Directors’ Multiple Identities, Identification, and Board Monitoring and Resource Provision

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Scholars and practitioners are interested in board effectiveness, yet we know relatively little about directors’ engagement in the boardroom. We integrate identity theory and social identity theory research with literature on board monitoring and resource provision to model how directors’ multiple identities affect their behavior. We propose that directors’ strength of identification with multiple identities affects the extent to which they engage in monitoring and resource provision. We discuss implications for corporate governance research and practice.

Key words: board of directors; identity; board performance

The effectiveness of boards of directors is an important issue for practitioners, regulators, and scholars. Despite heightened public scrutiny (Levitt 2005) and increasing regulatory and legislative attention (e.g., Sarbanes-Oxley), ongoing waves of corporate scandals ensure continued practitioner and political attention for boards. Academics have long been concerned with the relationships between board composition, board functions (monitoring and resource provision), and firm performance (Daily et al. 2003). The overwhelming majority of this research explores the empirical relationships between board composition proxies for monitoring or resource provision (e.g., proportion of outsiders, CEO duality, number of interlocks) and firm performance. However, after hundreds of such studies, results remain inconclusive (see meta-analyses by Dalton et al. 1998, Rhoades et al. 2000). This has prompted calls for a richer understanding of board functions and their antecedents (e.g., Johnson et al. 1996, Pettigrew 1992, Zahra and Pearce 1989) before there is an attempt to link boards to firm performance.

Recent research on board effectiveness quotes an executive as saying, “It gets back down to what is the ability of the person and what is driving them to become engaged” in the boardroom (McNulty et al. 2005, emphasis added). Much of agency literature assumes that directors with a given characteristic (e.g., if the director is an “independent outsider”) are equally motivated to protect the interests of shareholders given their fiduciary obligations (Fama 1980, Jensen and Meckling 1976). Similarly, resource dependence scholars often assume that if directors have human and social capital valuable to the firm, they will use it (Pfeffer and Salancik 1978). Little work on boards explores individual-level engagement of directors save that of Golden-Biddle and Rao (1997), who show that the enactment of board functions is influenced by a director’s identification with the organization.

We agree that a better understanding of board effectiveness may lie in the growing body of research in organizational behavior that recognizes individuals’ multiple identities and identifications as important predictors of behavior. However, rather than limit the focus to a director’s identity as an organizational member (Golden-Biddle and Rao 1997), we consider the relationship between director identities and board functions more broadly to include multiple roles and social identities. Our research question is: How do directors’ multiple identities and their strength of identification with them affect board monitoring and resource provision? Specifically, we explore how a director’s identification with the organization, with his or her occupation as a director and a CEO, and with shareholders and stakeholders (customers and/or suppliers) affect his or her monitoring and resource provision.

By “identity” we refer to an individual’s conceptions of “who I am.” Identity theory (Burke 1980, McCall and Simmons 1978, Stryker 1968) suggests that individuals are a collection of identities resulting from their multiple roles in society (e.g., parent, teacher, chairman). Similarly, social identity theory (Hogg 1992,
Hogg and Abrams 1988, Tajfel 1974) views the social categories (e.g., nationality, ethnicity, gender, political affiliation) to which one belongs as memberships that help define “who I am.” Although identity theory focuses on roles and social identity theory focuses on social categories/groups as the basis for identities, both agree that identities shape behavior in a given context. Identification with a role or social identity represents the importance of that particular identity to the individual and the degree/strength to which the identity will affect behavior (Ashforth 2001). Beyond the evidence of Golden-Biddle and Rao (1997) regarding organizational identification and directors, other research associates an individual’s identities and identification with a variety of organizational behaviors such as prosocial behavior and cooperation, commitment, satisfaction, and employee turnover (e.g., Ashforth and Mael 1989, Foreman and Whetten 2002); thus we consider this lens a fruitful one to explore how individual directors contribute to board functions.

By integrating identity and social identity theories with the corporate governance literature on the two functions of boards—monitoring and resource provision—we provide three contributions to the management literature. First, we contribute to board literature by explaining how identities and the strength of identification affect a director’s monitoring and resource provision functions. Our effort responds to calls for more in-depth examination of both directors as individuals and the antecedents of board effectiveness (Finkelstein and Hambrick 1996). By concentrating on the individual director, we also specifically address a limitation in prior research, which assumes that proportional representation of aggregate demographic characteristics (e.g., homogeneity of functional background) predicts a certain collective board mindset (e.g., preference for strategic change) (Golden and Zajac 2001). By understanding the multiple identities of directors and how identification with them can influence each director’s monitoring or provision of resources, we can better predict board effectiveness and thus enrich our understanding of this important phenomenon.

The second contribution of our work is combining identity theory and social identity theory, which “occupy parallel but separate universes” (Hogg et al. 1995, p. 255). By considering both directors’ role and social identities, we are better able to understand the holistic effects of identity on board effectiveness, rather than examining either role or social identities in isolation from the other. Third, we seek to inform practice by identifying which aspects of board composition (e.g., specific roles and group memberships of directors) motivate monitoring and resource provision functions through the identity mechanism.

Our paper is organized as follows. First we review identity and social identity theories to highlight how they apply to directors. We then briefly review the monitoring and resource provision functions of boards. This provides the basis for our underlying assertion that individual director’s identifications with multiple role and social identities affect monitoring and resource provision. We then develop formal propositions for the main effects of director identifications with contextually relevant role and social identities on board functions, followed by interaction effects of multiple identities. We conclude our paper with a discussion of the implications of our model for theory and practice.

Multiple Identities and Identification
Identity theory’s fundamental proposition is that the self is multifaceted and reflects society, which itself is “complexly differentiated but nevertheless organized” (Stryker and Serpe 1982, p. 206). Multiple components of self are referred to as identities and, more specifically within identity theory, as role identities (Hogg et al. 1995). Stryker (1980) suggests that each individual has an identity for each of the roles he plays within society. These multiple role identities provide meaning for the self because they not only relate specific behavioral expectations for each role but also distinguish roles from one another (Hogg et al. 1995). For example, an individual can have identities associated with her role as a CEO, a mother, a daughter, and a sister.

