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# The Relationship Between Tenure and Outside Director Task Involvement: A Social Identity Perspective

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*Drawing from corporate governance research and social identity theory, the authors argue that the relationship between outside directors' time in office and outside director task involvement is more complex than generally anticipated. By using a unique multisource data set composed of peer ratings provided by fellow outside directors rating a focal director's task involvement, this study analyzes director task involvement at the individual director level of analysis. The authors propose and empirically demonstrate that outside director tenure has an inverted U-shaped relationship with outside director task involvement that is moderated by a director's social identification with the organization. As such, the authors demonstrate that social identification with the organization provides a critical contingency for the curvilinear relationship between outside director tenure and outside director task involvement. Findings suggest that outside directors who socially identify with the organization are more likely to grow "stale in the saddle" at lower levels of tenure. These findings provide support for the merit of analyzing outside directors at the individual level of analysis and suggest that a "one-size-fits-all" approach may not be most appropriate in assessing the effects of tenure on outside director functioning.*

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## Introduction

Large-scale corporate failures and the financial crisis of 2008 have placed boards of directors at the center of the corporate governance debate (Adams, Hermalin, & Weisbach, 2010; Daily, Dalton, & Cannella, 2003; Stiles & Taylor, 2001). Outside directors play a prominent role in corporate governance and strategic decision making (Finkelstein & Mooney, 2003; Kor & Sundaramurthy, 2009). Residing at the apex of the organization, outside directors are expected to monitor, evaluate, and advise senior management and ensure that senior management best serves the interests of the organization (Daily et al.; Finkelstein & Mooney; Kor & Sundaramurthy; Shleifer & Vishny, 1997).<sup>1</sup> Recent calls to limit outside director tenure reflect the importance of outside directors in corporate governance. Regulators in both European (e.g., the United Kingdom, Spain, the Netherlands)<sup>2</sup> and non-European countries (e.g., India, Malaysia, Singapore), as well as various corporate bodies in the United States (e.g., Calpers, the National Association of Corporate Directors), advocate to limit outside director tenure, assuming that longer tenured outside directors do not adequately scrutinize managerial decision. While these calls reflect the belief that outside directors grow entrenched over the course of their tenure, it is important to realize that the field still knows relatively little about the nature of the relationship between a director's time in office and his or her task involvement in board duties (Johnson, Schnatterly, & Hill, 2013).

Some have noted that longer tenured outside directors accumulate greater experience and knowledge about the firm and are therefore better able to fulfill their tasks as outside directors (Beasley, 1996; Kosnik, 1990; Vafeas, 2003). Others, however, argue that longer tenured outside directors become entrenched (Golden & Zajac, 2001; Hermalin & Weisbach, 1998; Hillman, Shropshire, Certo, Dalton, & Dalton, 2011; Kor & Sundaramurthy, 2009), implying that directors develop fixated and stable cognitive schemas (cf. Dane, 2010) that may negatively affect directors' involvement in board duties because they are less receptive to deviating internal and external signals. Accordingly, Johnson et al. (2013) have hinted at the likelihood of a curvilinear relationship between director tenure and involvement in board duties, suggesting that there is an inflection point at which the negative effects of tenure start to outweigh the positive effects. In this article, we offer a theoretical rationale for this curvilinear relationship and explain why some directors exhibit higher levels of involvement in board duties over the course of their tenure than others.

Traditionally director entrenchment is implicitly equated with a reduced involvement in board duties. A key premise of this article, however, is that while longer tenured outside directors may grow entrenched, they may still be actively involved in their board duties, in terms of monitoring, evaluating, and advising senior management. In this article, we argue that outside director entrenchment should not be equated with reduced involvement in board duties. Rather, director entrenchment mirrors a cognitive state in which directors are unable to break established cognitive patterns (also see Guilford, 1967) and are less likely to consider solution alternatives to these fixated and stable cognitive patterns. It is important to

realize, however, that these fixated and stable cognitive patterns may very well deviate from organizational norms and values. The actual internalization of organizational norms and values by a director is not implied by entrenchment but is captured by a director's social identification with the organization (Ashforth, Harrison, & Corley, 2008; Cooper & Thatcher, 2010; Mael & Ashforth, 1995; Turner, Hogg, Oakes, Reicher, & Wetherell, 1987). Entrenched directors who strongly socially identify with the organization will have stable cognitive patterns, and these cognitive patterns are also likely to be in line with the prevailing organizational norms and values. Drawing from social identity theory (Tajfel, 1978), we therefore propose that entrenchment is most likely to reduce directors' proclivity to independently monitor, evaluate, and advise senior management for directors who strongly socially identify with the organization. Outside directors who strongly socially identify with the organization are more likely to accept the prevailing organizational norms and values and "go with the flow."

Interestingly, governance research has predominantly highlighted the positive effects of organizational identification for both CEOs (Boivie, Lange, McDonald, & Westphal, 2011) and outside directors (Hillman, Nicholson, & Shropshire, 2008) by emphasizing that CEOs and directors who strongly socially identify with the organization are more motivated to contribute to the success of the organization. This study therefore contributes to the nascent literature on outside director functioning as well as more generally to extant governance research by showing that a strong social identification with the organization may also have reverse implications for director task involvement because, as a result of internalization of organizational norms and values, outside directors are less likely to question the prevailing course of action and to independently assess senior management strategic decision making.

Moreover, to the best of our knowledge, this study provides the first empirical analysis of outside director involvement in board duties at the individual director level of analysis. To date, director characteristics are generally consolidated to board-level constructs (e.g., board tenure) and then related to company data to infer director and board functioning. Several scholars have warned that employing such aggregate units of analysis may overlook and confound differential effects of individual directors within the board (Finkelstein, Hambrick, & Cannella, 2009; Jensen & Zajac, 2004) and that inquiries that parse out director effects are needed to advance governance research (Dalton & Dalton, 2011; Johnson et al., 2013). By using a unique multisource data set composed of peer ratings provided by fellow outside directors rating a focal director's involvement in board duties, we are able to show that the relationship between tenure and director involvement in board duties is curvilinear and contingent on a director's social identification with the organization—a relationship that would be difficult to assess by employing distal organizational-level measures (Johnson et al.).

## **Theory and Hypotheses**

### *Outside Director Involvement in Board Duties*

While there is no "one-size-fits-all" description of outside directors' board duties, there seems to be consensus among both academics and practitioners that outside directors' key responsibilities involve oversight and the provision of advice. For instance, scholars adhering to agency theory emphasize that outside directors' main duty is to scrutinize strategic initiatives proposed by senior management (Fama & Jensen, 1983; Jensen & Meckling, 1976; Westphal, 1999).

This involves specific duties, such as exercising oversight of the formulation and implementation of strategy as well as structuring remuneration and evaluating senior management. Yet other scholars and legislators note that a crucial duty for outside directors involves providing senior management with independent advice on strategic issues (Hillman et al., 2011; Minichilli, Zattoni, Nielsen, & Huse, 2012). Overall, we define director task involvement as demonstrating monitoring, evaluating, and advising behavior towards senior management (cf. McDonald & Westphal, 2010; also see Westphal). As such, we interpret director task involvement as fulfillment of board duties, which consist of oversight of the formulation and implementation of strategy, evaluation of senior management, and the provision of independent advice and counsel to senior management (cf. Hillman et al.; Minichilli et al.).

