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Functional Stupidity in the Boardroom

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Abstract

This study provides a better understanding of the dynamics of knowledge and expertise in the context of compensation committees (CCs) within publicly traded companies, through a focus on the limitations of CC members' substantive thinking – which Alvesson and Spicer (2012) designate as "functional stupidity" (i.e., an organizationally-supported lack of reflexivity and substantive reasoning). Drawing on semi-structured interviews, we document and analyze CC members' difficulties and/or unwillingness to engage in substantive thinking. Overall, our findings indicate that CC members, although being committed to knowledge development and problem solving, are disinclined to mobilize three key aspects of substantive thinking in the design of remuneration policies: challenging underlying assumptions and beliefs; asking for meaningful justification; and engaging in substantive reasoning. In line with Alvesson and Spicer, we maintain the following: first, our findings resonate with the notion of functional stupidity; and second, the webs of functional stupidity we unveil are fuelled by "stupidity management". The latter aims to constrain CC members' substantive thinking and prevent critical and disruptive issues from impacting committees' agenda and deliberations – all of this in the name of aspirational yet superficial forms of decision-making leadership in the

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boardroom. Significant implications of these findings for research and policymaking are discussed.

Keywords: Compensation Committees; Corporate Governance; Executive Compensation; Functional Stupidity; Reflexivity; Substantive Thinking.

1. INTRODUCTION

By and large, organizational life is predicated on the view that reality is inherently and increasingly complex and that coping appropriately with it requires the mobilization of specific skills, resources and techniques (Alvesson & Spicer, 2012). Consistent with the perception of increasing and omnipresent complexity, there is a broad consensus that modern economies have become knowledge-intensive (Adler, 2001) and that a vital issue for contemporary organizations is their ability to mobilize intelligently their members' reflexive capacities and develop judicious forms of expertise (Allen et al., 2011; Guénin-Paracini et al., 2014). In other words, "an enormous body of writing on knowledge, information, competence, wisdom, resources capabilities, talent, and learning in organizations has emerged in recent decades in which there is a common assumption of *smartness*" (Alvesson & Spicer, 2012, p. 1195). Along these lines, an influential discourse amplifying the payoffs to managing knowledge wisely has taken root and flourished (Clegg et al., 1996; Teece, 1998).

The celebration of smartness and powerful intellectual resources resonates strongly in the domain of corporate governance. Indeed, it is commonly understood that expertise matters in boardroom settings (Cohen et al., 2010; Bravo & Alcaide-Ruiz, 2019; Tricker, 2012), where directors oversee the strategic activities of publicly traded companies and are expected to support regulators' policies by monitoring the implementation of good governance principles (Power, 2007). Following high profile-scandals (such as Enron) and a series of investigative reports recommending the hiring of more competent directors to rebuild trust and safeguard shareholders' interests (Hamilton & Micklethwait, 2006), board directors have become the "usual suspects" and the primary target of numerous regulatory initiatives aimed at giving them more teeth by making them more knowledgeable. Such developments have been particularly visible in the aftermath of the Sarbanes-Oxley Act of 2002 with US regulatory authorities having strongly advocated the greater presence of financial experts on audit committees and the latter having become, at least in appearance, "substantially more active, diligent, knowledgeable and powerful" (Cohen et al., 2010, p. 752).

However, the essence of knowledge and expertise in the field of corporate governance remains open to debate and controversy. Despite an abundant academic and professional literature, most studies on the "qualities" of board members, including their knowledge and expertise, refer to a relatively vague and all-embracing black box (Tremblay et al., 2016). Most important for our argument is the idea that valuable, rare, and unique knowledge being significant to board performance continues to have a strong rhetorical value both in professional and academic circles. For example, in providing guidelines to build "high performance boards", the Canadian Coalition for Good Governance (2013) insists to "ensure that directors are highly competent and bring the requisite knowledge and experience to the board". Could it be that a significant gap characterizes the high ambitions that expertise is claimed to play in the corporate boardroom, versus the type of thinking that actually develops within boards? As maintained by Gendron (2018, p. 7), "To what extent are board members characterized deficient in reflective skills? Are they socialized in ways that lead them to privilege technical and instrumental issues instead of devoting attention to ends and core assumptions? If so, how? […] What role do consultants play in constraining the mindset of board members?" The present study investigates such questions in the context of compensation committees (CCs) within publicly traded companies. It aims to provide a better understanding of the dynamics of knowledge and expertise in the boardroom by examining CC members' "limits to smartness" (Alvesson & Spicer, 2012, p. 1196).

Drawing on semi-structured interviews, mostly with CC members and compensation consultants, we mobilize the concept of *functional stupidity* (Alvesson & Spicer, 2012) to document and analyze the extent to which CC members are characterized with "inability and/or unwillingness to use cognitive and reflective capacities in anything other than narrow and circumspect ways" (Alvesson & Spicer, 2012, p. 1201). Overall, our findings indicate that CC members are disinclined to mobilize three key aspects of substantive thinking in the design of remuneration policies: challenging underlying assumptions and beliefs; requiring meaningful justification; and engaging in substantive reasoning. At a socio-organizational level, we found a form of "stupidity management" constraining critical thinking among the actors involved in the design of compensation policies.

By highlighting CC members' limits to smartness, our study aims to make some overlapping contributions. First, we cast doubt on a common field assumption that corporate governance practices operate mainly through the mobilization of rational capacities (as underlined, for instance, in agency theory). We do this by pointing out that CC members' lack of substantive thinking shapes board processes in great depth, the latter being characterized by the domination of instrumental thinking and the minimization of disruptive thinking.

Second, we wish to extend existing accounts of the functioning of CCs by relating functional stupidity dynamics surrounding committee work to a diffuse stupidity management network, which structurally orients and provides facilitating "conditions of possibility" for the logic of functional stupidity to operate in the boardroom, through the guise of instrumental reflexivity. In so doing, our study provides a distinct viewpoint to the literature on CCs, which has brought to the fore several sources of influence on CC processes: the interplay of cultural biases (Malsch et al., 2012); directors' political ideologies (Gupta & Wowak, 2017); and the narrative of the principal-agent relationship (Hermanson et al., 2012).

More generally, our study extends qualitative research on corporate governance, which persistently remains a very small fraction of the published work in the area (Atkins et al., 2021; Gendron, 2018). As such, our approach is consistent with McNulty et al.'s (2013, p. 183) conception of a key contribution that qualitative research can make to the domain of corporate governance: "Qualitative research provides a basis for rethinking and challenging some of the dominant assumptions and meanings about how governance actors and institutions actually function."

The manuscript is organized as follows. In the next section we introduce our theoretical lens centered on the notions of functional stupidity and stupidity management. We follow this by describing our strategy regarding data collection and analysis. Next, we present and discuss interview evidence. In our discussion, we particularly reflect on the possibility of re-enchanting CCs as a potential avenue to strengthen the role of substantive thinking in board processes and deliberations. In the final section, we present our conclusions and reflect on some of the main implications ensuing from our analysis.

2. THEORETICAL LENS

2.1 Functional Stupidity

In psychology and everyday life, stupidity is usually equated with some kind of mental deficiency. To be stupid is to suffer from a lack of intelligence, understanding, or reason (Ronell, 2002). However, to be stupid does not just involve a mental deficit. It also relates to one's ability or willingness to use or process knowledge. As observed by Alvesson and Spicer (2012, p. 1199): "[Stupidity] may not be due only to a lack of intelligence needed to process knowledge, but may be because of a fixation within problematic algorithms of thought or a lack of willingness to question one's own deeply held beliefs." Taking this perspective further, Alvesson and Spicer (2012) maintain that organizations are frequently affected by functional stupidity, in that organizational processes and operating activities are often characterized by the unwillingness or inability to mobilize three key aspects of substantive thinking: reflexive skepticism; meaningful justification; and substantive reasoning.

Lack of reflexive skepticism involves an inability or unwillingness to question knowledge claims and norms. Most often, individuals make sense of things through a practical and limited form of reflexivity, in which they do not call into question the dominant beliefs, expectations and practices surrounding their everyday lives (Giddens, 1990). Instead, they tend to be influenced by a constellation of tacit norms and rules, whose appropriateness is taken for granted. This lack of doubt involves the repression of the individual's capacities to scrutinize basic assumptions (Alvesson & Spicer, 2012).