Social identity theory similarly views the self as composed of multiple identities but focuses on social categories as the basis for identities rather than roles (Hogg 1992). Each social group to which an individual belongs provides a definition of self based on the characteristics of the social group. Whereas identity theory discusses the relationship between individuals and their behavior as role based, social identity theory focuses on the norms and stereotypes of social group membership as affecting behavior (Hogg et al. 1995). Returning to our example, the same individual with role-based identities as a CEO, mother, daughter, or sister may also have social identities based on organizational, interest group, and other social memberships. Further, a person’s set of identities is not fixed—new identities develop as we enter into new roles and join new social groups (Scott 1997).

Callero contends that “role identities, by definition, imply action” (1985, p. 205); thus, each identity shapes behavior. When acting in a certain role, or when identifying with a social group, individuals undergo a process of self-categorization that steers them to act in a manner appropriate for that role or group (Hogg and Terry 2001). This cognitive process of depersonalization predicts prototypical behaviors (in the case of social identity) or role-related behaviors (in the case of identity) whereby individuals attempt to align their actions with the normative behaviors of an identity, depending on the strength of identification or salience of that identity (Hogg et al. 1995, Ashforth and Mael 1996). Identification is said to occur when a role occupant or social group
member comes to define himself or herself in terms of the perceived role or social group (Mael and Ashforth 1992, Stryker 1980). Ashforth (2001) argues that the salience of this identity to an individual depends on (1) the degree to which that identity is situation relevant and (2) how strongly the individual identifies with the role or social identity. Further, Stryker and Serpe (1982) contend that the more salient a role identity is to an individual, the more likely opportunities to perform the role will be sought out and the more likely a given situation will be perceived as an opportunity to perform the role underlying that identity. Social identity theorists similarly argue that behavior is more influenced by a specific social identity when contextually relevant (Ashforth and Johnson 2001). Thus, the stronger an individual’s identification with a specific identity, the greater the likelihood that his or her behavior will be shaped by it.

Consequently, identity theory suggests two ways identity affects behavior. First, individuals can behave differently in the same context because they have different identities. Second, even individuals with the same identities can vary in strength of identification with each, causing them to behave differently (Callero 1985). In their depiction of self-categorization theory as an extension to social identity theory, Hogg et al. (1995) and Hogg and Terry (2001) describe a depersonalization process predicting similar, normative behavior among group members. Although depersonalization is the underlying mechanism to motivate expected behaviors, identities are not deterministic but rather serve as general parameters for individual behavior (Ashforth and Mael 1996). Because multiple identities may be integrated and internalized, Ashforth and Mael (1996, p. 57) hold that “identification need not mean isomorphism” and that individuals personalize the enactment of identities and their relevant values, such that even given depersonalization processes cuing behavioral norms, individual behaviors are still idiosyncratic (Ashforth and Johnson 2001). Thus, understanding how individuals behave requires consideration of both the target of their identities and the relative strength of their identification with each.

Multiple identities are associated with both benefits and costs for individuals. First, individuals with few identities are assumed to suffer from a lack of response flexibility (Thoits 1983), whereas those with multiple identities can respond to a variety of situations well because they have a wider range of conceptions of self (Hoelter 1985). Individuals with multiple identities are assumed to have greater role-based privileges, overall status security, access to additional resources for role performance, and ego gratification (Sieber 1974), an effect that extends to work-family role multiplicity (Greenhaus and Powell 2006). However, theorists also recognize the potential for overload and conflict among identities (Biddle 1986, Kreiner et al. 2006). Thoits (1983) finds evidence of a curvilinear relationship between multiple identities and psychological distress: those with few identities don’t respond well in complex environments, but those with many are more prone to identity overload and conflict. Scholars also suggest, however, that conflict and competing demands from multiple identities are minimized when identities are convergent or aligned with one another (Balmer and Greyser 2002, McCall and Simmons 1978, Scott et al. 1998). Research suggests that both few and many identities may be harmful for individuals, but that the negative effects of multiple identities can be mitigated by the relationship or alignment between them, so it is important to understand the nature of identities and their interrelationships to understand their effects on behavior. As Pratt and Foreman observe, “individuals, therefore, can manage multiple identities by managing both their relationships and numbers to create an ‘optimal level’ of identity multiplicity” (2000, p. 23).

For organizations, a key concern is the individual’s identification as an organizational member (e.g., Foreman and Whetten 2002). Dutton et al. define organizational identification as “the degree to which a member defines himself or herself by the same attributes that he or she believes define the organization” (1994, p. 239). The strength of an individual’s identification as an organizational member has been shown to affect attitudes and behaviors toward his or her organizations, particularly cooperation, commitment, satisfaction, and turnover (Ashforth and Mael 1989, Dutton et al. 1994, Foreman and Whetten 2002). Thus, the more strongly an individual identifies with the organization, the more he will work to benefit it, because he sees himself as partly defined by the organization.

When examining the impact of individuals’ multiple identities on organizations, the central focus of research has been on the relationship among identities as opposed to the number of identities. Researchers are particularly interested in the degree of compatibility or competition between multiple identities and how this might affect organizational identification and subsequent behaviors. For example, previous work has explored the differences between identification with one’s working group versus one’s organization (Barker and Tompkins 1994) and how this varies within geographically dispersed organizations (Scott 1997).

