provide real and symbolic resources (Cutting and Kouzmin, 2000, 477-492; Pfeffer, 1973, 444-461; Schaffer, 2002, 95-115). In reality, these duties are bestowed formally and legally by U.S. corporate law (Baysinger and Hoskisson, 1990, 72-87). These primary roles, broken down by stewardship and agency vantages, are illustrated in Exhibit 1. Importantly, the stewardship roles of advising and counseling are meant to develop and enrich an individual (Davis, Schoorman, and Donaldson, 1997, 20-47). Taken within the context of the Resource-Based view of the firm (Barney, 1991, 99-120), these director roles are more apt to increase the value of the CEO by making them more rare, inimitable, and non-substitutable. Moreover, some suggest that mentoring relationships are intense and intimate associations, both causally ambiguous and socially complex (Offstein and

Shah, 2004). Consequently, these attributes make a resource more difficult for a rival to duplicate or replicate (Barney, 1991, 99-120). Conversely, agency director roles of evaluation and monitoring tend to be post hoc and less developmental (Finkelstein and Hambrick, 1996, 484-503). Their purpose is to control, not develop, the CEO (Davis, et al., 1997, 20-47).

Exhibit 1

The Role of the Board of Directors



Many BODs are taking leading roles in the strategy formulation process (Johnson, Daily, Ellstrand, 1996, 409-438). Indeed, there is "growing acceptance that decisions taken or not taken by boards can make a difference to the dynamics that influence company performance" (Cutting and Kouzmin, 2000, p. 477-492). Similarly, consensus is forming that effective governance mechanisms contribute directly to firm survival and prosperity (Charkham, 1994). In addition, several works by leading governance scholars have suggested that directors can influence strategy directly or indirectly through their interaction with the CEO (Westphal, 1999, 7-24). Specifically, Golden and Zajac (2001, 1087) link director demographic characteristics to a firm's propensity to engage in strategic change.

Furthermore, Westphal and Fredrickson (2001, 1113) found that the impact of CEO experience disappears when director experience is controlled for in their statistical model. Consequently, this suggests that board effects may trump CEO effects or, at the very least, seasoned directors are able to influence newly

minted CEOs (Westphal and Fredrickson, 2001, 1113). Regardless, it is important to note that the relationship between the CEO and the BOD is of strategic importance. Specifically, directors can mentor the CEO in a variety of ways, including helping the CEO develop a complex and sophisticated understanding of the competitive environment, encouraging the CEO to take bolder competitive moves, and supporting appropriate competitive actions undertaken by the CEO and then supporting the legitimacy of these actions. Consequently, effective mentoring may be able to enhance the firm's competitive behavior and overall competitiveness. It is critical to note that embracing the "mentoring" function of governance tends to depart from mainstream U.S. governance perspectives that tend to emphasize agency or control roles of the board (Finkelstein and Hambrick, 1996).

Conceptual Model

We build on the above perspectives and arguments and develop a conceptual model. Exhibit 2 depicts this model. Since firm competitive behavior is the dependent construct, we describe it first before articulating the effects of CEO mentoring.

Firm Competitive Behavior

Our focus on the firm level effects of mentoring lies in the way CEO mentoring by the board enhances the CEO's willingness and capability to undertake competitive actions. A competitive action is a purposefully directed, specific, and observable move launched by a firm to enhance its competitive position (Chen, 1996, 100-134; Chen, Smith, and Grimm, 1992, 439-455). Competitive actions differ from events in important ways. An event is something that happens; it lacks free will, purpose, and motivation. In contrast, a competitive action or move causes something else to happen as a result of purposeful intentions (Grimm and Smith, 1997). Thus, the driving purpose of a competitive move is to