Lack of justification involves actors not demanding or providing reasons and explanations for the course of their actions. Not requiring justifications translates into practices carried out and decisions made without significant critical examination. For example, organizational members may tend to adopt new practices with few robust reasons beyond the relatively simple presumption that they make the company "looks good" or that "others are doing it" (Alvesson, 2013). In other words, "refraining from asking for justification beyond managerial edict, tradition, or fashion, is a key aspect of functional stupidity" (Alvesson & Spicer 2012, p. 1200).

Lack of substantive reasoning "happens when cognitive resources are concentrated around a small set of concerns that are defined by a specific organizational, professional, or work logic. […] It involves the myopic mobilization of instrumental rationality focused on the achievement of a given end, and ignorance of the broader substantive questions about what that end actually is" (Alvesson & Spicer, 2012, p. 1200). Said differently, lack of substantive reasoning can be seen "as something related to [intellectual] shutdown, to closure" (Ronell, 2002, p. 70). For example, an audit partner may reduce a broad range of performance issues to measurable key performance indicators, thereby ignoring many of the more substantive issues around what those indicators represent in terms of underlying values and professional implications (Carter & Spence, 2014).

Before going further, it should be noted that despite the negative consequences ensuing from a lack of reflexive skepticism, justification and substantive reasoning, functional stupidity may generate some positive effects by reinforcing cohesion within the organization, providing a reassuring sense of certainty as well as a prominent set of behavioral referents. Also, functional stupidity, which often involves a strong form of instrumental and calculative intelligence, must be differentiated from pure stupidity. Instrumental intelligence and functional stupidity may co-exist and no one, including academics (Alvesson & Spicer, 2012; Malsch & Tessier, 2015), is immune to the influence of functional stupidity.

A rich body of work in organization theory acknowledges the limits to rationality and smartness in organizations. The concepts of bounded rationality (Simon, 1972), skilled incompetence (Argyris, 1986), foolishness (March, 2006), and ignorance (Ungar, 2008) can be viewed as illustrative of intelligence boundaries. However, these conceptual developments seem to tone down how issues of power may fuel and sustain the individual's disinclination to use intellectual resources (Alvesson & Spicer, 2012). Arguably, functional stupidity represents a creative conceptual development that goes beyond classic and dominant theoretical explanations of corporate governance processes, which tend to conceive of governance problems as a matter of socio-technical malfunction whose resolution merely implies some cognitive-oriented strategic answer, such as the inculcation of more knowledge, the injection of more talents, or the infusion of more resources (Cohen et al., 2010).

2.2 Stupidity Management

Functional stupidity does not operate in a socio-political vacuum. It overlaps the individual, organizational, and sociological domains. While functional stupidity is embedded in organizational members' ways of thinking, it is also sustained through the organization's structures or functional parameters. In other words, the organization may be understood as being involved in *stupidity management*. As well, the role of broader social norms in the process should not be downplayed. Therefore, stupidity management occurs when a broad range of actors, discourses, social norms, and organizational parameters seek to limit the exercise of individuals' substantive thinking (Alvesson & Spicer, 2012, p. 1204). This form of management implies the constraining of individuals' reflexivity, for instance by framing the processes through which they understand and relate to their environment. In practice, a vast range of actors, including peers, senior managers, top executives, consultants, auditors, and management gurus, may act as stupidity managers – yet stupidity management is also conveyed through non-human actants, such as organizational policies and broader cultural schemes.

Stupidity management relates to a broad and convoluted ambition, which is the management of consciousness (Alvesson & Spicer, 2012). This kind of management is undertaken by a diffuse and fluctuating network made up of peers, consultants, director institutes, and established norms and expectations – which collectively seek to foster instrumental reflexivity while dissuading reliance on critical thinking (Alvesson & Spicer, 2012). The established norms and expectations may include institutionalized stereotypes, indoctrinated kinds of "wisdom", preconceived receptivity to certain forms of expertise, and so on. From this perspective, "management" should not be viewed in a classic way, as a rational strategic apparatus operated by organizational managers through specific organizational parameters – but instead as a diffuse *dispositif* or apparatus (Power, 2013) operating quite often in a subtle way, aiming to shape individuals' minds so that they are inclined to think instrumentally (and not substantively). That is, day-to-day functional stupidity is contingent on the constitution of a peculiar socio-technical network of devices, a kind of infrastructure (Le Breton & Aggeri, 2020) that "orients" and "manages" individual thinking. The chief aim is to govern individuals' brains and bodies (Alawattage et al., 2019).

Functional stupidity is therefore exerted through human agency – but its operation is surrounded by a facilitating and orienting infrastructure, as represented through the concept of stupidity management. Alvesson and Spicer (2012) point out that stupidity management is underpinned through the constraining of meaningful communicative action within an organization or a group. Communicative action involves cooperation between individuals based upon mutual deliberation, inclusion, and argumentation (Scherer & Palazzo, 2007). It encourages actors to confront their ideas in a critical but respectful way, by thinking substantively, developing solid arguments, and engaging in substantial forms of reasoning. Thus, the logic of communicative action can be seen as being far removed from the logic of functional stupidity. Communicative action is constrained when "systematically distorted communication" (Alvesson & Spicer, 2012, p. 1204) prevents the emergence of constructive dialogues that allow decisions to be questioned, and the search for good reasons for accepting a truth or normative claim is denied (Malsch, 2013; Scherer & Palazzo, 2007). This implies that the constraining of communicative action privileges individuals' adherence to certain beliefs and practices while preventing individuals from viewing them critically (Deetz, 1992).

Discouraging critical thinking, therefore, implies a significant degree of "management" over individuals' choices and ways of thinking. In sum, examining functional stupidity in organizations involves the consideration of the broader socio-organizational infrastructure – which may be approached through the concept of stupidity management.

Thus, if Alvesson and Spicer (2012) are right, a range of corporate governance actors (i.e., directors, consultants, executives, and regulators) will be exposed, through a diffuse stupidity management infrastructure, to the logic and perils of functional stupidity. Drawing on the above theoretical developments, we predicate our analysis of the dynamics of expertise on the following questions. Do CC members demonstrate a significant lack of reflexive skepticism, justification, and substantive reasoning regarding how they represent the design of compensation policies? If so, how does stupidity management fuel and sustain CC members' disinclination to use such intellectual resources?

3. METHODS

Our data collection was conceived from a broad angle, aimed at developing a better understanding of processes taking place in CC meetings and how CC members come to be comfortable with the compensation they give to top executives. As is often the case in qualitative research (Patton, 2015), the specific focus of the present manuscript was not identified ex ante; it emerged in the process of analyzing the data. To carry out the investigation, we draw especially on a first round of semi-structured interviews, conducted in Canada between 2008 and 2010 (see Table 1). Semi-structured interviews are recognized to allow interviewees to express themselves in accordance with their own interpretive schemes (Malsch & Salterio, 2016) – which fit our intent to gather data from an in-depth approach. Some interviewees were individuals of our acquaintance while the others were identified either through publicly available information or suggestions made by key contacts. We targeted individuals with recent experience as CC members or who were likely to have meaningful observations to offer on CC dynamics (e.g., as consultants specializing in the executive compensation area). A sense of saturation led us to end the first round of our data collection after the 30th interview was completed (Malsch & Salterio, 2016). Although we should be cautious about aggregate interview numbers which necessarily downplay specifics (such as the nature of the investigation and the type of interviewees), our count of 30 interviews is relatively close to that reported in Dai et al. (2019), who show that the average number of interviews in interview-based accounting research, as published in seven journals from 2000 until 2014, is 26.