### *Outside Director Tenure and Involvement in Board Duties*

Newly appointed outside directors start their tenure with a firm-specific knowledge deficit and steadily acquire a greater understanding about the firm and its processes. That is, compared to senior management and incumbent outside directors, newly appointed outside directors start with a disadvantage in terms of facts, trends, information, and procedures related to the successful conduct of outside directors in the firm (Hambrick & Fukutomi, 1991; Musteen, Datta, & Kemmerer, 2010; Roberts, McNulty, & Stiles, 2005). As outside director tenure increases, directors accumulate greater experience and knowledge about the firm; therefore, their capacity to perform their duties increases as their information asymmetry vis-à-vis senior management is reduced (Beasley, 1996; Kosnik, 1990; Vafeas, 2003). The expertise from extended tenure builds knowledge of a firm's processes (Fischer & Pollock, 2004) and enables outside directors to monitor, evaluate, and provide senior management with valuable advice (Kor & Sundaramurthy, 2009; Kosnik, 1987).

Meanwhile, the traditional perspective on tenure is characterized by Katz (1982), who suggests that high levels of tenure are associated with entrenchment (i.e., with greater rigidity in decision making and limited awareness of alternative solutions; see also Golden & Zajac, 2001; Hambrick, Geletkanycz, & Fredrickson, 1993). According to the decision-making literature, entrenched persons prefer information that is consistent with decisions they have previously made. Such information is perceived as more important and relied on more than new information that conflicts with existing ideas (Greitemeyer & Schulz-Hardt, 2003). Similar to observations about executive directors within top management teams (Hambrick et al.; Kor, 2006; Miller, 1991) is the argument that longer tenured outside directors are likely to grow entrenched (Dalton, Hitt, Certo, & Dalton, 2007; Fama & Jensen, 1983; Walsh & Seward, 1990) as they develop fixated and stable cognitive schemas about organizational strategic decision making (cf. Dane, 2010). Given the complexity directors face, directors are expected to rely heavily on the cognitive schemas or "knowledge structures" in evaluating strategic decision making (Carpenter & Westphal, 2001). Possessing fixated cognitive schemas implies that directors become less sensitive and susceptible to deviating new information. Extended tenure is likely to result in reduced receptiveness to outside information and increased commitment to the status quo. This includes resistance to major changes in the firm's strategic direction (cf. Hambrick & Fukutomi, 1991; Kor & Sundaramurthy, 2009), thereby reducing directors' tendency to take action and, thus, reducing their task involvement within the board (Carpenter & Westphal; Golden & Zajac; Hambrick et al.; Hillman et al., 2011).

The above discussion suggests that outside director tenure is associated with an inherent trade-off between expertise and entrenchment: Longer tenured outside directors may benefit from deep knowledge of the firm but suffer from entrenchment. Pfeffer (1983) already noted that although the length of an individual's tenure contributes to job-specific knowledge, openness to new ideas is highest when someone first joins the organization. Given that the most extensive learning about an organization takes place in the early years of tenure and that experiential knowledge of a firm is vital for directors to perform their tasks (Finkelstein & Hambrick, 1996; Hambrick & Fukutomi, 1991; Kor, 2006), outside directors are most likely to benefit from increased tenure in their early years, in which experiential learning within the organization enables them to monitor, evaluate, and advise senior management. Extended tenure of outside directors is then likely to lead to entrenchment and a reduced openness to deviating ideas. Accordingly, if director tenure paces two processes, one involving the acquisition of firm-specific knowledge, the second involving director entrenchment in later years, we expect that director involvement first rises and then falls with increasing director tenure.

*Hypothesis 1:* The relationship between outside director tenure and outside director task involvement is curvilinear (inverted U shaped), with maximum task involvement occurring at intermediate levels of outside director tenure.

The next question then becomes, at what point do the negative effects of director tenure on director task involvement start to outweigh the positive effects? The answer, we propose, is contingent on an outside director's social identification with the organization. Whereas some governance scholars consider organizational tenure and social identification as quite similar constructs, it is critical to note that whereas tenure with the organization may be positively associated with organizational identification, it should not be equated with it. Indeed, a meta-analysis by Ricketta (2005) shows that tenure with organizations is only weakly correlated with organizational identification,<sup>3</sup> corroborating the notion that organizational identification and organizational tenure are clearly separate constructs and that tenure does not automatically imply organizational identification (see also Ashforth et al., 2008; Mael & Ashforth, 1995). Specifically, social identification with the organization produces a host of organization-based attitudes and behaviors, including two phenomena that are most important for outside director functioning: organization-oriented motivation to further the organization's interest *and* susceptibility to influence from fellow organizational members (cf. van Knippenberg & Hogg, 2003), which includes senior management as prototypical organizational members. In the following, we discuss the moderating role of social identification with the organization for the relationship between director tenure and outside director task involvement by pointing to two important consequences of social identification with the organization: a high motivation to contribute to the success of the organization and a reduced proclivity to independently assess senior management strategic decision making.

### *Social Identification With the Organization*

Tajfel defines social identity as "that part of an individual's self-concept which derives from a person's knowledge of his or her membership of a social group together with the value and emotional significance attached to that membership" (1978: 63). Social identification describes a process where individuals come to see themselves as interchangeable

exemplars of a social group rather than as unique individuals (Turner, 1982). Social identification with the organization can then be described as the extent to which individuals define themselves in terms of a specific organization (Ashforth et al., 2008; Cooper & Thatcher, 2010). This self-conception in terms of “we” rather than “I” is referred to as social identity and implies a psychological merging of self and organization (Brewer, 1991; van Knippenberg & Sleebos, 2006).

Past research has shown that persons who identify strongly with the organization are highly motivated to contribute to the success of that organization (for overviews, see Ashforth et al., 2008; Ashforth & Mael, 1989). Newly appointed outside directors will have little knowledge about specific organizational issues and, therefore, are in a disadvantaged position to perform their tasks successfully (Hambrick & Fukutomi, 1991; Musteen et al., 2010; Roberts et al., 2005). New outside directors who strongly socially identify with the organization are likely to be motivated to obtain relevant information about the organization, to engage in experiential learning, and to acquire knowledge of the firm’s environment and its stakeholders. Learning about the organization will enable new directors to assess strategic decision making (Kor & Sundaramurthy, 2009; but also see Kosnik, 1987). Alternatively, for new directors who identify weakly with the organization, it may take more time to learn about the organization as a result of lower motivation to contribute to the organization. So we agree with Hillman et al. (2008) that organizational identification may contribute to outside directors’ task involvement. However, we also note that according to the general principles of the learning curve (e.g., Yelle, 1979), this advantage of a strong organizational identification in terms of acquiring firm-specific knowledge will be there merely in the first period after being appointed.