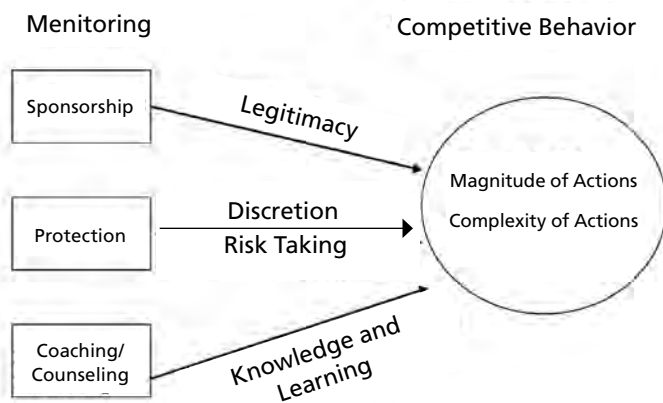
reap competitive benefits, such as recapturing market share. The loss of a research and development facility due to a fire would be an event, as the focal firm had no control over the loss. Compare that with a firm that purposefully closes a facility to consolidate and centralize R&D functions. Since this move has purpose and intent, it would qualify as an action—not an event.

Effective mentoring may be able to enhance the firm's competitive behavior and overall competitiveness.

Our perspective on competitive behavior is rooted in the premise that firms that undertake complex and bold competitive actions benefit from such actions by disrupting the status-quo and by creating new rules of competition. Schumpeter (1934) argued that a firm achieving a first mover advantage would generate abnormally high profits, causing rival firms to attack this market leader in an effort to overtake its position. Rival firms aggressively pursue creative actions to dethrone the market leader and engage in what some scholars refer to as the "perennial gale" or "creative destruction" (Schumpeter, 1934). Recently, researchers have built on the Schumpeterian view of competition (e.g., Chen and Hambrick, 1995, 453-482; Ferrier, Smith, and Grimm, 1999, 372-388; Young, Smith, and Grimm, 1996, 243-254) and Austrian economics (Jacobsen, 1992, 782-807).

Unlike their neo-classical counterparts, Austrian economists and competitive dynamics scholars view the competitive landscape as anything but static. Rather, they view markets as dynamic and continuously jolted out of any equilibrium by forceful competitive actions of rival firms within those markets (Jacobsen, 1992, 782-807). As depicted in Exhibit 2, we focus on complexity and magnitude of competitive actions.

Exhibit 2
Conceptual Role of The Effects of CEO-BOD
Mentoring on Firm Competitive Behavior



In Exhibit 2, complexity of actions refers to the range of different kinds of competitive actions taken by a firm (Ferrier et al., 1999, 372-388; Nayyar and Bantel, 1994, 193-222). A firm that distributes its competitive moves across a number of different functional areas (e.g., R&D, sales, manufacturing, and distribution) would be more competitively complex than a firm engaged in the same number of competitive activities within one functional area (Nayyar and Bantel, 1994, 193-222). A firm that is more complex in its competitive behavior provides a more sophisticated and unpredictable target for its competitors. Furthermore, complex actions tend to burden the information-processing required of competitors in formulating their competitive strategy (D'Aveni, 1994; Smith et al., 1991, 60-85). For reasons such as these, firms with greater complexity in their competitive behavior sustain their competitive edge for longer periods of time (Ghemawat, 1986) and, generally, achieve higher levels of firm financial performance (Miller and Chen, 1996, 419-440).

Magnitude of actions refers to how significant a competitive action or series of actions is (Hambrick et al., 1996, 659-688). The magnitude or significance of a competitive move is tied to the amount of financial and

other firm resources that are needed to undertake the action. As such, competitive moves with great magnitude affect a larger number of firm operations (Chen and MacMillan, 1992, 539-570). In addition, competitive moves of great magnitude depart more from the status quo, are quite difficult to reverse or change course, and require considerable commitment (Ghemawat, 1991, 53-58; Grimm and Smith, 1997; Hambrick et al., 1996, 659-688). As a result, actions of greater magnitude are less likely to generate a response from rival firms, which, in turn provides a considerable advantage to the initiating firm (Smith et al., 2001, 315-361).