Table 1 – Interviewee characteristics (first round of interviews)

Date of interview	Interviewee[a]	Did the interviewee work as a public company CEO during her/his career?	Was the interviewee a member of a public company CC at the time of the interview?	Main current occupation	Number of boards at the time of the interview (public companies and private/not-for-profit organizations)[c]
April 2008	CC 1	No	Yes	Self-employed consultant	4
April 2008	CC 2	No	Yes	Senior manager of consulting firm	1
April 2008	CC 3	Yes	Yes	Corporate director	5
May 2008	CC 4	No	Yes	Lawyer	2
May 2008	Other 5	Yes	No	Corporate director	6
May 2008	CC 6	No	Yes	Corporate director	2
May 2008	CC 7	Yes	Yes	Corporate director	2
April 2008	CC 8	No	Yes	Senior manager in investment firm	4
May 2008	Other 9	No	No	Partner – consulting firm[b]	0
June 2008	CC 10	No	Yes	Consultant and corporate director	1
June 2008	CC 11	Yes	Yes	Corporate director	2
June 2008	CC 12	Yes	Yes	Corporate director	7
June 2008	Other 13	No	No	Partner – consulting firm[b]	0
June 2008	Other 14	No	No	Shareholder activist	1
June 2008	CC 15	Yes	Yes	Corporate director	4
June 2008	Other 16	Yes	No	Recently retired as vice-president human resources of a public company	1
July 2008	CC 17	No	Yes	Senior manager in public-sector organization	6
July 2008	CC 18	Yes	Yes	Senior advisor – law firm	1
August 2008	Other 19	No	No	Vice-president, pension fund organization	5
August 2008	Other 20	Yes	No	Senior manager in director association	3
August 2008	CC 21	Yes	Yes	Corporate director	6
August 2008	CC 22	No	Yes	Corporate director	6
September 2008	CC 21[d]	Yes	Yes	Corporate director	6
September 2008	CC 23	No	Yes	Consultant and corporate director	1
September 2008	CC 24	Yes	Yes	Corporate director	6
January 2010	Other 25	No	No	Senior consultant – consulting firm[b]	0
January 2010	Other 26	No	No	Senior consultant – consulting firm[b]	0
January 2010	Other 27	No	No	Principal – consulting firm[b]	0
January 2010	Other 28	No	No	Partner – consulting firm[b]	0
February 2010	Other 29	No	No	Partner – consulting firm[b]	0

a. Interviewees who were members of at least one public company CC at the time of the interview are designated "CC #". Interviewees who were not members of a public company CC at the time of the interview are designated "Other #".
b. These consultants specialize in human resource management and compensation.
c. These figures may be underestimated since some interviewees did not expand on their non-for-profit board experience.
d. CC 21 was interviewed twice.

One or two of the authors led all first-round interviews. We conducted all interviews face-to-face, except for one by telephone for convenience purposes. As indicated in Table 1, first-round interviewees included 17 individuals who were members of at least one publicly traded company CC at the time of the study; seven compensation consultants; one individual with significant experience as a corporate director (but not a member of a public company CC at the time of the interview); one shareholder activist; one former public company vice-president (human resources); one vice-president of an important pension fund; and one director association senior manager. Multiple directorships and significant boardroom experience are common among our set of participants.

To ensure the ongoing relevance of our material and our analysis, we also performed (in Canada) a second round of four additional interviews in 2018, including two with experienced compensation consultants that we already interviewed in 2008 ("Other 9" and "Other 13)" and two CC members sitting on the board of publicly traded companies (see Table 2). The second-round interviews indicated no significant changes with respect to the dynamics of the field of executive compensations and confirmed our initial analysis. The remaining part of this section describes key features of our first-round interviews – although the second-round interviews were carried out and analyzed in a way that is quite coherent with what we did regarding the initial interviews.

Table 2 – Interviewee characteristics (second round of interviews)

Date of interview	Interviewee[a]	Did the interviewee work as a public company CEO during her/his career?	Was the interviewee a member of a public company CC at the time of the interview?	Main current occupation	Number of boards at the time of the interview (public companies and private/not-for-profit organizations)[c]
September 2018	Other 9 - 2018[d]	No	No	Partner – consulting firm[b]	0
September 2018	Other 13 - 2018[d]	No	No	Partner – consulting firm[b]	0
October 2018	CC 30 - 2018	No	Yes	Corporate director	1
October 2018	CC 31 - 2018	No	Yes	Corporate director	2

a. Interviewees who were members of at least one public company CC at the time of the interview are designated "CC #". Interviewees who were not members of a public company CC at the time of the interview are designated "Other #".
b. These consultants specialize in human resource management and compensation.
c. These figures may be underestimated since some interviewees did not expand on their non-for-profit board experience.
d. To ensure the longitudinal relevance of our material and analysis, we re-interviewed Other 9 and Other 13 – whom we had initially interviewed in the first round of interviews (see Table 1).

As observed by Alvesson and Spicer (2012, p. 1215), a powerful way to capture functional stupidity involves:

> […] asking questions about doubt reflections, requirements for justification and experience, and talking about lack of meaning and purpose at work. Respondents could be asked probing questions about their own experience of meaningfulness and meaninglessness at work, and their efforts to critically and reflectively raise issues and initiate discussion. Respondents could also be asked for their opinions on whether their counterparts engage in reflection, critical questioning, request justifications, or protest at what is seen as irrational or unethical arrangements and acts.

Arguably, the numerous controversies surrounding the design and adoption of remuneration policies (and the corresponding critical views expressed in the public arena) provided us with a relevant setting to provoke respondents' thoughts and justifications on what is quite commonly perceived as "immoral" practices. This allowed us to constitute empirical evidence regarding the extent of functional stupidity at work.

More specifically, our first round of semi-structured interviews was guided by a series of themes to be discussed with the interviewee. The themes were identified ex ante, relying on our knowledge of the academic literature, and of the business press (including some prominent compensation "scandals" conveyed in press articles). We were also aware of some regulatory debates (e.g., that on say-on-pay) regarding executive compensation, in Canada and the USA. In order not to constrain overly the interviewee's flow of thoughts, we avoided an interview style in which the interviewer asks questions determined in advance, in a specific order. Empson (2018) highlights that senior interviewees tend to appreciate when their interview consists of a conversation; they complain when the interviewer slavishly follows a script. Among the most critical themes discussed in our first-round interviews was the relationship between executive compensation and performance. Other themes included: background information on professional career and board involvement; CC processes (formal processes, informal processes surrounding meetings, reliance on consultants, reliance on benchmarking); views on how CC members' comfort is built; independence of CCs; points of contention in CC meetings; views on the notion of fair compensation; CEOs' capacities; reactions to compensation scandals covered in the media; and views on compensation regulation, particularly regarding disclosure. Since most of the interviewees had extensive experience in compensation, we also focused the discussions on changes in their attitudes and practices over time. In most cases, we allowed participants to discuss these themes at length, asking questions consistent with their thought flow. Before the end of each interview, we ensured that we covered all the main items included in our list of predefined themes. The interviews lasted between 45 and 100 minutes. All interviews were transcribed.

We took several measures in seeking to ensure the trustworthiness of the interviews. The aim of trustworthiness in a qualitative inquiry is to ensure that the inquiry's findings are "worth paying attention to" (Lincoln & Guba, 1985, p. 290). Trustworthiness is a matter of internal consistency and confidence in how well data and processes of analysis address the intended focus. To make interviewees comfortable, we asked them for permission to record the interviews and informed them that their identity would be protected and that they would have the opportunity to verify the accuracy of their interview transcript and, if necessary, make any alterations.[1] Another critical issue for achieving trustworthiness has to do with showing meaningful quotations from the interview transcripts. We believe the interview excerpts we provide in the empirical section collectively establish the richness of the data we collected. Trustworthiness was also sustained through internal discussions, within the co-authorship, aiming to constitute interpretive agreement regarding the study's theorized storyline.

In terms of data analysis, we examined the interview transcripts using typical qualitative procedures, including coding of data and comparative analysis across transcripts. We used a coding scheme developed while reading the transcripts to enhance data sensitivity. The scheme comprised main themes and sub-themes. More specifically, one of the authors coded the transcripts, paying attention to manifest and latent content (Berg & Lune, 2012). After coding, he developed a conceptual matrix to group together, along every theme and sub-theme, all individual sentences that had been coded but were dispersed across the interview transcripts. The other two authors reviewed the conceptual matrix to make sure it resonated with their understanding of the interviews. As we found that the interviews often implied "a lack of reflexive skepticism, justification and substantive reasoning" when participants were seeking to make sense of activities surrounding CCs, we subsequently re-examined our interview material and conceptual matrix in light of our emerging focus on the dynamics of functional stupidity.

Drawing on Lincoln and Guba's (1985) methodological principles, we aimed to produce a persuasive storyline, which contributes to a broader conversation questioning prevalent views about corporate governance. Although the thread of interview-based evidence that we brought to the fore is one of the most dominant patterns in our dataset, it is not the only one, especially

[1] Eight interviewees provided a revised transcript. Only minor alterations were made to most of these transcripts. However, the length of one transcript was significantly reduced because of deleting anecdotal events or views that might have been construed as politically incorrect. We used only the modified transcripts when one had been provided by the interviewee.

since corporate governance in action is a multifaceted and convoluted phenomenon.[2] Ultimately, we believe that the findings articulated below are sufficiently grounded in the empirics to be considered seriously.