Findings on these relationships are mixed. Barker and Tompkins (1994) and Scott (1997) find positive correlations between various targets of identification, but Scott also recognizes that what can be functional behavior for one identity can be dysfunctional for others. Ashforth and Johnson (2001) contend that for nested identities (i.e., those that are embedded within one another, such as work group being embedded within a division and organization), however, the degree of overlap creates positive correlations between identification at one level and identification at other levels. Here again, there is
The provision of resources refers to the ability of the board to bring resources to the firm, where resources are broadly defined as “anything that could be thought of as a strength or weakness of a given firm” (Wernerfelt 1984, p. 172). This perspective on boards takes its roots in resource dependence theory, which argues that four types of benefits can come from boards: (1) advice and counsel, (2) channels for communicating information between external organizations and the firm, (3) preferential access to commitments or support from important elements outside the firm, and (4) legitimacy (Pfeffer and Salancik 1978, pp. 145, 161). Many activities fall under the resource provision function, including providing legitimacy/bolstering the public image of the firm (Bazerman and Schoorman 1983, Selznick 1949), providing expertise and advice (Baysinger and Hoskisson 1990, Carpenter and Westphal 2001, Westphal 1999), linking the firm to important stakeholders (Burt 1980), facilitating access to resources such as capital (Mizruchi and Stearns 1994), diffusing innovation (Haunschild and Beckman 1998), and aiding in the formulation of strategy or other important firm decisions (Judge and Zeithaml 1992, Lorsch and MacIver 1989).

Research on the antecedents of board monitoring and resource provision has varied, depending on the theoretical tradition. For example, agency theorists focus largely on the role of incentives for board monitoring. They specifically examine the relationship between board independence and board monitoring, assuming that boards dominated by independent outsiders will be better monitors (e.g., Barnhart et al. 1994, Daily and Dalton 1994), and concern themselves with directors’ equity compensation as an incentive to monitor management (Jensen 1993). Resource dependence scholars, on the other hand, have focused more on a board’s ability to provide resources to the firm. They find that a board’s expertise, experience, and skills (i.e., human capital) as well as its members’ network of ties (i.e., social capital) are related to all four of the benefits proposed by Pfeffer and Salancik (1978). For example, research findings link board expertise and ties to other organizations to the provision of valuable advice and counsel (e.g., Baysinger and Hoskisson 1990, Carpenter and Westphal 2001, Westphal 1999). The prestige and connections of board members are also linked to firm legitimacy (Certo et al. 2001, Daily and Schwenk 1996). Board expertise and ties similarly provide channels of communication and conduits of information to the firm (Burt 1980, Haunschild and Beckman 1998), as well as access to other important resources (Boeker and Goodstein 1991, Mizruchi and Stearns 1994, Pfeffer 1972). In integrating both agency and resource dependence work on boards, Hillman and Dalziel (2003) thus model board human and social capital as predictors of board monitoring and provision of resources with board incentives acting as a moderator of the relationships. Similarly, we contend that directors’ identification with multiple identities is important predictors of monitoring and resource
provision. We now explain the basis for this in more detail.

**Board Identities and Functions**

If individuals’ identities affect their behavior, directors’ identities likely affect board functions. However, as noted earlier, researchers maintain that the likelihood that any given identity affects behavior in a given context depends not only on the individual’s strength of identification with it but also its relevance to the situation (Ashforth 2001). Given the broad scope of activities included in the board’s monitoring and resource provision activities, we contend that a number of potential director identities are contextually relevant.

In keeping with research by Sieber (1974) and others on multiple identities for individuals, we consider multiple identities to be beneficial for directors and also for boards. First, directors with multiple identities will have response flexibility in dealing with nonroutine problems; they will be better equipped to handle complex and ambiguous situations, a common feature of board work (Rindova 1999). Second, there are a series of benefits from multiple identities that accrue directly to the individual such as overall status security, enrichment of personality, and ego gratification (Sieber 1974). In addition to the advantages of a more confident and secure director, boards would directly benefit from the role privileges, resources for status enhancement (i.e., legitimacy), and role performance improvements that accrue with multiple identities. What Sieber refers to as resources for status enhancement and role performance are of particular importance in the board context. In short, his argument is that the more roles one assumes, the more resources one has to perform in other contexts. Thus, the more roles, the greater the store of role resources to draw upon, and as a further consequence, the individual becomes more valuable to each of his role partners. Not only has he secured resources and privileges which can be dispensed among his associates, but he has become a central gate-keeper for persons seeking direct access to the source of his valuables. (1974, p. 575)

Therefore, although the individual benefits from multiple roles, this cache of resources as a result of directors’ multiple roles can benefit the organization as well. Similarly, Ashforth and Johnson state “bringing multiple identities to bear on a situation may facilitate rich and circumspect action” (2001, p. 45).

Taken together, these conditions highlight the potentially positive impacts of multiple identities on board monitoring and resource provision. In terms of advice and counsel as a key component of resource provision, those directors with multiple identities should be more flexible in adapting to nonroutine situations in the boardroom and have increased tolerance and exposure to differing views. Similarly, legitimacy is improved if directors’ multiple identities bring prestige and status to the organization. For example, adding former regulators to a board signals compliance (Burns 2005). In addition, the access to information, channels of communication, and other resources Sieber (1974) discusses parallel the benefits resource dependence scholars have found flow through boards. Thus, we contend that directors’ multiple identities may benefit the provision of resources by the board.

Because directors with multiple identities are more likely to have overall status security, we also contend that they would be less likely to suffer group effects that inhibit effective monitoring, such as impression management; that is, their status security translates into reduced self-censoring in the boardroom and a willingness to question each other and management (Ashford and Tsui 1991, Kilduff and Day 1994). Similarly, the response flexibility derived from multiple identities will enable directors to view their monitoring activities from a variety of perspectives, leading to more effective task execution. Directors’ multiple identities, therefore, have the potential to improve the board monitoring and resource provision functions.

Based on Ashforth’s (2001) assertion about the importance of situational-relevance in studying multiple identities, we contend there are five particularly relevant identities for board functions: director, CEO, shareholder, and organizational and stakeholder (specifically, customers and/or suppliers) identities. In considering board effectiveness and taking governance research to an individual-level perspective, we sought to identify those roles and group memberships most likely to have a substantive impact across a broad range of board settings. Corporate boards most likely include individuals with variance across organization, stakeholder, shareholder, and occupational identities. There may be other relevant identities (e.g., gender, ethnicity, other occupational, or stakeholder identities, etc.), but we focus on these as a first step in understanding the impact of directors identifying with multiple identities because of their generalizability across directors and boards.