Effects of CEO Mentoring on Competitive Actions

Recent theoretical and empirical inquiry into firm competitive behavior has clearly suggested that firm specific resources in general (Chen, 1996, 100-134) and a firm's human and social capital in particular (Offstein, Gnyawali, and Cobb, forthcoming) determine the ways in which firms undertake competitive actions. This research suggests that strategic human factors or human and social capital at the strategic apex of the firm (CEO, BOD, and TMT) influence the complexity and magnitude of competitive actions undertaken by the firm. Empirical research also suggests that internal factors, such as how executives get paid, can drive firm actions (Offstein and Gnyawali, 2005). Recognizing that human capital is a unique asset that can actually appreciate with use (Coff, 1997, 374-403), mentoring is likely to transform the CEO into a more potent driver of firm competitive behavior.

We argue that mentoring by the directors enables the CEO (and therefore the firm) to better understand the competitive environment and its implications in launching more informed and complex competitive actions. Similarly, sponsorship and protection through mentoring provides greater legitimacy to actions and encourages the CEO to

undertake bold competitive actions of greater magnitude. Prior research shows that firms that undertake complex and bold competitive actions achieve competitive advantage over their competitors (Chen, 1992, 439-455; Offstein et al., forthcoming). Thus, mentoring of the CEO by directors, in effect, is likely to increase the overall competitive advantage of the firm.

Sponsorship and protection through mentoring provides greater legitimacy to actions and encourages the CEO to undertake bold competitive actions of greater magnitude.

Kram (1985) is credited with developing a taxonomy of mentoring duties and functions. We apply this taxonomy and suggest that when these functions are performed well on a CEO by an appropriate mentor, the CEO's human capital and social capital will be enhanced, which in turn increases the likelihood that the firm will launch high magnitude and complex competitive moves.

Notably, directors can sponsor and champion a CEO. Sponsoring is simply using influence to identify and promote opportunities for the protégé, in this case the CEO (Kram, 1985). This mentoring function can be particularly important in launching competitive moves. High magnitude competitive actions tend to involve many stakeholders to include shareholders, government regulators, and lending institutions (Hambrick, Cho, and Chen, 1996, 659-688). When directors sponsor a CEO they, in essence, put their social capital on the line with outside constituencies. When directors promote the CEO they are enhancing the chances of the implementation of strategic competitive moves because the approval of important constituencies is needed for high magnitude actions to move forward (e.g.,

building a new research and development facility).

Director sponsorship increases the legitimacy of both the CEO and the projects that the CEO drives. From an institutional perspective (Dimaggio and Powell, 1983, 147-160), director sponsorship contributes directly to the legitimacy of CEO driven competitive moves. Not surprisingly, powerful individuals and organizations are less likely to question an action that flows from a legitimate source (Dimaggio and Powell, 1983, 147-160).

Along similar lines, protection is a mentoring function that can help the CEO survive the often turbulent implementation of high magnitude competitive moves. Simply, in complex decisions and during the implementation of these sophisticated decisions, there are many opportunities for internal or external factors to contribute to a negative outcome (Mintzberg, Raisininghani, and Theoret, 1976, 246-275). Directors can insulate a CEO from several of these negative outcomes by supporting the CEO or deflecting the blame. This is an important function because it allows major projects to stay on track with minimal disturbance (Offstein and Morwick, 2004, 104). Also, when a CEO knows that they have some board protection, they can absorb more risk in their decision-making and strategy implementation. In essence, board protection can expand executive discretion, which allows a CEO to consider more and diverse competitive alternatives (Finkelstein and Hambrick, 1989, 484-503; Offstein, Harrell-Cook, and Tootoonchi, 2004).