While perceiving organizational norms as appropriate may stimulate the overall level of task involvement for regular employees within organizations, for outside directors, this is less likely because independently assessing organizational affairs and managerial decision making is a core—if not the most important—characteristic of directors’ tasks (Carter & Lorsch, 2004; Roberts et al., 2005; Westphal & Graebner, 2010; Zattoni & Cuomo, 2010). Particularly relevant for outside director functioning is that social identification with the organization may render outside directors conducive to organizational norms and values (cf. Ellemers, De Gilder, & Haslam, 2004; van Knippenberg & Hogg, 2003), implying that directors’ individual perceptions, evaluations, and actions are more likely to be informed by prevailing organizational values and norms and less likely to be formed by unique individuating characteristics (Brewer, 1991; Haslam, Ryan, Postmes, Spears, Jetten, & Webley, 2006; Hogg & Terry, 2000; Turner, 1982; Turner et al., 1987). As a result, outside directors who strongly socially identify with the organization are more likely to “go with the flow” and conform to organizational norms and values.

It is then important to realize that outside directors who strongly socially identify with the organization are more likely not only to conform to these organizational norms and values but also to have turned to prototypical organizational members for information about these organizational norms and values (cf. Turner et al., 1987). Prototypicality refers to the extent to which individuals are considered exemplary representatives of, in our case, the organization (Hogg, 2001). The idea that senior management shapes organizational norms and values is well established in upper echelon research (Hambrick, 2007; Hambrick & Mason, 1984). As the top-level leaders of the organization, senior management epitomizes

the norms and values of the organization as a collective and can therefore be considered as highly prototypical (also see Bandura, 1987). As directors identify more strongly with the organization, senior management acts as an increasing influential basis for shaping social norms that guide outside directors' behavior (cf. Hogg; Turner et al.). Furthermore, as outside members of the organization that operate on a part-time episodic basis in carrying out their board duties (Forbes & Milliken, 1999), outside directors generally have very limited interaction with other organizational members besides senior management, and senior management is therefore centrally located to act as the key source of information and opinions about the organization (Dalton et al., 2007).

Outside directors who strongly identify with the organization will be more positive about senior management—such as the CEO as well as other senior management members—not on the basis of the personal qualities of these managers but, rather, because they see them as representative prototypical members of the organization (Hogg, 2001; Sluss, Ployhart, Cobb, & Ashforth, 2011). In addition, while it would be implausible for outside directors to socially identify with senior management as a social group, because outside directors are not part of that group, the organization may act as a shared or overarching social identity for outside directors to which both outside directors and senior management belong. Such an overarching identity produces a pro-in-group bias towards senior management as fellow organizational members (cf. Ashforth et al., 2008; Eggins, Haslam, & Reynolds, 2002; Gaertner, Rust, Dovidio, Bachman, & Anastasio, 1994; Gómez, Dovidio, Huici, Gaertner, & Cuadrado, 2008). Social identification with the organization would foster outside directors to view senior management in stereotypical terms as more trustworthy and possessing similar values, goals, and attitudes (cf. Brewer, 1991; Hogg & Terry, 2000; Tajfel, 1978; van Knippenberg & Hogg, 2003). As a result, outside directors who socially identify with the organization are more likely to be positive about senior management as prototypical organizational members (Hewstone, Rubin, & Willis, 2002; Tajfel, 1982), and they are more likely to interpret strategic decisions made by senior management as appropriate.

In sum, if high levels of tenure are associated with entrenchment indicating a diminished capacity to deviate from established cognitive schemas, and if social identification with the organization implies internalizing organizational norms and values that are signaled by senior management, leading to a reduced proclivity to independently assess senior management strategic decision making, we expect social identification to reduce director involvement at high levels of tenure. That is, socially identified directors at high levels of tenure are unlikely to deviate from their fixated and established cognitive schemas, are more likely to have accorded these cognitive schemas with the organizational in-group prototype, and have a lower proclivity to monitor, evaluate, and independently advise senior management because they interpret senior management decision making as appropriate. Conversely, outside directors who weakly socially identify with the organization are less likely to accord their views with the organizational in-group prototype. As such, also at high levels of tenure, these directors would still be expected to actively monitor, evaluate, and advise senior management. Therefore, we hypothesize the following:

*Hypothesis 2:* Outside director social identification with the organization will moderate the curvilinear relationship between outside director tenure and outside director task involvement, such that the negative effect of high levels of tenure is stronger for high identifiers than for low identifiers.

## Method

### *Research Setting*

Our research relies on data gathered from boards of directors at Dutch housing corporations. The main tasks of Dutch housing corporations are to build, rent, and maintain affordable housing. Board scholars often remark that gaining access is one of the most challenging aspects of research on boards and have offered various suggestions to overcome this impediment (e.g., Leblanc & Schwartz, 2007; Westphal & Stern, 2007). In this vein, involving stock listed companies in our research would have been more difficult because any publicity around director functioning in such firms could affect share prices and/or could have litigious consequences. At the time we conducted our study, the functioning of boards at Dutch housing corporations received considerable attention of the Dutch government, the housing corporation sector, and the Dutch Association of Outside Directors of Housing Corporations (Vereniging van Toezichthouders in Woningcorporaties, or VTW; e.g., Algemene Rekenkamer, 2008; VTW, 2011). Research on boards of housing corporations was—and still is—considered to be a particularly relevant topic for investigation in the policy debate. The VTW specifically indicates that board functioning remains a key focus area. As such, we obtained endorsement from the VTW, and we agreed to communicate our research findings.

The first housing corporations were established around 1850 to provide housing to underprivileged segments of the Dutch population. The current Dutch housing policy is still based on the idea that affordable housing should be universally accessible and includes housing at prime locations to prevent social segregation. While rents are kept low nowadays through governmental oversight and regulation, housing corporations have been autonomous and financially independent enterprises since 1995, when the Dutch government decided to privatize all housing corporations.<sup>4</sup> As financially independent organizations, these housing corporations have to make a return on their investments to ensure their survival. When we collected our data, there were 430 housing corporations in the Netherlands with 2.4 million houses and a total capital of 32.6 billion euros (42.3 billion USD).<sup>5</sup> Similar to Dutch listed firms, Dutch housing corporations have a two-tier structure in which the management board (which includes the CEO) is formally separated from the supervisory board composed of outside directors. The tasks that outside directors perform within a supervisory board are similar to the tasks of the outside members within the one-tier structure. For matters of parsimony, we refer to supervisory board members as directors and to the management board as senior management.

### *Sample and Procedure*

As indicated, gaining access to boards is one of the most challenging aspects of research on boards. To a priori increase the likelihood of gaining access to boards of housing corporations, we followed several steps recommended by Leblanc and Schwartz (2007) and Westphal and Stern (2007). First, we obtained endorsement from the VTW. The VTW sent out letters to the 100 largest housing corporations in the Netherlands and to the chairpersons of the supervisory boards of these corporations. The letter informed the chairpersons that we would contact them to discuss the overall purpose of the research project. To foster commitment from the chairpersons, we organized face-to-face meetings with them to explain the purpose of our research and to assure absolute confidentiality. Thirty-two chairpersons indicated that

they were willing to schedule an appointment with us. Thirty chairpersons agreed to participate in this research project. We subsequently asked these chairpersons to endorse our research for the other directors on the board. Within a few days after each face-to-face meeting, we sent access codes to all directors on the board; these access codes could be used to log in to a secured website through which outside directors could rate their fellow directors and answer questions about themselves.