Extant research highlights that identification with one’s organizational membership produces behaviors that affect organizational outcomes (Ashforth and Mael 1989). Specifically, the strength of a director’s identification with the organization affects board functions (Golden-Biddle and Rao 1997). Similarly, identification with an occupation affects an individual’s approach to tasks involved in that role (Hitt and Tyler 1991). A director’s strength of identification with being a director would, therefore, be relevant to board functions. We also argue that three other identities are relevant because they are the targets of (or are affected by) board activities.

First, the board’s duties to monitor and provide resources to management mean that identification with
being a CEO will likely impact director behavior, particularly as the majority of outside board members of large publicly listed companies are current or former CEOs (Fich 2005). Second, because directors owe a fiduciary duty to shareholders (Fama and Jensen 1983, Jensen and Meckling 1976), identification with shareholders will likely affect board functions. Third, boards also concern themselves with other organizational stakeholders (e.g., customers and suppliers), and directors are often drawn from a set of organizational stakeholders themselves to benefit the focal firm through important resource provision and an ability to influence the stakeholder(s) (Mizruchi and Stearns 1988, Selznick 1949). Scott and Lane (2000, p. 44) focus on the cognitive identification and implications of organizational stakeholders “who are objectively nonmembers (e.g., customers and suppliers).” Therefore, we consider identification with customers and/or suppliers also to be contextually relevant.

The presence of directors’ multiple identities alone, however, doesn’t take into account the strength of identification with each. As discussed in our review above, although situational relevance of an identity increases the likelihood it will affect behavior, the individual’s strength of identification with each also matters. Conceptually, the strength of identification with a contextually relevant identity can be thought of as a direct effect on board monitoring and resource provision.

We next turn to each identity to better explicate the relationship between identification with it and board monitoring and resource provision. While theorizing about the antecedents of strength of identification with each identity is beyond the scope of our project, we offer examples of what may increase identification as well.

**Identification with the Organization.** The relationship between an individual’s identification with his or her organization and his or her behavior is the subject of a good deal of research and has been found to predict cooperation, satisfaction, motivation, and turnover, among other organizational behaviors, as well as board functions (Ashforth and Mael 1989, Golden-Biddle and Rao 1997, Shamir 1990). Ultimately, scholars believe strong identification with the organization can have a positive impact on performance (Castanias and Helfat 1991, van Knippenberg 2000). The basic premise is that the stronger the identification with the organization, the greater the likelihood that individuals will act in the interests of the organization (Scott 1997). As Golden-Biddle and Rao (1997) suggest, the more a director identifies with the organization, the greater the likelihood that he or she will act in a way that benefits it. This suggests a positive linear relationship between director identification with the organizational member and board functions.

When directors only weakly identify themselves with the organization on whose board they sit, we consider it less likely that the store of resources resultant from their multiple identities will be used to benefit the organization or that they will vigorously engage in monitoring. As Fiol (2001) argues, the weaker the identification with the organization, the less commitment to a common goal is. Research has shown that organizational members who identify more strongly with an organization are more likely to expend effort and be engaged in their organizational behaviors (Dutton et al. 1994). Whether directors are technically “insiders” or “outsiders” may be independent of the extent to which the individuals relate to and define themselves by organizational membership. As the strength of directors’ identification with the organization increases, however, they become more likely to provide resources to benefit the organization and to monitor management.

For example, directors who have served a long tenure on the board (or their organization) and/or who limit their directorships to one firm may have stronger identification with the organization than newly elected directors or those who serve on multiple boards. Directors who share the organization’s values or who serve on an organization with high prestige may have stronger identification. In short, directors who think of themselves as “a director for Company A” before other forms of self-description may similarly act to provide additional resources or monitor management to bring maximum benefits to the organization because of their strong sense of identification with the organization. Therefore:

**PROPOSITION 1A.** The strength of a director’s identification with the organization will have a positive relationship with resource provision.

**PROPOSITION 1B.** The strength of a director’s identification with the organization will have a positive relationship with monitoring.

**Identification with Being a Director.** Because we are interested in the performance of board functions by individual directors, the individual’s identity as a professional director is also highly salient and contextually relevant. We contend that the strength of each director’s identification with being a director will affect how much he or she monitors and provides resources to the firm through one of two mechanisms.

First, the overriding obligation of directors is to carry out their fiduciary duties to the shareholders (Bainbridge 2003), and this obligation forms the basis for the expected behavior of directors. This requires a clear subjugation of personal views and interests to the functions required of a high-performing board member. Quite simply, the stronger a director identifies with being
a director, the more likely he will apply himself to resource provision and monitoring, because they are the proscribed behaviors for directors. In contrast, a director who has weak identification with being a director may be a passive or uncooperative board participant. Strength of identification with being a director differs conceptually from insider versus outsider status, as supported by Pearce’s (1983, p. 297) finding that “inside or outside status (is) not predictive of individual members’ internal or external orientations.” We argue, instead, that it is how much an individual defines himself as a director that impacts, for example, the extent to which he provides critical resources to the firm, whether that be external experience of an outside director or knowledge of internal processes a current executive chooses to share in a board meeting.

Second, directors who strongly identify with being a director will have an intrinsic desire to ensure their performance remains strong so that they do not fall victim to a “settling up” whereby passive directors are sanctioned in the future (Fama 1980). Professional directors seek to “develop and maintain a favorable reputation as active representatives of shareholder welfare” so as to enhance “their attractiveness as candidates for board appointments” (Zajac and Westphal 1996, p. 507). For example, directors who are “professional directors” (i.e., not employed in any other capacity, often sit on multiple boards, or belong to multiple associations of directors, such as the National Association for Corporate Directors in the United States) may have stronger identification with being a director than someone who is employed in another capacity, does not participate in professional associations, or serves only on a limited number of boards. Similarly, directors who perceive directorships as high prestige and important positions are likely to more strongly identify with the role. These directors with strong identification with being a director are therefore more likely to be active rather than passive in the boardroom. Therefore:

**Proposition 2A.** The strength of a director’s identification with being a director will have a positive relationship with resource provision.

**Proposition 2B.** The strength of a director’s identification with being a director will have a positive relationship with monitoring.