Other important mentoring functions such as coaching and counseling (Kram, 1985) are also likely to impact the CEO. Directors' coaching and counseling can help the CEO develop a more sophisticated understanding of the firm's competitive environment, which is critical to undertake effective competitive moves. Since directors' experience and backgrounds vary,

they are likely to bring multiple perspectives in coaching and guiding the CEO. Effective coaching and mentoring by the directors through discussion and dialogue (Senge, 1990) or the interactive learning process would help the CEO question his/her key assumptions about the environment and their effects, which assists in the development of effective responses to these environmental conditions (Gnyawali and Stewart, 2003, 63-89). Moreover, continued discussion and dialogue with the board will help the CEO develop a more complex and sophisticated understanding of the nature of competitive actions to be taken and should allow the CEO to better identify and marshal the organizational resources needed to undertake these complex actions.

Directors can use mentoring functions of coaching and counseling to further enhance the chances of success for large scale competitive moves. Coaching can refine and sharpen an individual's decision making (Klein, 1998; Lewis, 1996; Mintzberg et al., 1976, 246-275). Through devil's advocacy, feedback, and asking the right questions at the most germane of moments, a coach can enhance the sophistication in which a protégé examines and diagnoses a problem. This refinement is necessary for launching complex and bold competitive moves, which tend to involve large-scale commitments of financial and cognitive capital, but are simultaneously comprised of intricate details that, if overlooked, could derail the implementation of these large-scale competitive initiatives. Moreover, both coaching and counseling contribute to the knowledge transfer between individuals (Lewis, 1996). For the CEO, this can involve the transfer of best practices from senior managers who serve on the board and who, in their experiences, deployed similar high magnitude moves. More important, CEO-director mentoring relationships are likely to serve as a conduit for tacit types of knowledge. This type of knowledge is known to be difficult to transfer, hard to capture, but instrumental

in organizational learning and the achievement of more sophisticated competitive outcomes (Nonaka, 1994, 14-37). Launching strategic competitive moves, with the broad range of details that competitive moves require, can benefit more from tacit, as opposed to codified knowledge.

What makes external or outside directors even more of a potential mentoring resource is their link to the external environment outside the boundaries of the firm. While directors can, indeed, monitor and control, those directors who can effectively link the firm to the external environment also provide substantial value to the company (Pfeffer, 1973, 444-461). At the disposal of outside directors are additional sources of informational and financial capital that otherwise would not be available to the firm (Lorsch, 1989; Pfeffer, 1973, 444-461). Not surprisingly, launching a broad array of actions or undertaking actions of high magnitude require these additional sources of capital. For instance, information-processing is a critical causal variable in predicting and explaining all competitive activity (Smith et al., 1991, 315-361). All else being equal, firms that are better at information-processing are better drivers of competitive actions and competitive responses (Offstein et al., forthcoming; Smith et al., 1991). When directors share information from the competitive marketplace, outside the boundaries of the firm, they are, in essence, improving the information-processing capability of the firm.

However, informational, knowledge-based, and intellectual capital is less likely to enter within the boundaries of the firm when there is low social capital between the CEO and the BOD (Offstein et al., forthcoming). Willingness to share information and knowledge is, indeed, highly correlated to the amount of social capital that exists between two parties (Kanter, 1988, 169-211). A strong and trusting mentoring relationship that involves sponsorship, protection, coaching, and

counseling, in essence, enhances this social capital between the CEO and directors. Thus, the conduit to important external resources available only to outside directors relies not in the control function of governance, but relies almost exclusively in the mentoring role that directors can undertake.

Put plainly, when the directors mentor a CEO they improve the information processing and environmental scanning capability of the firm. This is of paramount importance in launching competitive moves since firms cannot meet the varied and diverse demands of the market if they are not privy to, or cannot understand or process information that arises from the competitive environment (Offstein et al., forthcoming).

In summary, directors who engage in sponsoring, promoting, protecting, coaching, and counseling indirectly impact the competitiveness of the firm by their direct influence on the CEO.