Second, to improve the appearance and face validity of the online survey instrument, we pretested the online questionnaire on two boards of directors that were not included in this research project. Moreover, we sent two further personal reminders to nonrespondents. Of the 181 directors from the 30 participating boards who received a personal access code for the Web site, 154 directors (85%) completed the questionnaire. The average age was 58 years ( $SD = 7.9$ ), and 27% were female. All directors were assured absolute confidentiality in rating their peers; they were informed that their answers would not be made available to their fellow directors under any circumstances.

To assess the representativeness of the sample, we compared director and firm characteristics in the final sample with those excluded from the final sample because of nonresponse or missing data. Specifically, and consistent with, for instance, Westphal and Bednar (2005), we used the Kolmogorov-Smirnov two-sample test, which indicates whether the distributions of a variable for two samples are comparable. This test did not reveal any statistically significant differences between the participating and nonparticipating housing corporations for our sample in terms of size (measured as the number of houses owned and number of employees working for the housing corporation), board size (i.e., number of directors), average director age, and average director tenure;  $p$  values ranged from .12 to .96. We also compared the characteristics of the 154 responding versus the 27 nonresponding directors of the 30 participating housing corporations. We did not find any statistically significant differences between the directors in the two samples in terms of age, gender, and tenure (the lowest  $p$  value was .64 based on the Kolmogorov-Smirnov two-sample test).

### Measures

*Outside director task involvement.* Outside directors make complex decisions in overseeing and evaluating managerial decision making and providing management with independent advice (Carter & Lorsch, 2004; Forbes & Milliken, 1999). Moreover, boards meet episodically, face complex and multifaceted tasks, and produce output that is entirely cognitive in nature (Forbes & Milliken; Minichilli et al., 2012). Given the complex nature of outside directors' tasks, we follow prior work in management and applied psychology (Campbell, 1990; Campbell, McCloy, Oppler, & Sager, 1993) and interpret director involvement as the involvement in directors' task behaviors as rated by fellow directors.

In the Netherlands, as in other countries, outside directors are legally obliged to monitor senior management, evaluate senior management, and provide senior management with advice (Principle III.1, Dutch Corporate Governance Code). Also in other countries, monitoring, evaluating, and advising senior management are generally included in corporate law as outside directors' fiduciary responsibility and are referred to as such by a host of board scholars (e.g., Demb & Neubauer, 1992; Gulati & Westphal, 1999; Hillman & Dalziel, 2003; Kroll, Walters, & Wright, 2008; Lorsch & MacIver, 1989; Roberts et al., 2005; Westphal, 1999). In this vein, it is important to note that the distinction between these activities is often

blurred (cf. Demb & Neubauer; Kroll et al.; Lorsch & MacIver; Stiles & Taylor, 2001; Sundaramurthy & Lewis, 2003) and that the distinction between these task behaviors is more apparent than real in the actual work that outside directors do. Because monitoring, evaluating, and advising senior management collectively reflect outside directors' fiduciary responsibility and because it is difficult to separate these tasks, they need to be interpreted collectively as interdependent core ingredients of outside directors' board duties.

We measured individual outside director task involvement using peer ratings that we aggregated to the mean for each individual director. As a result of the labor intense nature of using a peer ratings approach for directors (every director rated all other directors individually), we were forced to keep our instrument as short as possible. Because director task involvement is interpreted as a reflective measure in which director involvement in task behaviors captures director task involvement in its entirety (see Edwards, 2011, for an account on the use of reflective and formative measures), it was acceptable to select three out of the six items from Westphal (1999) that had the highest pretest face validity and most closely resembled directors' legal task requirements (i.e., their fiduciary responsibilities), and we adapted these items to the individual director level. As indicated, Dutch law prescribes directors to monitor the policies of senior management, to evaluate the senior management, and to assist senior management with advice. The following task behaviors were included as indicators of outside director task involvement: "To what extent does 'this director' monitor top management strategic decision making?" "To what extent is 'this director' involved in formally evaluating top management?" and "To what extent is 'this director' a sounding board for management?" For these items, "this director" was replaced by the name of the focal director to be rated by his or her fellow directors. These three items were measured on a 7-point scale (1 = *minimally*, 7 = *very much so*), and Cronbach's alpha was .83. An exploratory factor analysis suggested a one-factor solution that explained 76% of the variance, indicating that the items load on a single factor and constitute a single measure of outside director task involvement.

*Organizational identification.* Organizational identification was measured with four out of six items from Mael and Ashforth (1992). We excluded two items that were identified by outside directors to have low face validity in the pretest of the questionnaire. We included the following items: "When someone criticizes this organization, it feels like a personal insult"; "When I talk about this organization, I usually say 'we' rather than 'they'"; "This organization's successes are my successes"; and "When someone praises this organization, it feels like a personal compliment." Outside directors rated their organizational identification on a 7-point scale (1 = *strongly disagree*, 7 = *strongly agree*), and Cronbach's alpha was .70.

*Director tenure.* We define director tenure as the length of a director's tenure in the organization. The participating organizations were legally obliged to publish information on their board of directors in their annual accounts. Information on director tenure was obtained from the annual reports of the participating organization in combination with additional information from the Dutch Chamber of Commerce. Tenure was measured in months; to ease interpretation, we divided tenure by 12 to arrive at a measure of tenure in years.

*Control variables.* To control for unobserved heterogeneity across boards, we tested our hypotheses with a fixed effect model that includes 29 board dummy variables. At the

individual director level, we controlled for a director's appointments at other organizations by including the log of a director's number of appointments. We included a chairperson dummy to control for the position of the chairperson. Because membership of the audit committee may give directors an information advantage to carry out their board duties, we also controlled for the effect of being on the audit committee. We included a dummy for the chair position of the audit committee and a dummy for regular membership of the audit committee. Not every audit committee is assigned a formal chair, however. In absence of a formal chair, we categorized all audit committee members as regular members. In addition, while almost every board has an audit committee, there are other committees that vary across boards (e.g., governance committee, agenda committee, human resources committee); we therefore included a dummy that captures whether a director is a member of another committee besides the audit committee.<sup>6</sup> This information was gathered from the annual reports.

A director's level of expertise is likely to affect a director's task involvement (e.g., Hillman & Dalziel, 2003); we therefore also controlled for managerial expertise and sector-specific expertise. Managerial expertise was measured with three items asking directors about their level of "financial-economic expertise," "internal control and administrative organizational expertise," and "general business and organizational expertise." Cronbach's alpha was .73. Sector-specific expertise was measured with three items: "care and well-being expertise," "safety and habitability expertise," and "residential expertise." These items reflect that a general objective of housing corporations in the Netherlands is to ensure that households have access to adequate and affordable housing and that housing corporations should contribute to the quality of life in neighborhoods. Cronbach's alpha for this scale was .76. All expertise items were measured on a 7-point scale asking directors about their level of expertise (1 = *very low*, 7 = *very high*).