4. ANALYSIS

4.1 Functional Stupidity in the Boardroom

Our analysis suggests that despite being instrumentally reflexive (i.e., being focused on means and problem solving), CC members lacked substantive reflexivity, as they were not inclined to cast doubt on the basic assumptions of established practices and question the ends of the decisions they make. In other words, CC members tend to constrain their thinking to "technical" forms of reflection – not deeper reflexivity. For instance, when being confronted with criticism against excessive executive remuneration, CC members refrained from engaging in critical examination. Also, while the main ends of remuneration policies remain narrowly centered around the objectives of increasing firm's performance and creating shareholder value, broader social considerations are noticeably absent from CC members' viewpoints. It can, therefore, be maintained that functional stupidity operates as a powerful constraining mechanism in CC settings. By being disinclined to contemplate the design of remuneration policies beyond calculative thinking, CC members detach their decisions from a sense of responsibility in relation to situations that diverse stakeholders consider as controversial remuneration packages, thereby preventing alternative forms of thinking from emerging.

4.1.1 Inclination toward instrumental reflexivity

In his seminal work on the reflexive practitioner, Schön (1983) views reflexivity as a means of examining situational requirements and of connecting the theoretical ideas held by a practitioner with the objective conditions of the environment. We maintain this process involves instrumental reflexivity as practitioners develop, in action, understanding by drawing on cumulative personal and organizational knowledge and engaging in a dynamic conversation with the situation in which they are specifically involved. Instrumental reflexivity incorporates, therefore, an experimental logic of exploration, move testing and hypothesis testing (Schön, 1983, p. 147), as a means of creating a meaningful match between practitioners' knowledge and their situational conditions. Instrumental reflexivity focuses on accomplishing a task in a functional way, including those complex tasks that necessitate technical judgment – i.e., which is bounded to the domain of means. Deeper questions about the ends of the task are outside of the purview of instrumental reflexivity.

Our interviews indicate that CC members possess a high level of instrumental reflexivity as they represent the field of executive compensation as a changing reality requiring reliance on established protocols and judgment. CC members recognize the increasing complexity of their role and do not seek to minimize the numerous challenges surrounding the design of compensation policies. On the contrary, their diagnoses emphasize the need to adapt to difficult situations by developing and exploring new practical possibilities to match their fundamental objective, which is to limit "compensation to the maximum amount that has to be paid in order to achieve incremental value for the shareholder" (CC 18). This is viewed as a complex endeavor given the unsteady regulatory framework and volatile market conditions underlying the design of executive remuneration:

[2] Since richness is one of the key strengths of interview data (Patton 2015), it is not unusual to find different qualitative research papers being predicated on the same database, with each paper examining the data in accordance with a peculiar perspective (Glaser, 1962; Heaton, 2004). Accordingly, two other articles are derived from this research project. Although these other articles share data with the present one, each of them approaches the work of CCs from a very distinct angle.

> Compensation work has become much more complex and disclosure [...] has been much, much more thorough. […] Our methods, our systems have become more complicated, you know, with a mixture of salary, incentive bonus, stock options and restricted stock, looking at vesting periods that are longer. It has become a more complicated task in the last couple of years than it would have been years before. […] I have seen more changes in the last two years than I've seen in the previous 18 out of 20 years. (CC 17)

> [Executive remuneration] is an enormously complicated subject as we all know. And it's mind boggling. […] There's the audit committee, the risk management committee, and the compensation committee. And it used to be that the one to avoid, given the complexities involved, was the audit committee. Now the one to avoid is the compensation committee. The compensation committee relates to the interpersonal relationships between the directors and the CEO. This is bloody messy. (CC 24)

Our interviews show that CC members' sense of instrumental reflexivity is sustained through the belief in their ability to apply business acumen to situational conditions. As illustrated in the following quotes, CC members tend to construct and develop remuneration policies by moving back and forth between acquired professional experience and the specific situation under consideration:

> Effective directors especially possess two skills, physical and mental availability, and business experience. The latter skill is paramount; experience is one of the hallmarks of the best directors I have met. It helps extensively when a director already went through a problem similar to a current problem confronting the committee. […] Hence experienced directors will extensively rely on and adapt their experience to the company they serve. (CC 7)

> I think very generally wisdom and judgment [are required]. And I think that's afforded by some degree of involvement in commercial life so that one is not naïve with respect to what one must do to reward people in today's society and what are the appropriate methods for doing that consistent with the integrity of your [specific] organization. (CC 17)

Through such statements a sense of confidence in dealing with the intricacies of executive compensation emerges. Yet, several participants were also keen to recognize the complexities (and underlying uncertainties) of corporate governance practices. Many of them underlined the necessity to avoid the application of rigid rules while recognizing the importance of taking context into account in the compensation issues they needed to deal with. However, such questioning is not aimed at challenging the normative assumptions underlying remuneration practices, but rather at making sure that the latter are maintained in accordance with what is viewed as best practices. For instance, in the following quote, the interviewee attributes enduring problems in applying compensation-determination protocols to some vague invocation of human nature – as if those problems were unsolvable and outside the jurisdiction of CC members:

> In the last several years, we reached a peak in the [professional] literature on corporate governance. Best practices have been developed and disseminated, and

> everyone knows them and what board members should do in terms of healthy corporate governance practices. As a result, corporate governance should run smoothly everywhere. Nonetheless, why do we continue to see corporate governance problems? It's because of human nature. (CC 3)

In summary, our analysis indicates that CC members operate through instrumental reflexivity. They theorize expertise as essential to confront, discuss and overcome the web of complexities surrounding executive remuneration. Their sense of reflexivity is predicated on conformity to formal protocols, whose articulation in the domain of practice cannot be entirely predetermined – therefore necessitating the mobilization of judgment and interpersonal skills, such as business insight and boldness in technically challenging the executives. As a result, a vast field of intervention is opened to committee members, whose role is to maneuver flexibly and reflexively in a professional setting filled with pragmatic problems to resolve. Quite often, members mentioned that despite the difficulties characterizing their mandate, they are quite confident in their abilities to overcome them and discharge their responsibilities appropriately. Yet, our interviews do not point to a sense of over self-confidence in CC members' effectiveness. CC members acknowledge the complexity of their environment, are relatively skeptical of official universal rules and codes of conduct (which they believe always need to be adapted to their organization's specific situations) and are willing to explore different ways of addressing the technical issues they face. As specified by one of our participants:

> One of the main duties of the board is to hire, evaluate, compensate, and fire the CEO. How can we do it? It's definitively not a question that we should treat lightly. Compensation committee members *need to reflect* on the processes by which they will meet their fundamental duties. (Other 5 – our emphasis)

We argue that CC members' massive adhesion to instrumental reflexivity provides a significant platform for functional stupidity to operate. As shown below, their deeper reflexivity seems to be significantly constrained. That is, the scope of their mindset is not conducive to questioning the social value of CEO compensation, but is generally oriented toward the justification of self-convincing rationales regarding, notably, the salary gap between executives and average workers.

4.1.2 Disinclination toward substantive reflexivity

While instrumental reflexivity can form a sound basis for effective problem solving (Schön, 1983), this epistemological stance does not imply that practitioners and directors will tend to question the ends and relevance of their practices. This kind of questioning involves a deeper engagement in terms of reflexivity, which can be defined as the unsettling of the "basic assumptions, discourse and practices used in describing reality" (Pollner, 1991, p. 370).

Instrumental reasoning does not question the assumptions underlying actions. In contrast, substantive reflexivity is concerned with understanding the foundations of our thinking by opening ourselves to the hidden nature of truth. It means "engaging in the reflexive act of questioning the basis of our thinking, surfacing the taken-for-granted rules underlying organizational decisions, and examining critically our own practices and ways of relating with others" (Cunliffe & Jun, 2005, p. 227). From this perspective, self-reflexive individuals aim to go beyond the comfort and predictability ensuing from routine work and problem solving.