Discussion and Implications

In this paper, we have developed a unique view of mentoring and its effects by focusing on the mentoring relationship between the CEO and BOD. In doing so, we built on the various literature streams—mentoring, competitive strategy, organizational learning, and resource-based views—and suggested that when the CEO receives effective mentoring from the BOD, he/she is likely to develop a more sophisticated and complete understanding of the competitive environment. This enhanced understanding is leveraged when CEOs use such knowledge to launch competitive actions. Moreover, sponsorship and protection by the BOD coupled with coaching and counseling is likely to motivate the CEO to undertake riskier actions and gain legitimacy of such actions through BOD endorsement. Thus, mentoring can meet several strategic needs that often arise when firms attempt to launch complex and high magnitude competitive moves. As

a result, when BOD mentoring of the CEO is high, the firm is likely to undertake complex competitive actions and actions of greater magnitude, which are shown by scholars to reduce the likelihood of competitors' response (Chen, 1992, 439-455; Hambrick et al., 1996, 659-688; Miller and Chen, 1996, 419-440). As a result, mentoring is likely to contribute to firm competitiveness. More broadly, we suggest that the CEO-BOD mentoring relationship is a resource that can influence the competitive behavior of the firm. Moreover, our model suggests that mentoring enhances the value of this relational resource.

We believe that this paper makes important contributions. First and foremost, it contributes to the mentoring literature as it provides a unique lens to examine mentoring at the strategic apex of the organization. Viewed from this vantage point, mentoring does not necessarily have to be a superior-subordinate relationship, nor does it have to lead to career progression or rise through the corporate ladder. Instead, mentoring can be used to develop a better understanding of the complex and rapidly changing environment and use such enhanced tacit understanding to make effective decisions. Moreover, effects of mentoring may be more meaningful and pronounced if examined at the strategic apex of the organization. Any mentoring efforts to enrich the senior managers' human and social resources, and counsel them to effectively use such intangible resources for organizational benefits would lead to enhanced performance of the individual and consequently the firm's competitive outcomes.

In a related manner, we contribute to the organizational development literature by suggesting that it is important to design and implement specialized OD mechanisms to develop effective mentoring at the strategic apex of the organization. We call for attention to develop some OD practices for this purpose. OD interventions can include, but are not

limited to the creation of an organizational culture and practices that foster discussion and dialogue so that BOD and CEO (or even TMT) feel comfortable to bring diverse perspectives, question each other's views, and engage in on-going dialogue to develop a unique understanding of the environment and its implications. While such discussion and dialogue may lead to similarity of mental models and facilitate concerted actions, it is important to note that mental models of the BOD and TMT do not become extremely similar to the extent that they suffer from the "groupthink" syndrome.

Also, mentoring is a time consuming process as extended and open discussion and dialogue require a heavy commitment of time (Kram, 1985). Working against this commitment is the fact that directors' face time constraints due to their involvement in multiple boards and their own executive responsibilities, whether they be corporate or academic (Lorsch, 1989; Offstein and Gnyawali, 2005, 201-255; Schaffer, 2002, 95-115). Thus, for director mentoring to become a legitimate OD tool, care and consideration must be given to allocate time so social capital can develop. Interestingly, one way to preserve time is to encourage both professional and personal settings that are conducive to mentoring (Kram, 1985). What this means practically is that mentoring as an OD tool is less likely to occur during quarterly board meeting. Another feasible alternative is to select directors who are on fewer boards or explicitly limit firm director involvement in other boards.

In addition, for mentoring to become an effective OD tool requires a change in the way we view the role of directors. While directors can and do perform a variety of duties, tremendous emphasis is placed on the control and monitor function of directors (Schaffer, 2002, 95-115). Unfortunately, when directors are viewed in this fashion they are less able to provide a rich and valuable resource to the

firm. To utilize them effectively, directors should be viewed as a major multi-dimensional resource, capable of much more than just auditing. In fact, they are a unique and potent competitive asset for the firm (Rindova, 1999, 953-975).