### *Aggregation of Outside Director Peer Ratings*

Because we used a peer ratings approach to provide a proximal measure of outside director task involvement, it is important to evaluate a focal director's task involvement with respect to the measurement assumption that the responses from fellow directors converged (Bliese, 2000). To investigate this, we calculated James, Demaree, and Wolf's (1984, 1993) average interagreement coefficient for multi-item indices ( $r_{wg(j)}$ ). Compared with a uniform distribution, the median  $r_{wg(j)}$  value for task involvement was .89 (mean = .83). In addition, compared with a heavily skewed distribution, the median  $r_{wg(j)}$  value reads .67 (mean = .72; see LeBreton & Senter, 2008), which can still be considered as adequate. Additionally, we would expect variations between the ratings of director task involvement for a focal director to be more similar to one another than the ratings of task involvement for other directors (Bliese). This was investigated by calculating the intraclass correlation coefficients, that is, ICC(1) and ICC(2) (Bliese). One-way analysis of variance suggested that ratings differed significantly between different focal outside directors. The ICC(1) for task involvement was .35 ( $p < .001$ ). The reliability of the aggregated means for the individual director level was investigated by calculating the ICC(2). The ICC(2) for director task involvement was .66. These numbers indicate that there was sufficient agreement to justify aggregation (Bliese; LeBreton & Senter). All in all, these results support the aggregation of peer ratings of director task involvement for individual directors.

### *Analytical Methodology*

A Hausman specification test suggested that a multilevel fixed effect model is preferred to a random effect model. Fixed effect models have the advantage of controlling for constant unobserved board effects across boards that may explain differences in the dependent variable. Fixed effect models are conservative for our analyses, since only changes in independent variables within a particular board may result in a significant effect. We also tested our hypotheses with a fixed effect regression employing the Huber/White sandwich estimator for variance that is robust to arbitrary heteroskedasticity (see White, 1980; Williams, 2000). Our results remained unchanged. Following the recommendations of Aiken and West (1991), we standardized all variables involved in computing the interaction terms. With respect to the interaction term, our hypotheses involve a curvilinear relationship between director tenure and director task involvement that exists at all levels of organizational identification, but organizational identification interacts with director tenure in determining director task involvement. To test the moderating effect of organizational identification on the curvilinear relationship between director tenure and director task involvement, we estimated the following fixed effects regression model, including a linear by linear interaction term (cf. Aiken & West; Cohen, Cohen, West, & Aiken, 2003). Although some scholars test such hypotheses by including an interaction term between the moderator and the squared term, it only makes sense to do so when it is hypothesized that the form of the curvilinear relationship (i.e., the second derivative) changes (e.g., becomes more linear) for different values of the moderator. The hypothesis that the negative effects of outside director tenure are more severe for outside directors who socially identify with the organization encompasses a significant linear by linear interaction between tenure and organizational identification (besides a significant quadratic tenure term) and not a change in the form of the curvilinear relationship between tenure and task involvement (see the following equation):

$$y_{it} = \beta_1 x_{it} + \beta_2 x_{it}^2 + \beta_3 z_{it} + \beta_4 x_{it} z_{it} + \omega_{it} + v_t + e_{it}$$

where indices  $i$  and  $t$  stand for, respectively, director  $i$  in board  $t$ ,  $\omega_{it}$  is a vector of control variables and  $v_t$  the board-level fixed effects to be estimated. The curvilinear effects of tenure are estimated by including a linear  $x_{it}$  and a quadratic term  $x_{it}^2$ . The hypothesized moderating effect of organizational identification  $z_{it}$  on the relationship between tenure and outside director task involvement is captured by the interaction term  $x_{it} z_{it}$ , and a negative sign for  $\beta_4$  would indicate that the maximum level of director task involvement will occur earlier in a director's tenure to the extent that a director identifies with the organization.

## **Results**

The means, standard deviations, and Pearson zero-order correlations between the variables are presented in Table 1. As shown, the chairperson dummy, managerial expertise, and tenure are positively related to director task involvement, and there is a positive relationship between the chairperson dummy and managerial expertise. Also, the chairperson is more likely to be on other committees besides the audit committee. The correlation coefficient between organizational identification and tenure indicates that tenure and organizational identification are moderately positively correlated (i.e., they have slightly less than 5% variance in common).

**Table 1**  
**Correlations, Means, and Standard Deviations**

Variables	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7	8	9
1. Number of appointments	4.16	2.07									
2. Chairperson dummy	0.18	0.38	.14								
3. Member audit committee	0.18	0.38	-.08	-.08							
4. Chair audit committee	0.05	0.22	-.02	-.03	-.11						
5. Membership other committees	0.36	0.48	-.12	.18*	.01	.12					
6. Managerial expertise	5.07	0.96	.19*	.24**	.23**	.21*	.05				
7. Sector-specific expertise	4.84	0.95	.00	.02	-.13	-.25**	.08	-.18*			
8. Tenure	5.20	3.50	-.19*	.17*	-.02	.02	.01	.03	.11		
9. Organizational identification	5.08	0.87	.10	.15	.01	.08	.07	-.22*	-.02	.22**	
10. Director task involvement	5.21	0.82	.15	.44**	.15	-.03	.05	.28*	-.09	.18*	.10

Note:  $N = 154$ .

\* $p < .05$ .

\*\* $p < .01$ .

Furthermore, the chairperson dummy and director tenure are positively related, and the negative correlation between tenure and the number of appointments indicates that longer tenured directors have on average fewer additional board appointments. Managerial expertise is positively related to organizational identification and negatively related to sector-specific expertise.

Table 2 presents the results of the regression analyses used to test our hypotheses. We included five models to isolate the contributions of the different terms. We included the control variables in Model 1. In Model 2, we included the linear term of director tenure, and we added the squared term of director tenure in Model 3. The moderator organizational identification was added in Model 4, followed by the interaction between director tenure and organizational identification in Model 5.

We find support for the curvilinear inverted U-shaped relationship between director tenure and director task involvement as hypothesized in the first hypothesis. The results from Table 2 show that the coefficient of the linear term is positive (Model 3,  $b = 0.17$ ,  $p < .05$ ) and the squared term is negative (Model 3,  $b = -0.12$ ,  $p < .05$ ). This means that "on average," tenure is positively related to director task involvement but also that for higher levels of tenure, this relationship becomes less positive or even negative. Moreover, consistent with our second hypothesis, the results support an interaction effect between tenure and organizational identification (Model 5,  $b = -0.12$ ,  $p < .05$ ). The negative effects for higher levels of tenure become more pronounced for directors who strongly identify with the organization. To gain further insight into the nature of this interaction effect, we plotted the curvilinear relationship between director tenure and director task involvement at two different levels (1 *SD* above the mean and 1 *SD* below the mean) of organizational identification (cf. Aiken & West, 1991).