**Identification with Being a CEO.** Because the majority of directors in large publicly traded companies are current or former CEOs (Fich 2005, Perry and Peyer 2005) and one of the main tasks of the board is to monitor and manage the CEO (Carver 2000, Lorsch and MacIver 1989), a director’s potential identification with being a CEO is situationally relevant. The effect of this form of identification is fundamentally different, however, from identification with the organization or being a director.

Directors who strongly identify with being a CEO are most likely to exhibit empathy with (Finkelstein and Hambrick 1989)—and be more reluctant to criticize—management (Lawler 1990, Mace 1971). This can result from a director being a CEO him or herself and strongly identifying with that role, or in an “anticipatory” sense wherein one acts like a role/group member even if one is not (Ashforth 2001). Stronger identification among directors with being a CEO is also likely to restrict intensity of board vigilance and amplify managerial discretion (Stiles 2001). Thus, being a CEO and outside director “may diminish their willingness to monitor [management] actively” (Westphal and Zajac 1997, p. 161). In short, the stronger the director’s identification with being a CEO, the less likely she is to look over the shoulders of the firm’s CEO. Recent work by Westphal and Khanna (2003) explores this point and shows there are strong disincentives to monitor executives or adopt governance reforms that limit managerial autonomy among large U.S. corporations; their research argues that these disincentives arise from social pressure to preserve managerial autonomy. Although Westphal and Khanna contend this social pressure comes from common membership within the corporate elite, another explanation is the shared strength of identification among CEO-directors.

The potential for conflict between CEO identity and monitoring has support from both agency and stewardship theories. Agency theory would suggest that a director who is strongly identified with his own CEO role would hesitate to monitor because he may resent such behavior from his own board of directors. Similarly, stewardship theory (Davis et al. 1997) would also support a reduction in monitoring because the director who is strongly identified with her own CEO role may see herself as a “steward” of the organization operating in its best interests and transfer this same belief onto the focal firm CEO, thus reducing the need for monitoring. Thus, the focus would be on “correctly designed organization structure which allows the CEO to take effective action” rather than on monitoring the action of the CEO (Donaldson and Davis 1991, p. 50). Whether the presumption of agency costs or stewardship is made, we contend that those directors with strong identification with being a CEO will have a disincentive to monitor.

In contrast, strong identification with being a CEO is more likely to increase resource provision. Because resource provision by the board is shown to positively affect the firm, CEOs are interested in having their own boards provide such resources and so will view resource provision as a supportive activity. The use of a director’s social capital will, we contend, be intensified by the increased trust that results from the CEO and CEO-director sharing a stronger identification with the same role identity. This is because there is a cognitive dimension to social exchange (Nahapet and Ghoshal 1998)

that is derived from shared mental models, including language and codes (Arrow 1974) and shared narratives (Orr 1990). Identification with being a CEO will increase the level of shared language, codes, and narratives, so it is likely that there will be greater trust and resource provision. For instance, advice seeking is a major resource provided by outside directors (Baysinger and Butler 1985, Pfeffer and Salancik 1978), and greater trust between a director and the CEO increases the level of advice and counsel given to the CEO (Westphal 1999). Thus, we would expect identification with being a CEO to increase resource provision.

For example, directors may have stronger identification with being a CEO if they are CEOs themselves or recently retired from the position. Similarly, individuals who have served as a CEO in multiple firms or who have been recognized in media lists of “top CEOs” or other such publications that emphasize their role to the public are also more likely to strongly identify with it. We would also expect that individuals who have served a long tenure as CEO or those who are or have been the CEO of a prestigious high-profile organization will more strongly identify with the role as a result of the public emphasis of the position. As a result of this stronger identification, they may be more likely to provide resources, yet less likely to monitor management, than those directors who are not or have not been CEOs themselves, are new to the position, etc. Therefore:

**Proposition 3A.** The strength of a director’s identification with being a CEO will have a positive relationship with resource provision.

**Proposition 3B.** The strength of a director’s identification with being a CEO will have a negative relationship with monitoring.

**Identification with Shareholders.** Agency theorists often assume that the board’s fiduciary responsibility to shareholders (or the holding of equity in the firm by directors) will motivate directors to act on shareholders’ behalf (Jensen 1993) because it emphasizes a board’s role as representatives of shareholders. However, directors likely vary in their strength of identification with shareholders. Directors with strong identification with shareholders are likely to engage in resource provision and monitoring to a greater degree than those with weak identification with shareholders. For example, a director whose parents lost their retirement due to pension fraud may have strong identification with shareholders, as would an investor such as Warren Buffett, who defines himself primarily as a corporate investor and allocator of capital. Alternatively, some directors may have little or no identification with the shareholder identity, even if they hold shares in the focal or other firms, because these shares either make up an inconsequential amount of their wealth, or shares are purchased as funds or through investment intermediaries as opposed to being individual choices by the directors with knowledge of the firms in which they are buying stock. Alternatively, some directors may have a personal philosophy or value set that emphasizes the importance of a broad set of stakeholders rather than shareholders (e.g., Wang and Dewhirst 1992). These directors may, therefore, have a weaker identification with shareholders. Critical tenets of social identity theory, as discussed above, hold that “individuals vary widely in the extent to which they identify with a given target” and “the extent to which an individual identifies with a given target may change over time” (Ashforth and Humphrey 1993, p. 101). Regardless of the experiences or processes leading to strength of a director’s identification with shareholders at one point in time, stronger identification with shareholders is likely to encourage more monitoring and resource provision behaviors. Therefore:

**Proposition 4A.** The strength of a director’s identification with shareholders will have a positive relationship with resource provision.

**Proposition 4B.** The strength of a director’s identification with shareholders will have a positive relationship with monitoring.

**Identification with Customers and/or Suppliers.** Directors not only have an obligation to shareholders but also to stakeholders of the organization (Freeman 1984), including employees, customers, suppliers, members of local communities, the government, etc. Wang and Dewhirst (1992) find that directors recognize their responsibilities beyond stockholders but differ in their perceptions and priority order of stakeholders. Baxt comments “...there is more expectation in the community that directors of companies will consider broader public interests in carrying out their obligations and pursuing their duties...” (2005, p. 40). Here, we examine the effect of identification with customers and suppliers as two primary stakeholders.