If mentoring is, indeed, to proceed as an OD tool with strategic consequence, then the selection of the mentors (directors) becomes even more important. The crucial Human Resources Management (HRM) imperative is to select appropriate directors who are outstanding mentors, or who possess the potential to become such. Board members who are committed, are good leaders, and can be effective mentors will provide tremendous benefits to the firm. While prior research shows that powerful CEOs choose directors who are similar to themselves (Westphal and Zajac, 1995, 60-83), this practice is unlikely to be effective from the mentoring perspective outlined here.

This paper contributes to the competitive strategy literature by explicitly arguing how mentoring—a knowledge-based resource embedded in the relationship between CEO and BOD—impacts the firm's competitive actions. We have suggested that the human and social capital enhanced through the CEO-BOD mentoring relationship is a valuable resource and can be effectively used in undertaking competitive actions and creating competitive advantages. Since the pattern of actions over time reflect a firm's strategy (Mintzberg, 1973), firms that undertake bold and complex actions tend to have strategies that are unique and difficult for competitors to understand and replicate. To the extent that mentoring can enhance unique and complex knowledge of the CEO, motivate the CEO to take risks, and provides legitimacy to the CEO's knowledge-based actions, mentoring can be an important source of competitive advantage.

There are several limitations to this theoretical model that should be acknowledged. First, this model suggests that mentoring produces positive individual and organizational outcomes. While clearly the dominant perspective in mentoring research, more contemporary mentoring inquiry has investigated the impact of dysfunctional mentoring (Scandura, 1998, 449-467). Thus, future theory building can attempt to integrate the possible negative outcomes associated with poor mentoring or mentoring that flows from a corrupt individual. Indeed, as organizational breakdowns in ethics and corruption continue to surface, for example, Enron's collapse and WorldCom's disaster (Anand, et al., 2004, 39), plausible explanations could originate in corrupt directors who pass on or encourage executive malfeasance. Second, this model implies that CEO mentoring is applied largely through directors. As large scale institutional investors, such as pension funds, continue to gain in power, there may be some opportunities for external mentoring by those that lead and command these large institutions. Put differently, other external mentors may exist that are not accounted for in this model. Future theory development should examine this possibility.

Future research could extend this model along several meaningful directions. First, this model examines causality in one direction. It is likely that non-recursive properties could exist between the CEO and the BOD. Just as the CEO is mentored by the BOD, the CEO could simultaneously mentor their directors. This type of mutual mentoring implies a synergistic relationship that could more dramatically influence a firm's competitive behavior. Second, this model could be applied to understand other important dimensions of competitive moves. Competitive simplicity (Miller and Chen, 1996, 419-440), competitive inertia (Miller and Chen, 1994, 1-23), competitive sequencing (Ferrier, 2001, 858-877), and competitive response (Chen and

Hambrick, 1995, 453-482) are all important dimensions of competitive behavior that could be examined in light of this CEO-board mentoring model. Admittedly, we only begin to scratch the surface by examining how CEO-board mentoring relationships influence the complexity and magnitude of competitive moves. Finally, both qualitative and quantitative research traditions could be used to test the veracity of this model. For instance, relational demography approaches (Young and Buchholtz, 2002, 296-313) could be used to infer the quality of the relationship between the CEO and BOD. Indeed, there is widespread use of demographic techniques to infer social processes (e.g., Westphal and Zajac, 1995, 60-83).

What makes external or outside directors even more of a potential mentoring resource is their link to the external environment outside the boundaries of the firm.

The enriching role directors can have on a CEO is often lost in agency perspectives of board behavior. In this paper, we suggest that rich and intimate mentoring relationships between the board and the CEO do, indeed, exist. More important, we argue that this type of relationship is central to engaging in large scale complex strategic competitive moves. Thus, through our theoretical model, we aim to challenge traditional views of boards as only controllers or monitors. Our model also uses what has been traditionally viewed as career mentoring benefits of sponsorship, protection, and coaching to argue that these functions translate into organizational, not just career, benefits when applied to the CEO. Overall, we contend that board mentoring of CEOs could lead to improved competitive behavior of the firm and competitive advantage over rivals.

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