**Table 2**  
**Results of Fixed Effect Regression for Director Task Involvement**

	Model 1	Model 2	Model 3	Model 4	Model 5
Number of appointments (log)	0.11† (0.06)	0.14* (0.06)	0.13* (0.06)	0.13* (0.06)	0.12† (0.06)
Chairman dummy	0.76** (0.14)	0.69** (0.14)	0.68** (0.14)	0.69** (0.14)	0.69** (0.14)
Member audit committee	0.48** (0.16)	0.50** (0.16)	0.49** (0.16)	0.48** (0.16)	0.45** (0.16)
Chair audit committee	0.11 (0.27)	0.10 (0.27)	0.07 (0.27)	0.07 (0.27)	0.01 (0.26)
Membership other committees	0.29* (0.13)	0.30* (0.13)	0.29* (0.13)	0.29* (0.13)	0.29* (0.13)
Managerial expertise	0.01 (0.06)	0.01 (0.06)	0.01 (0.06)	0.02 (0.06)	0.03 (0.06)
Sector-specific expertise	-0.11† (0.06)	-0.13* (0.06)	-0.13* (0.06)	-0.13* (0.06)	-0.14* (0.06)
Tenure		0.14* (0.06)	0.17** (0.06)	0.18** (0.06)	0.17** (0.06)
Tenure squared			-0.12* (0.06)	-0.13* (0.06)	-0.11† (0.06)
Organizational identification				-0.04 (0.06)	-0.02 (0.06)
Tenure × Organizational Identification					-0.12* (0.06)
Constant	4.88** (0.09)	4.88** (0.09)	4.98** (0.10)	4.99** (0.10)	5.00** (0.10)
R <sup>2</sup> (within)	.36	.39	.41	.41	.43
ΔR <sup>2</sup>	.36**	.03*	.02*	.00	.02*
Observations	154	154	154	154	154
Number of boards	30	30	30	30	30

Note: Board dummies are omitted. Standard errors are shown in parentheses.

† $p < .10$ .

\* $p < .05$ .

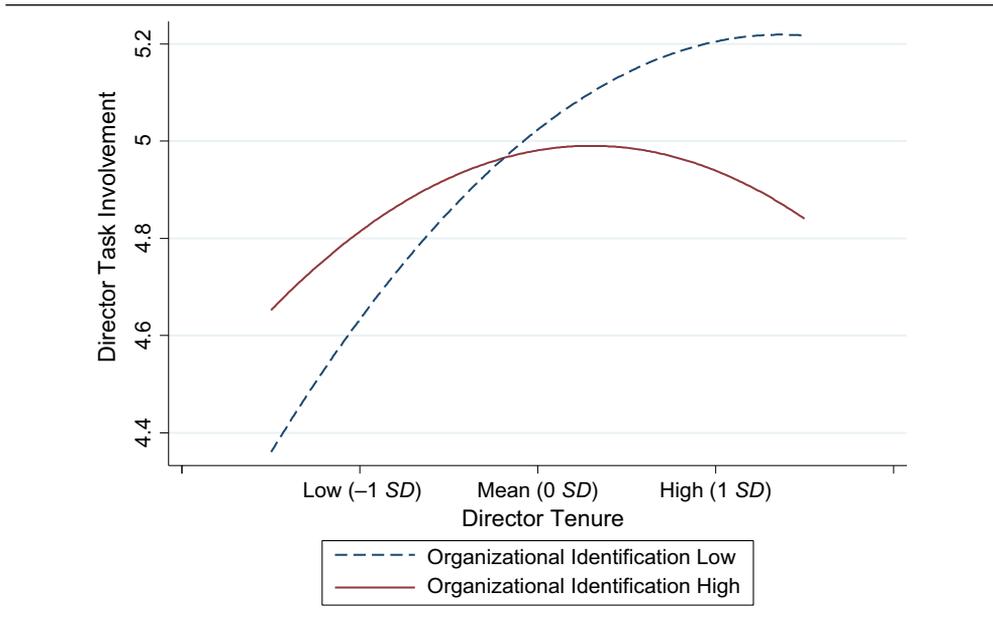
\*\* $p < .01$ .

The pattern of results depicted in Figure 1 is consistent with the second hypothesis in demonstrating that the maximum level of director task involvement will occur earlier in a director's tenure for directors who strongly identify with the organization.

### Robustness Checks

In addition to the results reported, we ran several robustness checks. In our main analyses, we control for, among other variables, the number of board appointments, being on the audit committee (both regular members and the audit committee chair position), and memberships of other committees. While these variables reflect the possibility that task involvement is affected by influence-related variables that have to do with prestige, expertise, and position

**Figure 1**  
**Curvilinear Relationship Between Tenure and Director Task Involvement for Different Levels of Organizational Identification**



within the board (e.g., Finkelstein, 1992), other director attributes may also confer influence. Therefore, we also examined the effects of including additional influence-related variables on our main results. On the basis of information gathered from annual reports, we performed analyses in which we controlled for whether a director has a management position at another organization, whether the director has or has had a position within the housing sector, and whether a director has or has had a political position. In addition, we performed analyses in which we controlled for a director's gender and age. None of these additional variables had a significant effect in any of the analyses, while the results regarding our variables of interest remain substantively unchanged.<sup>7</sup>

## Discussion

Our inquiry started with the observation that whereas outside directors are crucial for the governance of organizations, the corporate governance field still knows relatively little about the nature of the relationship between an outside director's time in office and his or her functioning within the board. As such, the field has presented conflicting results on the relationship between outside director tenure and director functioning (Johnson et al., 2013). Accordingly, this study was designed to enhance our understanding of the relationship between outside director tenure and outside director functioning and, in particular, director involvement in board duties. By integrating governance research and social identity theory, we tested the proposition that outside director tenure has an inverted U-shaped relationship with director task involvement, which is likely to be contingent on a director's social

identification with the organization. On one hand, our results suggest that longer tenured directors are more likely to have lower levels of task involvement. On the other hand, the results demonstrate that for outside directors who weakly socially identify with the organization, high tenure is less likely to negatively affect their task involvement. These results indicate that the relationship between outside director tenure and task involvement is more complex than generally anticipated and that a “one-size-fits-all” approach may not be most appropriate in assessing the effects of tenure on outside director functioning.

This study provides several important contributions to corporate governance research and practice. In the first place, a primary theoretical contribution is that entrenchment and social identification with the organization should be considered separate constructs, both of which are relevant for outside directors’ task involvement. Organizational identification involves a psychological merging of self and the organization (Ashforth & Mael, 1989; Dutton, Dukerich, & Harquail, 1994; van Knippenberg & Sleebos, 2006), which is not implied by high levels of tenure. By socially identifying with the organization, outside directors are more likely to adhere to organizational norms and values and interpret senior management as fellow prototypical organizational members. As such, our results indicate that outside directors who strongly socially identify with the organization have a lower proclivity to independently assess senior management and to provide independent advice that deviates from the prevailing course of action. Particularly at high levels of tenure, socially identified outside directors are less likely to generate perspectives that deviate from internalized organizational norms and values. In sum, our results demonstrate that the relationship between outside director tenure and director task involvement is contingent on social identification with the organization. We believe that this is relevant for understanding board behavior, since outside directors have the fiduciary responsibility to perform their board duties.