Our empirical material indicates that the market rhetoric provides an influential framework permeating CC members' sense of instrumental reflexivity, allowing them to ignore, discard, or mitigate the deeper social and morality concerns provoked by controversial executive compensation. While some criticisms against the prevalence of some widely used procedures and policies are found in some interviews, in most of them the market logic is mobilized in ways that prevent the legitimacy of remuneration policies from being seriously questioned. For example, in the following quotes, the interviewees invoke market wisdom as a protective shell against criticisms pointing to excessive compensation packages:

> A house bought for $100,000 in 1982 was worth $250,000 in 1987. Was this a scandal? No, it was the outcome of the market. It's the same line of thinking for stock options. The market is responsible for the increase in CEO compensation through stock options – not a lack of ethics. […] The market is behind all of the apparent cases of over-compensation. The two guys who created Google 15 years ago in their garage are now worth $25 billion each. Even though some people may claim that this does not make any sense, the reality is that markets decide. […] You know, because these processes are mediated by the market, there is nothing wrong in seeing a compensation committee in China approving hourly-rate payments of two cents for staff while the CEO and stockholders collect huge profit. (CC 3)

> One of the big myths is that CEO pay runs rampantly out of control. Yet that doesn't do that at all, it hardly moves. A new CEO who is appointed, particularly when he's promoted into the top, sure his remuneration goes up. You know, he gets the job, he's paid probably [brief silence]. Well, typically, we would encourage, go up to the low side of the CEO market, so if it is a $10 million market, that person can start at $7.5 million or $8 million or $8.5 million, or whatever it is, and in the next few years it will jump up. After that, you know, it is pretty much flatlines. There has been very limited moves sort of generally up in CEO pay. And it's because of this there's more of a balancing and more of an equilibrium. (Other 9 - 2018)

Through this line of reasoning, which is highly influential in our interviews, markets are presumed to be endowed with intelligence and sagacity, being able to balance supply and demand in an effective, efficient, and socially acceptable way. As a result, any tricky ethical concern regarding the inappropriateness of CEO compensation can be disregarded expediently and with simplicity. Market wisdom is especially sustained through the practice of benchmarking, in that committees often feel the urge to be abreast of what competitors and comparable companies are doing in terms of compensation policy. One interviewee, for instance, stressed that a key principle in setting remuneration is to check compensation offered by comparable companies in the market.

Arguably, the primacy of benchmarking practices and members' faith in the virtue of the market are consequent with one central aspect of functional stupidity, namely, the lack of meaningful justification for one's position. CC members' critical thinking appears to be inhibited by a form of veneration toward market sagacity and comparative analyses which, it seems, straightforwardly make things look good and legitimate. As pointed out by Ogden and Watson (2008), most committees actively seek information on what others are doing, as if others' behaviors and actions are necessarily correct and rightful, determined by imperturbable and ethically impartial market forces. Somehow, the limitations of instrumental reflexivity escape from view and are subsumed under a macro and impersonal perspective, as if markets are autonomous and not socially constituted (Callon, 2009), thus rendering the mobilization of deeper reflexivity as a driving force for social change largely irrelevant. Lack of deep reflexivity and lack of justification fundamentally intertwine.

As the following quote illustrates, instrumental reflexivity operates using some weak analogies and intellectual shortcuts that CC members employ, thereby denying what others commonly view as controversial remuneration policies. The simplicity of this rhetoric stands in deep contrast with the claim of remuneration policies being increasingly complex:

> We look at the kind of guy that we need as CEO. If we need a first-base player, then the market will tell us how much to pay for it. We don't have much leeway since we have to offer a compensation package that is in line with the market. (CC 1)

The abundant use of colorful analogies and metaphors by participants – many of them comparing the selection and remuneration of top executives with practices in the field of sport or in the context of movie stars – is not a trivial pattern. In this respect, the kind of metaphoric thinking employed by CC members to portray CEOs as "baseball players" or "racing cars" is indicative of a lack of substantive reasoning, being in line with an economy of symbolic persuasion that involves the crafting of attractive images and the artificial engineering of grandiose representations (Alvesson, 2013).

Another prominent pattern in our interviews is lack of substantive reflexivity being promoted through CC members' tendencies to focus on very narrow indicators of performance. For example, in the following extracts, by considering the creation of shareholder value as the main, if not exclusive, end of a CEO's mission the interviewees see no reason to fix a cap for executive compensation in absolute value as long as its relative value remains reasonable in comparison to the wealth that has been "produced" for shareholders:

> A number of people were highly critical of the $150,000,000 that Robert Gratton [CEO of Power Financial Corporation] received through stock options. But when we look at the context in which these options were originally granted, it's clear that Gratton was subsequently highly successful, being one of the greatest consolidators of the life insurance industry. He's the one at the origin of the acquisition of Canada Life and London Life. Ex ante, we never would have guessed that with this kind of guy, the stocks of the company would increase that much in value. True; he was granted stock options. Yet, what added value did the stockholder receive because of Gratton's work? If my memory is right, Gratton received 0.80% of the incremental value that stockholders received during this time. So what? As a stockholder, I'm ready to pay anything and anyone for 0.80% of my incremental value. (CC 15)

> When Peter Godsoe retired from the Bank of Nova Scotia, for ten years he delivered a 15 plus compound rate of return to the shareholders. I mean, he presided over the delivering of a 15 percent compound rate of return to the shareholders, which is extraordinary by any standards. Do I resent that amount of money as a shareholder? No. I mean, what the hell. So, Peter went home with 138 million bucks. (CC 24)

Unsurprisingly, lack of substantive reasoning comes in most of our interviews with an almost entire absence of empathy or effort to make sense of remuneration policies from an ethical sense of responsibility in relation to others. By and large, "others" (Shearer, 2002) and the external moral community of firms' stakeholders are non-existent within CC members' reasoning schemes. The following extract provides a striking illustration of unwillingness to consider executive remuneration under a broader angle of accountability:

> I don't want to know how many times is Laurent Beaudoin's [CEO of Bombardier] compensation as compared with the wages of Bombardier's average employee. I

> just want to make sure he did a good job and that he's paid along the market. This is the same rationale I have to see if an administrative assistant and the guy in charge of tool maintenance are fairly paid. (CC 12)

In this quote, the participant seems to leave no room for doubt or critique to emerge. S/he exemplifies Alvesson and Spicer's definition and understanding of functional stupidity by showing a high sense of intellectual closure and being categorically disinclined to mobilize her/his thinking abilities to produce a more substantive form of reasoning in relation to the broader social context.

In summary, our analysis indicates that by diffusing along waves of market-based comparative isomorphism in the field, instrumental thinking and metaphorical simplifications can make remuneration practices quite insensitive to ethical or social concerns. CC members limit their reflexivity when time comes to analyze social realities. As a result, CCs end up losing touch with the common perceptions of ordinary people. Furthermore, by marginalizing doubts and critical questioning, functional stupidity allows a relatively coherent self-narrative of effectiveness to emerge within CCs, generating a high sense of confidence in the role and actions of CC members – especially when the latter carry out state-of-the-art instrumental reflexivity.

The spread of instrumental reflexivity and the peripheralization of substantive reflexivity are not neutral and natural processes. As shown below, the deployment of functional stupidity in CCs involves a type of management aimed at constraining directors' attempt to confront ideas in a critical way, develop solid justifications, and engage in substantial forms of reasoning.

4.2 Stupidity Management within the Boardroom

What socio-organizational devices or patterns strengthen the development of functional stupidity within CC members? Our data do not indicate that any specific prominent organizational parameter plays a key distinctive role as stupidity management device. Instead, we bring some light on a broad socio-technical network which encourages adherence to certain beliefs and practices while dissuading reliance on critical thinking (Alvesson & Spicer, 2012). Specifically, we discuss the role of several stupidity management devices: constraining stereotypes, indoctrination in the sanctity of market wisdom, preconceived receptivity to consultants' role, and fascination with the leadership identity surrounding CEOs and consultants. These structural devices arguably belong to a management apparatus that develops and maintains a set of conduits, in everyday undertakings, for functional stupidity to operate in diverse ways.

4.2.1 Stereotypes in support of instrumental reflexivity

Annual general meetings, where board decisions can be exposed, debated, and criticized publicly, are often understood as constituting a central element of shareholder democracy and a relevant setting for communicative action to develop (Malsch, 2013), at least in principle.[3] At the time of our first round of interviews, the recent generalization of non-binding "say-on-pay" was reinforcing the significance of the annual general meeting by requiring CCs to present the content of their recommended remuneration policies, thus allowing demands for change in the existing allocation of controversial executive benefits and privileges to be voiced.[4] By and

[3] Some recent studies bring to the fore limitations preventing such meetings from playing a meaningful role, beyond symbolism (Bamber & Abraham, 2020; Johed & Catasús, 2018).
[4] The say-on-pay mechanism enables shareholders in an increasing number of jurisdictions to vote in an advisory capacity on the content of compensation policies.

large, most interviewees nonetheless viewed say-on-pay initiatives negatively, as a threat hanging over their decision autonomy:

> Say-on-pay is too risky. It's the committee that has the ability to understand pay, to ensure its competitiveness, and to see if we've got the best possible strategy at a board level to make sure we have the best value executives. (CC 11)

> Shareholders clearly don't have the necessary information, skill or market research to make a judgment. If they say that a given CEO should earn so much, what will they base their judgment on? The little lady there… because now it's only old people who turn up at annual shareholder meetings – they come for a free lunch – they're good people, I don't want you to think I'm denigrating them, but they can't make an informed judgment. (CC 12)

The last excerpt relates to the influence of stereotypes in constraining CC members' capacity to engage in substantive reflexivity. The haughty comment about "the little lady" arguably prevents the CC member from engaging in critical thinking as the member is likely to have difficulties in putting her/himself in small investors' shoes. The presumption is that CC members are the ones who know what fair compensation is and how to determine it – consistent with Alvesson and Spicer's point about lack of reflexivity.