Directors who are also customers or suppliers are often discussed as a cooptive mechanism to ensure access to a critical resource through an outside director serving as a key boundary spanner (Golden and Zajac 2001). But these directors also likely have expectations of the company (Freeman 1984). As with the identification with shareholders, a director’s identification with customers and/or suppliers is likely to initially encourage the provision of resources to the firm because of her interest in the continued survival of the firm. However, this drawing down of the director’s social capital (Blau 1964) involves a cost because the relational component of social capital is reciprocal (Adler and Kwon 2002, Nahapiet and Ghoshal 1998). This means that the customer and/or supplier groups with whom the director strongly identifies will most likely expect a
particular behavior or benefit from the firm. This reciprocal relationship was explored by Mizruchi and Stearns (1988), who, in a series of studies, find director interlocks initially formed as a means to coopt important suppliers often subsequently result in strategic choices reflecting the preferences of the coopted supplier director rather than the coopting focal firm (Stearns and Mizruchi 1993). In particular, they note that:

A director interlock provides both a firm and a financial institution with an ongoing opportunity to coopt one another. A financial institution seeking new business may accept a position on a firm’s board of directors. Once on the firm’s board, the financial institution’s representative can use the board position to solicit business from the firm as [he] sees fit. (Stearns and Mizruchi 1993, p. 604)

Other research has tied stakeholder-director representation to patterns of corporate political contributions (Clawson and Neustadt 1989, Mizruchi 1989) and external financing (Mizruchi and Stearns 1994). Therefore, although resource provision may initially increase through identification with customers or suppliers, increasing identification with these stakeholders can, at some point, lead to a negative effect on resource provision, in terms of the director’s engagement to contribute to focal firm resources. Quite simply, if a director identifies strongly with customers or suppliers, he may draw down on firm resources more than supplement them if the interests of the customers and/or suppliers conflict with the organization’s interests (Scott and Lane 2000). At its worst, this can cause directors to act only in the interests of customers or suppliers instead of shareholders. Therefore, we would expect an inverted-U-shaped relationship between strength of identification with customers and/or suppliers and provision of resources to the firm.

When it comes to the monitoring function, however, we expect the effect of a director’s identification with customers and/or suppliers to remain positive. As a director’s strength of identification with customers or suppliers increases, she is more likely to monitor management to ensure the customers’ or supplier’s interests are being met. For example, a director with strong identification with suppliers will monitor management to ensure the suppliers’ business interests are being carefully guarded. Golden and Zajac suggest that stakeholder directors are likely to “discount a business or competitive orientation, and emphasize instead their role on the board as solidifying the influence of a particular constituency group that they represent” (2001, p. 1092). This suggests that they will be more vigilant monitors of management.

As examples, directors who are representatives of major firms that supply or buy from the focal firm, or who have had past employment or an interlocking directorate with such firms, may exhibit the curvilinear relationship with resource provision but strongly monitor management, whereas directors with weak identification with suppliers or customers will not. Therefore:

**Proposition 5A.** The strength of a director’s identification with customers and/or suppliers will have an inverted-U relationship with resource provision.

**Proposition 5B.** The strength of a director’s identification with customers and/or suppliers will have a positive relationship with monitoring.

**Interaction Effects Between Multiple Director Identities and Board Functions**

Thus far, we have concentrated on the individual effects of relevant identities on board functions despite recognizing that directors have multiple identities with varying strengths of identification. Therefore, to have a more complete view of how directors’ identities and identification affect boardroom behavior, we now consider these identities in an aggregate fashion.

As discussed, when identities are intrinsically related or aligned with one another, there is positive spillover of identification from one to the others and little conflict among them (Ashforth and Johnson 2001). When identities are not aligned, however, conflict and competing demands can be detrimental (McCall and Simmons 1978). Prior research has examined the nesting of identities, such as a job being nested within a department within a division within the organization (Ashforth and Johnson 2001) and how these intrinsic relationships create spillover of identification (van Knippenberg and van Schie 2000). In the director context, however, the “part-time status” of the director role (Carver 2000, p. 6; McNulty and Pettigrew 1999) makes nesting (in terms of wholly subsumed identities) of the most salient identities unlikely. For instance, because many directors serve on multiple boards, even director identity is not necessarily nested within the organization identity. Thus, when exploring the relationship among multiple identities, it is important to examine identity alignment rather than hierarchical nesting.

In particular, it is important to isolate the impact of identity alignment on each of the director’s specific behaviors. Given our emphasis on the relationships between role and social identities, identification, and board function execution, we maintain that identity alignment propositions may differ between the two functions of board monitoring and resource provision, and functional behavior for one identity can be dysfunctional for another (Scott 1997).

Given that directors’ proscribed role behaviors emphasize their responsibility to the focal organization’s shareholders (Easterbrook and Fischel 1991, Bainbridge 2003), there is general alignment between the effects of identification with the organization, being a director, and with shareholders when it comes to monitoring and providing resources to the firm. The interests of
shareholders and directors are closely tied in most circumstances; scholars speculate that professional directors seek to build a reputation for protecting shareholder interests to make themselves more attractive for appointment to other boards (Fama 1980, Zajac and Westphal 1996). Similarly, as the residual owners of the firm, shareholders have interests that are closely aligned with the interests of the organization (Jensen and Meckling 1976). The salience of various identities varies by situation relevance and strength of identification, but in most contexts, we expect a natural alignment in shareholder, director, and organizational member identities.

When examining identification with being a CEO or with customers and/or suppliers, the alignment between them and the other three relevant identities (i.e., organization, director, and shareholder) is not as apparent. Many directors feel an obligation to the firm’s customers and/or suppliers and may well be customers or suppliers themselves, but the convergence of interests for these identities and that of the organization and being a director is not as clear as is the case for identifying with shareholders. Quite simply, the explicit responsibility owed to shareholders embedded in directors’ prescribed role behavior serves to align these interests and identities. Instead, as posited above, there is a potential conflict of interest between identification with customers and/or suppliers and the organization and director and shareholder identities in the context of the resource provision function. CEO identification is much more aligned with that of the organization, being a director, and shareholders during resource provision, however, than in the context of monitoring. Because monitoring involves oversight of the CEO, stronger identification with being a CEO is often at odds with strong director, shareholder, and organizational identification.