Secondly, our theory and empirical findings challenge some of the current theoretical literature that integrates social identity theory with the literature on outside director functioning (e.g., Hillman et al., 2008; Withers, Corley, & Hillman, 2012). Our results suggest that outside director social identification with the organization, by itself, has no significant main effect on outside director task involvement. While we agree with the Hillman et al. pioneering theoretical account that organizational identification may have beneficial effects for outside director functioning in terms of fostering engagement towards the organization, we maintain that it is important to realize that organizational identification may also reduce directors’ proclivity to assess senior management. Arguably the most important task of outside directors is to independently evaluate senior management strategic decision making (Fama & Jensen, 1983; Hillman & Dalziel, 2003; McDonald, Westphal, & Graebner, 2008; Roberts et al., 2005). Governance scholars have noted that outside directors who are psychologically detached from the organization are more likely to question and independently assess strategic decision making (e.g., McNulty, 2013; Petrovic, 2008; Westphal & Bednar, 2005). In a similar vein, Golden-Biddle and Rao (1997) already asserted that scholars investigating boards of directors should be sensitive to when organizational identification should be considered a strength and when it should be considered a constraint for outside directors. Although we do not postulate performance effects for the organization as a whole, because our focus is on individual-level director task involvement, our theoretical framework explicitly acknowledges and our empirical findings corroborate that outside directors who socially identify with the organization are less likely to engage in board duties at high levels of tenure.

Moreover, a close look at Figure 1 indicates that if organizational identification is high, not only do higher levels of involvement come at an earlier stage of tenure but also the maximum level of involvement is lower. In accordance with the rationale that social identification with the organization leads directors to internalize organizational norms and values and that this is most likely to reduce director task involvement at high levels of tenure when directors are unlikely to consider solution alternatives, Figure 1 shows that for strong identifiers, entrenchment effects are more severe. Figure 1 also suggests that in the case of low tenure, directors are more likely to benefit from social identification with the organization. An explanation for this finding would be that social identification with the organization has a positive effect because it stimulates motivation and experiential learning, which in turn may increase a director's initial task involvement (cf. Ashforth & Mael, 1989; Hekman, Steensma, Bigley, & Hereford, 2009; Riketta, 2005). In sum, strong identifiers may benefit in the beginning, but the positive effects of tenure dissipate more quickly. Overall, this suggests a complex relationship between tenure and task involvement, which again supports our first conclusion that caution is needed when such relationships are analyzed at the board level.

A third and final contribution of this study is that it is the first empirical study that analyzes outside directors at the individual level. Notwithstanding the important role of outside directors, it is surprising to note that while our "knowledge of top executives continues to grow . . . , we know little about nonexecutive or outside directors" (Hambrick, Werder, & Zajac, 2008: 384). As such, several researchers have acknowledged that the inconclusive findings in linking board characteristics to board-level outcomes are partially resulting from insufficient consideration of the involvement of individual directors rather than the board as a monolithic entity (Finkelstein & Hambrick, 1996; Hillman et al., 2008; Johnson et al., 2013; Judge & Zeithaml, 1992; Zahra & Pearce, 1989). Indeed, our results suggest that a possible explanation for the ambiguous results for outside director tenure is that outside director tenure has nonlinear and contingent effects that are difficult to uncover at the board level of analysis. Our findings thus contribute to a better understanding of outside director functioning at the individual level of analysis by demonstrating that outside director tenure *does* matter, but they also indicate that a "one-size-fits-all" approach is unlikely to be most appropriate in assessing the implications of outside director tenure on director task involvement.

In addition to the theoretical and empirical contributions, this study brings new implications for practice and policy. An implication of our results for practice is that practitioners and regulatory bodies need to be aware that a "one-size-fits-all" approach may not be most suitable for gauging the effects of outside director tenure. Our results indicate that the relationship between tenure and outside director task involvement is likely to be contingent on other factors, one of them being the extent to which a director socially identifies with the organization. To take this contingency into account, in evaluating the functioning of individual outside directors, the chairperson or an external facilitator can incorporate scales to garner insight into a director's social identification with the organization. Outside directors who weakly socially identify with the organization are less likely to have entrenchment affect their task involvement, while outside directors who strongly socially identify may need to pay particular attention to not have their task involvement reduced by complacency with organizational norms and values as their tenure progresses. Specifically addressing this in evaluations and discussions will likely affect the board culture in the sense that it will make

individual outside directors, as well as the board as a whole, conscious about their duties of monitoring, evaluating, and advising senior management.

A related policy implication of this research is that regulators can set dynamic term limits for outside director tenure. Specifically, whereas prescriptions and best practice provisions related to director independence and tenure are included in national corporate governance codes across the globe (Aguilera & Cuervo-Cazurra, 2009), regulators might pay more attention to more proximal and individual-level behavioral aspects of outside director functioning, such as a director's social identification with the organization. We do realize, however, that it may be difficult to adequately capture behavioral aspects in (soft) regulation. Nevertheless, an awareness of the possible pitfalls of uniform tenure requirements is relevant for informing the policy debate. The importance of such individual-level practical implications becomes clear when we realize that outside directors reside at the apex of organizations and that we know relatively little about outside directors at the individual level. Nonetheless, history has shown that complacent outside directors may have serious ramifications for the governance of organizations as a whole. Because this study provides one of the first empirical examinations of outside directors as individuals, our study can be regarded only as a first and yet important step in exploring the determinants of individual outside director functioning.

### **Limitations and Future Directions**

As with any study, there are limitations that should be acknowledged. Given the characteristics of the study, caution should be exercised in interpreting and generalizing results from this study. Specifically, the cross-sectional design limits the ability to draw empirical conclusions about the direction of causality. Furthermore, it cannot be completely excluded that our results are to some extent driven by unobserved differences both at the board level and at the organization level of analysis and in the type of people who stay longer with an organization. Future research may include repeated measurements of social identification with the organization and director task involvement over time and incorporate longitudinal designs to possibly tackle these limitations. Given the difficulty of gaining access to boards of directors, this will, however, provide a serious challenge for future research.

Moreover, most organizations in the Netherlands have a two-tier board structure. Generalization to other countries with alternative institutional settings may pose a limitation of our current research project. Notwithstanding the formal difference between a one-tier and a two-tier board structure, the tasks that outside directors perform within a two-tier board are similar to the tasks that nonexecutive directors perform within a one-tier board (Bezemer, Maassen, van den Bosch, & Volberda, 2007). A similar observation applies to the issue that our study is limited to one industry, namely, the housing industry. Although the institutional and industry context is important to take into consideration, and although we encourage researchers to further explore the effects of institutional contextual elements on board behavior, we are confident that the results of this article can be generalized to boards of directors in other industry and institutional settings.

We incorporated multiple sources of data in our analysis. Specifically, director tenure was drawn from archival information, organizational identification was based on self-report data, and director task involvement was rated by fellow directors. Although this approach helps to alleviate concerns about common source bias, the use of additional measures for task

involvement (e.g., based on board minutes, observations of board meetings) would strengthen our confidence in these results. Unfortunately, we did not have access to such information, but future research may benefit from gauging individual director involvement from board minutes or observational studies (Tuggle, Sirmon, Reutzel, & Bierman, 2010).