4.2.2 Indoctrination in the sanctity of market wisdom

According to our analysis, latent and indirect threats from the unassailable "market" strongly impact CC members' ways of thinking and doing and, in turn, constrain their ability to be critically reflexive. Several studies on the matter (Malsch et al., 2012; Ogden & Watson, 2008) indicate that one major inflationary pressure weighing on executive compensation involves the regulatory disclosure of information enabling the creation of a market in which executives comparing their level of compensation demand significant pay rises – an implacable market logic that committees find it difficult to resist:[5]

> So, when the publication of compensation was announced, the then Chief Executive Officer of one of the major banks said to me: "I'll tell you what's going to happen. When my board sees how little I am paid relative to what the Chief Executive Officers of the other institutions are going to be paid, they're not only going to give me a huge increase in salary; they will ask me to take a retroactive pay raise so that they can publish in the annual report an amount that was greater than the amount that I actually received last year". (CC 18)

This excerpt provides a view of the almost mechanical spiral of wage inflation. However, most important for our argument, is that the committee appears to have acted in favor of the interests of the CEO without the slightest trace of undue pressure, simply by anticipating the "threat" posed by the disclosure of information indicating that the CEO's pay was not in line with the market. We found indications of this tendency in many interviews. As shown in the quote below, when faced with the dictates of the market, the CC is believed to have very few cards to play in dealing with management, and is often limited to just one that can be raised during collective deliberation between directors – choosing between different pay quartiles:

[5] To respond to complaints over executive compensation having become excessive, compensation disclosure rules were adopted in 1992 by the US Securities and Exchange Commission (Cioppa, 2006). These rules require the disclosure of the remuneration paid to each of the five highest paid executives in the firm. Similar regulation was subsequently introduced in Canada.

> I would say that the basic structure [of compensation policies] I've seen everywhere is to look for a comparative system with the target open to different CEOs with comparable roles, then with a system of adjustment, where there are differences in the size of firms and the responsibilities of the CEO. If a company is completely public or has a majority shareholder, adjustments will happen. So that when you're on a human resources committee, a table will be presented showing that comparisons were made with 10, 15, 20 or 30 organizations. Here's where the median is, here's the first, the third quartile. (CC 11)

Overall, our data points to CC members' indoctrination toward the sanctity of market wisdom. Comparisons are made procedurally to ensure that the remuneration of the company's CEO is in line with what is perceived objectively as "the market", without any questioning on whether following the market is ethical or socially preferable. Market wisdom constitutes one key element of the stupidity management apparatus surrounding CC members and their practices.

4.2.3 Receptivity to consultants' involvement

Faced with increasingly difficult issues and sophisticated techniques to be considered, CC members highlight the central role played by compensation consultants as the main suppliers of the market intelligence they need to sustain their instrumental thinking and be "liberated" from deeper involvement:

> Consulting firms are big. They have databases or surveys at their disposal which precisely establish remuneration quartiles. Through this data consultants are able to conclude that a company with $500,000,000 revenue, in the manufacturing sector, should have its CEO given a compensation base within a bracket between $x and $y. Her/his variable pay should be between a% and b% of the compensation base. The database will also indicate whether or not the CEO should be granted stock options. (CC 2)

> I think there are a lot of people who rely very heavily on consultants, on advice, groups, networks, whatever it is. The consulting and professional service firms frequently run conferences in the direction of remuneration, you know, there's an awful lot of it about. So, you know, spending on counseling has probably increased. The willingness to do something different or unusual, in compensation committees, has probably decreased. (CC 31 - 2018)

While the degree of influence may vary from one committee to another, our participants describe most of their committees as being "consultant dependent". As a result, if we consider that coercing people's behavior involves the possession and the use of resources upon which others depend (McNulty et al., 2011), the way CC members perceive their own reliance on the expertise of consultants can be interpreted as a disinclination to engage in substantive and critical thinking – as members perceptually consider consultants as a prime soothing device. Our point is that CC members' dependency on consultants may decrease members' ability and motivation to engage substantially with remuneration practices.

We found that CC members are particularly skilled at rationalizing their reliance on consultants. CC members, often invoking the evolution of "best practices" (Bender, 2011), recognize the need for the committee to recruit its own compensation consultants to ensure greater independence and loyalty:

> I think there's a salutary transition going on in this area and that is, at least it's not the same great big firm like Mercer, who is both consultant to the CEO and the vice-president of human resources on executive compensation, but also earns huge fees out of half a dozen other things involving human resources more generally.[6] (CC 21)

> There are a few of [compensation consultants] around who will do nothing but serve committees and boards, not management. We use now a fellow who previously worked for Mercer. He's ready to acknowledge his sinful past, but he knows where the bodies are buried, as he says. (CC 22)

In sum, we found that the executive compensation setting is open to the influence of occupations claiming specialized knowledge and know-how in maneuvering effectively and efficiently through the instrumental maze of compensation issues. As the airing of problems and critique is severely inhibited by consultants' encouragement to think inside the dominant norms underlying the manufacture of compensation policies, CC members' capacity to engage in critical reflection may, therefore, be significantly reduced. Consultants therefore constitute a key element in the stupidity management apparatus surrounding CC members' reflexivity.

4.2.4 Receptivity to consultants' staging

We found the role of consultants was not confined to specific deliberations in CC meetings. Consultants' involvement extended to the ability to define the range of issues that can be subject to decisions (Alvesson & Spicer, 2012):

> So, not all the time, but sometimes before the mailing is done, management, and if we're retained, us, we'll speak with the chair of the committee about topics that will be discussed at the meeting, so we have a bit of a back and forth with the chair. And when that happens, the chair usually has a pretty good picture of what's happening and what are the potential issues before going to the meeting. Which makes the meeting a lot easier to go to, and from my point of view it's a good process to follow. (Other 13 - 2018)

This implies that stupidity management encompasses the capacity to frame what can and cannot be raised during deliberations, meetings and informal encounters surrounding the design of compensation policies.

As a starting point for understanding the role of framing, several interviewees highlighted that consensus is relatively easy to achieve in CC meetings:

> We have a serious discussion on every item on the agenda. Each member will express their view. It's quite rare that we don't achieve consensus since reasonable persons tend to understand one another. (CC 1)

> We tend to agree quite swiftly on the objectives, both among CC members and with the CEO. The two parties reciprocally feel that they genuinely aim to strengthen the company, not necessarily hitting the opponent on the head. When such a collaborative atmosphere prevails, the discussion is much open in meetings. (CC 5)

Yet, we need to remember that prior to specific deliberations in meetings aiming to reach consensus, CC members fundamentally feel a high level of insecurity, therefore paving

[6] Mercer is a large consulting firm providing human relations and financial services. As of October 2022, the firm reportedly employed more than 25,000 individuals, serving clients in over 130 countries.

the way for consultants feeling empowered to intervene and manipulate purposefully the agenda of discussion – in ways that make it more difficult for CC members to express critical thinking. The consultants can modify the quantity of information they communicate, instill the fear of looking stupid, and pressure directors to make important decisions in a short amount of time. The extent to which consultants feel empowered to intervene is a central feature of the following excerpts – therefore implying that CC members are unlikely to feel comfortable in questioning the basics of the consultants' sage advice and recommended protocols:

> These days, compensation is a complex matter. Committee members who read about it probably don't understand much and, what's more, they don't have the time. They come to the meeting […], then the proposal is made, then [the chair says]: "Are there any questions? No, ok, next". If you read the documents the day before and you didn't understand much, you don't want to look silly, you don't want to say to someone: "I didn't understand a thing". It's often like that, you know, the kind of people who sit on committees, they're meant to be experts – well they're not experts at all. They never ask any questions. [Laughter] What a pity. (Other 9)