Thus, a director’s strength of identification with multiple relevant identities can increase board effectiveness or detract from it. In the case of resource provision, a stronger identification with any or all of the organization, director, CEO, or shareholder identities is likely to result in more effective provision of resources to the firm by that director. Similarly, monitoring by that director is enhanced through strong identification with any or all of the organization, customers and/or suppliers, director, or shareholder identification. Where the effects may diminish is for directors with strong identification with being a CEO in the context of monitoring and strong identification with customers and/or suppliers in the context of resource provision. This leads us to expect that:

**Proposition 6A.** The strength of a director’s identification with multiple aligned identities (i.e., the organization, being a director, being a CEO, and shareholders) will have an additive positive relationship with resource provision.

**Proposition 6B.** The strength of a director’s identification with multiple aligned identities (i.e., the organization, being a director, shareholders, and customers and/or suppliers) will have an additive positive relationship with monitoring.

**Proposition 7A.** A director with strong identification with customers and/or suppliers identities is likely to experience identity conflict when engaged in board resource provision.

**Proposition 7B.** A director with strong identification with being a CEO is likely to experience identity conflict when engaged in board monitoring.

Figure 1 represents the holistic effects for each board function represented by our arguments above. As it depicts, the effect of a director’s multiple identities on the two board functions will be determined by the strength of identification with each individually. Furthermore, we assert that a director’s identification with any of the aligned identities (i.e., organization, director, and shareholders) will have positive effects on identification with the other aligned identities. For directors with strong identification with customers and/or suppliers and low identification with the other relevant identities, we
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contend that resource provision will be hampered. Similarly, directors with strong identification with being a CEO and low identification with other relevant identities will not be as effective as monitors.

What happens, however, if a director has strong identification with customers and/or suppliers or being a CEO and strong identification with the aligned identities? We contend that the strength of identification with aligned identities (i.e., organization, shareholder, or director) will mitigate the effect of strong identification with being a CEO on monitoring and/or strong identification with customers and/or suppliers on resource provision. This is because the motivation to monitor or provide resources present among aligned identities will act as a foil to the tendency not to monitor that originates from a strong identification with being a CEO or not to provide resources originating from a strong identification with customers and/or suppliers. Therefore:

**Proposition 8A.** The strength of a director’s identification with aligned identity(ies) will mitigate the negative effects of strong identification with customers and/or suppliers on resource provision.

**Proposition 8B.** The strength of a director’s identification with aligned identity(ies) will mitigate the negative effects of strong identification with being a CEO on monitoring.

It is also possible to model the effect of these five identities on the board functions of monitoring and resource provision:

**Board Monitoring**

\[ f(\text{organization} + \text{director} + \text{shareholder} + \text{customer/supplier}) - f(\text{CEO}) \]

**Board Resource Provision**

\[ f(\text{organization} + \text{director} + \text{shareholder} + \text{customer/supplier} + \text{CEO}) - f(\text{customer/supplier}) \]

**Discussion**

Our paper began with a discussion of board effectiveness as a critical governance issue, juxtaposed with a lack of conclusive findings linking board characteristics, functions, and firm performance. Zahra and Pearce (1989) suggest that these inconsistent results are partially caused by insufficient consideration of the involvement of directors, not the board as a solitary unit, but rather individual directors and their motivations to participate in board functions (Judge and Zeithaml 1992). We contend that understanding how directors’ multiple identities and strength of identification with them affect individual monitoring and resource provision functions provides a new and important lens for governance research.

We have argued that multiple identities drive boardroom behavior and that the strength of identification with any given identity will predict a director’s monitoring and resource provision. Specifically, we identify five contextually relevant identities for directors: the organization, customers and/or suppliers, being a director, being a CEO, and shareholders. We propose that the strength of a director’s identification with the organization, shareholders, and being a director will positively affect his or her monitoring and resource provision. A director’s strength of identification with being a CEO, on the other hand, will positively affect resource provision but negatively affect monitoring. A director’s identification with customers and/or suppliers is posited to have an inverted U-shaped relationship with resource provision and a positive relationship with monitoring. Alignment among identification with the organization, shareholders, and being a director provides an additive effect on resource provision and monitoring. When directors have a strong identification with either being a CEO or with customers and/or suppliers, identity conflict is likely. However, we also contend that the strength of identification with aligned identities may mitigate the negative effects of either strong identification with being a CEO on monitoring or strong identification with customers and/or suppliers on resource provision.

We seek to make three distinct contributions with this model: (1) to the boards of directors literature, (2) to the identity and social identity theory literatures, and (3) to the practice of management. First, we contribute to board of directors literature through a better understanding of how individual directors engage in boardroom activities. Much of the existing research on boards assumes that demographic characteristics are good predictors of boardroom behavior, irrespective of directors’ engagement. Yet as our model suggests, this assumption may be faulty. For example, agency theorists often assume that independent outside directors are equally motivated to protect the interests of shareholders, given their fiduciary obligation (Fama 1980, Jensen and Meckling 1976). Yet our argument is that without understanding the strength of a director’s identification with the organization, customers and/or suppliers, shareholders, and being a director, this assumption may not be valid across all directors. Those with strong identification with relevant identities in the boardroom may be vigilant monitors of management, yet those without such identification or only weak identification may not engage in monitoring activities with vigor. Conversely, most outside directors are current or former CEOs (Fich 2005, Perry and Peyer 2005). Agency theorists would contend that as long as those directors do not have business or social ties to the firm or CEO, they are “independent” directors motivated to objectively monitor management. Our arguments suggest that this only holds if the director’s identification with being a CEO is weak or
is counterbalanced by strong identification with the organization, shareholders, customers and/or suppliers, or being a director. Similarly, agency theorists often focus on the role of incentives such as equity compensation for directors to engage in board functions, yet several scholars note that this compensation may not be enough to affect boardroom behavior (Daily et al. 1999, Daily and Dalton 2002). Our model also emphasizes the role of incentives, but instead of focusing on extrinsic rewards as motivation (e.g., money), to engage in board functions, we examine the intrinsic motivation to do so that comes from a strong identification with relevant board identities.