We focused on outside director involvement in monitoring, evaluating, and advising senior management because it is outside directors' fiduciary responsibility to fulfill these tasks. Interesting work could be done, however, on the relationship between outside director task involvement and outside director effectiveness. Excessive involvement by directors could overly constrain senior management. Depending on the corporate governance configuration (e.g., Misangyi & Acharya, 2014), the optimal level of director involvement may very well differ. The effectiveness of boardroom activities and task involvement of individual directors is likely to be context dependent. For a more all-encompassing overview, the complete configuration of director-specific, board-specific, firm-specific, and environment-specific characteristics should be considered simultaneously. This makes the relationship between director task involvement and director effectiveness a rather complex one and an important topic for future research. In this respect, disentangling the relationship between tenure, task involvement, and organizational identification is only a first attempt to improve our understanding of the functioning of outside directors. Studying the relationship between involvement in board duties and director effectiveness on one hand and organization-level consequences on the other hand could spur research into a virtually untouched, but critically important, field of investigation.

Future research may include mediating mechanisms. We argued that longer tenured directors are more likely to become entrenched. However, since we did not measure entrenchment directly, alternative explanations for a lower level of task involvement for longer tenured directors cannot be excluded. An at first sight plausible alternative explanation, for example, might be that reduced task involvement over time simply reflects the learning curve. Indeed, according to this curve, learning about an organization will especially take place in the early years of tenure and, therefore, it is likely that outside directors benefit most from increased tenure in their early years, in which experiential learning within the organization helps them to feel confident to get involved in directors' duties. However, while the learning curve can explain why task involvement especially increases in the beginning and that over time this curve shows a "decrease in increase," it cannot explain a decrease in itself as our curve shows (see Figure 1). Therefore, we do not think that the learning curve can explain the full curve. Entrenchment, however, can explain that in the case of long tenure, the curve goes down. Thus, although we realize that alternative explanations are possible, the entrenchment argument is theoretically plausible, is supported by our results, and is also consistent with the existing literature (e.g., Carpenter & Westphal, 2001; Dane, 2010; Hambrick et al., 1993; Hambrick & Fukutomi, 1991; Hermalin & Weisbach, 1998, 2003; Westphal & Fredrickson, 2001).

Future research could dig further into specific learning effects of directors. For instance, it would be interesting to examine when, what, and from whom directors learn (most); how they apply this acquired knowledge; and how and at what point directors learn under what conditions their involvement is most likely to benefit senior management strategic decision making. It might be, for example, that as a result of experience, directors have learned to consciously stay in the background on topics that they know that they are unlikely to

influence in order to have a larger influence on other topics. Also, it would be interesting to study whether longer tenured directors seek contact with other directors before board meetings to build alliances upfront and, perhaps more importantly, in what way they build these alliances or whether they use different influence tactics. Overall, it would be worthwhile to garner a more general understanding of how long-tenured directors operate differently from newly appointed directors.

We have argued that a strong social identification with the organization might lead to biased perceptions that can impair outside director task involvement. We realize that besides social identification, there may be other factors that lead to biased perceptions of outside directors. Tuggle et al. (2010), for example, found that organizational performance and the power of the CEO affect outside directors' focus of attention. Besides, it might be that past firm performance leads to biased perceptions. If organizational performance, for example, has declined because of previous suggestions of outside directors, it might well be that directors become less critical. Also, simple information overflow may lead to biased perceptions.

Another limitation of our work is that we focus only on one target of social identification. In our study, we specifically included social identification with the organization as a moderator for the relationship between director tenure and director task involvement. Future research may look for additional moderators and consider additional targets of identification, for instance, with the board of directors itself (i.e., team identification), stakeholders, the corporate elite, being a CEO (if the director is a CEO elsewhere), or the specific industry (Hillman et al., 2008; Westphal & Graebner, 2010). Another potentially fruitful extension of our study may be to look at the effects of a director's identification with being an outside director, perhaps in combination with a director's identification with the organization. It would be particularly interesting to study the interactive effects of simultaneously identifying with multiple targets. For example, identification with being a CEO elsewhere might strengthen the effects of organizational identification as a result of higher engagement towards the organization and higher engagement in strategic decision making, or it might interfere with the effects of director identification because of a lower inclination to independently assess senior management.

Governance research and practice may also benefit from a detailed analysis of linking individual-level director task involvement and effectiveness on one hand to board-level effectiveness, strategic decision-making quality, and firm performance on the other hand. This specifically calls for multilevel theorizing and analyses, thereby opening up a wide and virtually unexplored field for board research. Indeed, recent research on boards of directors explicitly acknowledges the benefits of employing multilevel approaches to flesh out the individual director-level determinants of board-level effectiveness (Hillman et al., 2011). An analysis of possible cross-level interactions between individual-level constructs (e.g., social identification) with the organization and board- or firm-level constructs (e.g., firm performance) would be a worthwhile direction for investigation in this respect. In a similar vein, employing multilevel theorizing and analysis, board researchers may also examine the antecedents and consequences from dyadic processes that operate between directors and senior managers.

Whereas several researchers have acknowledged the inherent weakness of investigating the board of directors as a monolithic entity from a board-level perspective (Finkelstein &

Hambrick, 1996; Hillman et al., 2008; Zahra & Pearce, 1989), to the best of our knowledge, this study provides the first empirical examination of director task involvement at the individual level of analysis. Board scholars are encouraged to further examine directors as individuals to garner a better understanding of individual director functioning, interactions among directors, board behavior, and board effectiveness. We believe that such an understanding is pertinent for research on board behavior and board effectiveness.

## Conclusion

In discussing the future of corporate governance research, Hambrick et al. (2008) note that until governance scholars understand the determinants of individual director functioning, they will have great difficulty in comprehending outside director functioning and linking board characteristics to board functioning and firm performance. By integrating insights from governance research and social identity theory, we have provided an analysis at the individual director level that supports the notion that an outside director's task involvement changes over time and that social identification with the organization plays an important moderating role in this respect. Our findings indicate that individual director task involvement is most likely to be at its highest value at intermediate levels of tenure. Outside directors who strongly socially identify with the organization are more likely to grow "stale in the saddle" at lower levels of tenure.

## Notes

1. We refer to non-executive or outside directors as directors. The CEO and the other executives are referred to as senior management. This is in line with the literature in which the board of directors is referred to as the controlling body of senior management (e.g., Adams, Hermalin, & Weisbach, 2010).

2. An increasing number of European countries follow the European Commission's Recommendation 2005/162/EC stating that for a director to be deemed independent, he or she should not have served on the (supervisory) board as a non-executive or supervisory director for more than 12 years.

3. This can also be seen from the modest bivariate correlation of .22 between director tenure and organizational identification in the current study (see Table 1), which indicates a shared variance of approximately 5%.

4. This was incorporated into law by the "Wet Balansverkorting Geldelijke Steun Volkshuisvesting" that was published by the Dutch government on May 31, 1995.

5. We obtained these data on November 10, 2010, from the Dutch government Web site at <http://www.rijksoverheid.nl>.

6. We are thankful to an anonymous reviewer for bringing the importance of director (audit) committee membership to our attention.

7. The results of these robustness checks are not reported here because of space constraints but are available on request from the first author.

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