> They sit on boards, they're on human resource or compensation committees, but they don't know much about it all. […] In some cases, it's unbelievable. […] Sometimes you turn up and there are people there who don't understand a thing. […] It shows their inability to make decisions or judge situations. It's very flattering for the consultant when s/he is empowered to express a strong voice over these decisions and situations, but in some cases, I feel like Pope Benedict XVI. (Other 13)

> Now, if you look at the members, what is sometimes challenging is that often management and often even us do not speak to the other members before the meeting. And so these guys have received a big deck of documents, and they go to meetings and sometimes they're very complicated and you cannot really understand everything without speaking with someone before. And you get to a meeting and the member has to approve something, and they ask questions. You can see in meetings. Like some members you feel like they don't fully understand, but they feel like they need to say yes and approve because the chair is saying "yeah, I've reviewed this and it's good", and so everybody says yes. There's that feeling that this is happening. (Other 13 - 2018)

Those comments point to a hierarchy of expertise taking shape around the CCs, where consultants (and to some extent CC chairpersons) are clearly showcased as being in control of knowledge required to address properly the web of uncertainty surrounding the determination of executive compensation. This characterizes a setting whose climate is not conducive to deeper and critical reflexivity from the part of CC members.

4.2.5 Fascination with leadership

Stupidity management can threaten processes of communicative action by propagating broader ideological frameworks that define and standardize the role of certain players in the organization's environment (Alvesson & Spicer, 2012). A powerful way by which stupidity management is exerted is through the spread of particular subject positions or identities (Alvesson & Spicer, 2012). An excellent example relates to the propagation of the subject position of "leader" – and its corollary of "the follower" (Alvesson & Spicer, 2012). "Leadership" is one of the most influential referents in the domain of management (Francoeur & Paillé, 2018). As stressed by Alvesson (2013), leadership discourse tends to be diffused through grandiose claims which, in the field, may not translate into any substantive impact on organizational behavior.

Our empirical material highlights three main "subject positions" of leader embodying broader ideological views that tend to marginalize the use of critical thinking during CC meetings. The first subject position involves the charismatic leadership allegedly exerted by top executives over CC members. In our interviews, the dominating charisma of a number of executives was justified by their "extraordinary" qualities. These CEOs were viewed as endowed with supernatural, superhuman or at least exceptional abilities:

> People said that Carbonneau [coach of Montréal Canadiens hockey team] would fail but he managed to win the 2007-2008 season of the National Hockey League. How? We don't know what happened in the players' room, but previously conflict prevailed in the team and the players were complaining all the time. They were like school children. So something happened. There was a leader who must have done something at some point. It's the same thing when you want to distinguish good CEOs from not so good CEOs. It's their leadership skills that count. It's their vision, their way of managing things. Their skill is what moves you forward. (CC 13)

In this excerpt, the interviewee follows and recognizes the extraordinary qualities of a flesh-and-blood individual – namely Guy Carbonneau. The qualities of such individuals are so extraordinary that they almost defy description. Leadership is esoterically defined as the culmination of a miracle in the locker room, justifying the high level of compensation. Our point is that the recognition of the charismatic virtues of top executives threatens CC members' capacities to engage in substantive reasoning. As long as members believe in CEOs' superordinate qualities, the effects of charisma will manifest in committee deliberations, thus affecting how issues of corporate performance and societal expectations are interpreted and taken into account.

The second subject position that emerges from our interviews is linked to the leadership exerted by consultants. As already documented, the expertise of consultants is often seen as an obligatory passage point in CC processes and deliberations, with consultant involvement being widely endorsed and rationalized within the community. Thus, many committee members, especially those who feel under uncertainty, are willing to submit to the authority of consultants provided that the latter show some indications, at least on surface, of their trustworthiness. Submission implies the constraining of one's substantive reflexivity – as the individual is then not inclined to engage in a thorough questioning of specific situations handled by the committee.

In the following excerpts, CC members' veneration vis-à-vis consultant leadership relates to their (presumed) ability to collect, homogenize, and translate the information at their disposal in a comparable and objective way:

> We're saying [to our consultant], "We need the benefit of your wisdom on this and we need to know the pitfalls, we need to know the advantages, the disadvantages, and we need to tap into your creativity, because you see a whole lot more plan designs than we would see and we want you to be able to bring to us the best practices that you see". (CC 23)

> If [consultants] have built up an appropriate database, they have a lot of numbers across an industry or even across business more generally, that allows a committee to compare in a fairly objective way with other companies. I think that's of value. (CC 21)

The two quotes represent CC members as “true followers” (Alvesson & Spicer, 2012), relying heavily on consultant’s leadership to engage in thinking and decision-making, therefore self-restricting their intellectual activities. As shown in the following quote, compensation consultants are also well aware of their role as knowledge brokers in providing “perspectives” to the board:

> So, we seem to be particularly attractive to the investment community. In the U.S. we’ve enjoyed quite a lot of success working with sometimes fairly good-sized public companies. Where there is a relationship investor or a private equity firm, which is very influential, they probably have seats on the board. You know, they’re more comfortable with us than someone that would have been introduced by management. That would be a pretty good example. It’s not per se independence that they’re worried about, they sort of presume that. They’re more [brief silence], it’s perspective I would say that they’re looking for. (Other 9 - 2018)

The third personalized subject position that we observed involves the (alleged) leadership exerted by several CC members. This leadership is sometimes mobilized through the “voice” of experience when a complex situation is addressed – as highlighted in the next excerpt:

> At the last committee, the CEO raised an extremely difficult issue: “My investment people defined their objectives in December 2007 and the market crashed in the first quarter of 2008. So there won’t be any bonuses at the end of the year. But I don’t want to demotivate my people”. For 45 minutes, no one expressed an opinion. We asked questions: what happens if? Why are you doing that? Why are you suggesting that? Did you think about this? What you could hear around the table was the voice of experience. Then, after an hour-long discussion, the CEO said: “I suggest this”. It wasn’t what he initially had in mind. He said: “I suggest this. Do you agree?” We all said: “Yes”. So that’s the best example of the contribution of an experienced committee. (CC 7)

Although we are not provided with detail of the specific questions asked by CC members, we may assume that members’ instrumental thinking was involved significantly. Intriguingly, the kind of leadership which is the most venerated within the CC is that of CC members with CEO experience. Accordingly,

> Our committee is composed of people who have been CEOs. All four have worked as CEOs. When it comes to executive pay, we know all about it; we’ve experienced it. We know about the role of a CEO. So, we’re comfortable with it all. (CC 7)

The underlying belief is that former CEOs know how to maneuver in the executive compensation realm. This type of knowledge reportedly engenders feelings of empathy, thereby consolidating the influence of CEO power through a form of cultural and professional complicity that may numb CC members’ critical reflexivity. Experience as a former CEO is not merely evidence of being aware of the intricacies of executive compensation, it also indicates that a CC member formerly received, in a more or less distant past, significant amounts of money on the grounds that CEO positions are inherently challenging. Thus, members can empathize with an executive incriminated either for failing to achieve their targets or for receiving extravagant compensation packages:

> An executive's job is a pig's job, I've done it and I know what I'm talking about. It's a stressful job. They're well-paid jobs, but the life expectancy of a CEO is relatively short. Look at the lifespan of CEOs now, if you compare trends over the last 15 years. I was a CEO for 12 years while my successor lasted four years. Then another one came in, the new guy – he got hammered by the asset-backed commercial papers. You know, they're difficult jobs. So you have to pay people a lot. (CC 7)

While empathy may be particularly helpful in creating comfort in the committee, from a critical perspective, an empathic climate may produce a fictitious impression of genuine deliberation and allow functional stupidity to operate quietly. Empathic climate may sustain the self-referential reproduction of CC members disinclined to challenge the demands of executives.

Note that the dominance of instrumental thinking as buttressed by members' fascination for the leadership of executives and consultants does not imply that CCs are powerless in terms of reacting against top management when a contentious issue develops. Instrumental thinking can act upon arguments that are instrumentally incoherent. The following excerpt illustrates the matter:

> I was in a company in the timber industry. We had decided to award a bonus if the company broke even on the investment. The argument of the CEO was this: "Listen, the industry is in the worst state it can possibly be". I answered, "I understand, but do you want me to give you a bonus because you got no return on investment? The truth is that your industry is in the doldrums. I'll give you a basic salary because you need to eat. But I won't give you a bonus if you don't make any money." We voted. I think that on that occasion, in all modesty, I probably influenced the majority vote in my favor. (CC 12)

Our point, instead, is that CC members' thinking is surrounded by an infrastructure of stupidity management that subtly orients members' reflexivity toward instrumentality – while pushing deep, substantive thinking to the periphery. Members' fascination with preconceived ideas regarding leadership may play a primary role in limiting thinking – so that the field of questioning and intervention in which CC members are involved is one of instrumentalization, where deep-level questions are unlikely to be asked and acted upon. Substantive reflexivity is not a frequent hallmark of CC members' role, as indicated by our interviews.

Thus, when faced with the sanctity of market wisdom and the prestige associated with the CEO and consultant roles, CC members' substantive reflexivity is likely to be restricted. What emerges, then, is a series of involvement and interventions characterized with instrumental reflexivity. In so doing, members refrain from questioning the ethical or moral nature of some of the key issues they oversee and arbitrate. Members' assessment of the risks and issues associated with compensation policy design is often reduced to an instrumental examination involving benchmarking data as provided by consultants whose leadership is deeply appreciated. To what extent is this a reassuring portrait of corporate governance within the circle of public companies?

5. DISCUSSION

The objective of this paper was to provide a better understanding of the dynamics of knowledge and expertise in the context of CCs by exploring CC members' limits to smartness and substantive reflexivity. Drawing on the concept of functional stupidity, our findings indicate that CC members, although being instrumentally committed to knowledge development and problem solving, are disinclined to mobilize three key aspects of substantive reflexivity in the design of remuneration policies: challenging underlying assumptions and beliefs; asking for meaningful justification; and engaging in substantive reasoning. Also, our analysis provides some insight into how the management of consciousness is exerted through a stupidity management apparatus (Alvesson & Spicer, 2012). We particularly bring to light the role of stupidity management devices, which orient individual thinking toward instrumentality: stereotypes; indoctrination in the sanctity of market wisdom; preconceived receptivity to consultants' role; and fascination with the leadership identity surrounding CEOs and consultants. Collectively, these devices aim to deploy a logic of expulsion, where substantive thinking is less and less likely to be mobilized in the course of CC's deliberations.

Three points of qualification are worth considering. First, the processes of stupidity management are not mutually exclusive. They may work simultaneously. For example, indoctrination to market wisdom favors the role of consultants in helping to operate the practice of benchmarking. Second, the forms of stupidity management we unveiled belong to the order of a management infrastructure that supports socialized ingrained capacities for functional stupidity to work within CCs. Third, functional stupidity allows board decisions and organizational action to take place in a relatively timely and instrumentally efficient way. Yet, the extent to which substantive thinking is constrained in the CCs we examined constitutes a serious concern from the viewpoint of a vibrant and engaging corporate governance (Gendron, 2018).

Accordingly, we challenge a common assumption concerning corporate governance practices operating mainly through the mobilization of cognitive capacities. We do this by pointing out CC members' lack of substantive thinking in the design of remuneration policies. We also disturb the various existing accounts of top executive remuneration that share the belief that fatal flaws in the design of remuneration policies represent a problem of socio-technical malfunction that simply requires some technological or cognitive fix. Instead, we believe there is a significant need to re-enchant substantive thinking in the corporate governance domain.

However, changing and re-enchanting mindsets is far from being an easy endeavor (Bourdieu, 1984), particularly when mindsets are surrounded by a deeply-engrained stupidity management infrastructure (Alvesson & Spicer, 2012). Whether in their personal relations with consultants, executives, and director colleagues or in the impersonal mobilization of market forces, our analysis indicates that CC members are caught between different points of stupidity management operating both within and outside the organization. Their overarching effect constrains members' reflexive capacities regarding compensation policy design. Arguably, CC members' lack of engagement with the substantive reflexivity domain takes committees away from their stewardship responsibilities by promoting a tendency to foster instrumental thinking. The latter is just uninclined to challenge conventional assumptions surrounding compensation determination – such as the prevalence of market wisdom, the irreplaceable expertise of consultants, and the undeniable leadership that CC members with CEO experience bring to the table.

Despite the important challenges it faces, we maintain the re-enchantment of substantive thinking needs to be brought forward as a priority in corporate governance conversations – within academic and non-academic circles. While most of the current resources in corporate governance circles are mobilized to develop instrumental thinking and refine techniques to master uncertainty, we suggest that deeper forms of reflexivity and smartness should be promoted if aberrations in executive compensation are to be challenged and critical thinking encouraged in the boardroom.

However difficult it may seem to be, re-enchantment is not an impossible project. For instance, should director education institutes modify their curricula so that registrant directors are exposed to critical pedagogy, which in the context of corporate governance could be aimed at fostering critical thinking through: a) destabilizing the taken-for-granted foundation knowledge previously acquired; and b) reflecting on the socio-historical context and power relations surrounding corporate directorship (Bérubé & Gendron, 2022)? While bringing critical pedagogy to the domain of director education may sound foolhardy, it can nonetheless provide a relevant means to shake up institutionalized instrumental thinking within corporate board circles.

On a voluntary or mandatory basis, boards may be incited to change their composition so that individuals whose education is markedly different from that of the typical board member are considered for appointment. It is well known that students going through business school education usually are mainly exposed to instrumental thinking (Bérubé & Gendron, 2022) – and the same kind of instrumental emphasis is found in the domain of engineering (Carter & Crowther, 2000). Why not requiring boards to have some or several seats dedicated to individuals having completed their education in areas such as sociology, anthropology, or political sciences? In short, appointments could target a number of individuals whose educational profile gives more emphasis to substantive reasoning – instead of the dominating movement in higher education surrounding the primary of instrumental thinking (Dahl & Irgens, 2022; Lyotard, 1979).

In sum, the crux of the matter is to modify historical order in the patterns of thought gravitating around CCs, for substantive thinking to play a more active role than a peripheral one. Our study therefore includes a social praxis dimension (Smyth et al., 2022) – which is to promote the need for a re-enchantment of deep-level reasoning in committees' deliberations. The overarching aim is to bring CC members to a stage where reflexivity is diversified, comprising a mix of instrumental reflexivity (where individuals focus functionally on the task to be carried out) and substantive reflexivity (where individuals engage in in-depth and critical analysis of the conditions and consequences of their own actions – Clegg & Pitsis, 2012).

6. CONCLUSION

The concept of functional stupidity addresses an aspect of corporate governance life that has been largely ignored in the literature. To our knowledge, our study is one of the firsts, to date, that seeks to operationalize and study empirically, in the corporate governance area, the theoretical framework developed by Alvesson and Spicer (2012). We think it offers several interesting and promising avenues for future research.

First, it would be interesting to examine how functional stupidity plays out in different corporate governance contexts. Do CC members' difficulties to mobilize deep-level reflexivity follow the same logic in other board committees, especially the audit committee? Also, we do not know how functional stupidity changes and evolves over time (Alvesson & Spicer, 2012). Paying attention to the temporal dimension may help to better understand how functional stupidity increases, falls, or stabilizes, particularly in the aftermath of some prominent corporate governance or accounting scandal. As such, the concept of stupidity management infrastructure may provide a powerful explanation for the amazing recurrence of financial and accounting scandals, and the impression that boards meet stiff difficulties in learning from the past (Gendron, 2013). We also encourage educational research to be carried out on board members' educational programs and courses, exploring different ways of sensitizing members to the importance of deep-level reflexivity while exposing them to committee deliberations where substantive questions are raised and debated.

Further, we believe it is worth examining the nature of stupidity management infrastructures, which we approached ex post. As we decided to utilize the functional stupidity theorizing after our data collection had been realized, we did not have the opportunity to investigate the stupidity management apparatus through customized interview questions. We therefore encourage researchers to carry out dedicated inquiries on stupidity management, in order to examine in a more thorough way the infrastructure concept and how it comes to exert influence (and is resisted) in corporate governance settings – including within director educational institutes.

By recognizing the role played by functional stupidity, we hope to promote a humbler attitude within corporate governance communities, which frequently celebrate knowledge-intensiveness and general smartness. Our ambition is to encourage a stronger recognition among directors that substantive reflexivity should play a more meaningful role in board deliberations, and that boards should be cautious not to succumb easily to stupidity management devices that subtly numb directors' capacities to question the basics of what they do. Last, but not least, we hope that if corporate governance actors learn to recognize the multiple ways in which functional stupidity is sustained in their entourage, they may be able to re-enchant deeper forms of reflexivity in their daily practices.

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