Similarly, resource dependence scholars often assume that directors will use their human and social capital to benefit the firm. Yet our arguments suggest this is only true if the director strongly identifies with the organization, being a director, being a CEO, or shareholders. If he has only weak or little identification with these identities, he is unlikely to use his human and social capital to benefit the firm. Alternatively, if a director’s identification with customers and/or suppliers is strong, he may be seeking opportunities to take more resources from the firm than he provides. Thus, our arguments call into question the baseline assumptions that characteristics such as outsider/insider status, occupation, and human and social capital will uniformly affect board effectiveness at monitoring and resource provision. Although the presence of these indicators may suggest the potential for boards to fulfill these functions, we argue that directors’ strength of identification with multiple contextually relevant identities will determine the degree to which this potential is realized. Similarly, agency and stewardship theories concentrate on an actor’s intended consequences of his actions. For instance, agency theory positions managers as “deceitful, shirking, economic actors…opposite their principals” (Donaldson 1990, p. 370). We would not deny the presence of moral hazards brought about by the separation of ownership and control (Williamson 1984), but identity and social identity theories highlight how there may be other underlying biases at work. In particular, these theories highlight how a director’s specific pattern of identifying with specific identities can undermine her ability to carry out the task. Understanding where these biases may lie has important theoretical implications for governance.

Our level of analysis—the individual director—also has implications for scholarly research on boards. Several scholars have noted the weaknesses inherent in treating the board of directors as a unified group (Zahra and Pearce 1989, Finkelstein and Hambrick 1996). Upper echelons theory implicitly values experiential differences as influential in shaping individual schema and as predictive of behaviors, attitudes, actions (Hambrick and Mason 1984, Michel and Hambrick 1992). Many scholars, such as Golden and Zajac (2001), suggest the influence of director experiences in board outcomes, yet averaging proxies of individual experience (e.g., functional background) across the group disregards variance within the board. Our propositions are intuitively supported by the idea that experiences shape how an individual relates to or identifies with the relevant identities to the environment; for example, the shared experience of being a CEO fosters similarity in attitudes or behaviors (Westphal and Zajac 1995, Waller et al. 1995). The strength of identification with these various identities shapes how directors selectively perceive the need for monitoring and the relevance of critical resources, in a similar way to how functional experience is argued to shape managers’ views of strategic issues and approaches to decision making (Dearborn and Simon 1958, Hitt and Tyler 1991). Individual differences in terms of identification create these composites or signatures, which shape how each director participates, as well as how they interact with one another. Stronger identification with various identities engenders greater salience of certain organizational topics and attunes directors’ attention to various situations and responsibilities (Ocasio 1997). Some research has considered the proportion of shared experiences or backgrounds, but our model proposes exploration of director-level differences that predict involvement, interaction, and behaviors to further our understanding of director effectiveness.

Aggregating back to the level of the board, our model also suggests that directors’ multiple identities and the board’s various combinations of strengths of identification with those identities may be an unexplored source of diversity in boards, potentially underlying findings such as more diverse boards being less likely to pursue strategic change (Goodstein et al. 1994). Greater heterogeneity within the upper echelons has been tied to outcomes such as broader range of alternatives generated (Dutton and Duncan 1987), perceptions of the external environment (Sutcliffe 1994), and greater likelihood of conflict (Miller et al. 1998).

Our second intended contribution is to the literature on identity theory and social identity theory. As others have noted (e.g., Hogg et al. 1995), these two literatures have many similarities yet have developed separately from one another and are rarely examined integrated. By including both contextually relevant role and social identities here, we have a more complete understanding of how director identification can shape behavior. Identities are both role and social-group based, so examining one without the other hampers understanding of the phenomenon.

Finally, our model has practical implications for director appointment, committee service, and strategic firm outcomes as shaped by interactions and director involvement. Scholars have developed scales for measuring...
strength of identification with particular role and social identities. Practically speaking, it is possible to glean insight into a director’s strength of identification with the contextually relevant identities for directors. Doing so could facilitate better understanding of board composition and how it relates to board effectiveness. For instance, it would be possible for practitioners to use these tools to identify potential weaknesses in board structure. If all directors strongly identified with being a CEO, we posit that the board may suffer from a lack of monitoring effectiveness. Similarly, if the directors recruited to provide important links to key customers and/or suppliers identify too strongly with these customers or suppliers, we would expect little positive (and a possible negative) resource effect after their appointment. In short, identity instruments may provide important information for practitioners seeking to construct an optimal board mix.

Similarly, practitioners can benefit from research done on strengthening identification with organizations to overcome negative effects such as social loafing (e.g., Sonnenfeld 2002). It may be possible to extend these findings and provide practitioners with advice on how to increase a director’s identification with the organization or with being a director. For example, director training and education may improve identification with being a director occupation. Similarly, service on a committee or being assigned a specific task may increase a director’s identification with the organization.

Because our proposal is a new perspective from which to approach research on boards of directors, it is by necessity only a first step in such exploration. Empirical testing of our ideas can be facilitated by adopting existing scales to measure identification and is an important next step. Utilizing existing scales to measure directors’ identification with multiple identities is the easy part of empirical testing. Gaining access to directors and developing scales for directors’ monitoring and resource provision will entail more effort. As noted earlier, further research is needed to explore other salient identities (e.g., other professions; ethnicity; gender; other stakeholders, such as government, local communities, or environmentalists; or an individual board itself) as well as the interactions expected to impact director involvement in board functioning. Just as identification salience depends on contextual relevance, so other contextual factors are likely important in understanding individual approaches to director service. For instance, Golden and Zajac (2001) highlight the importance of context, by which individuals apply schema and prioritize their preferences. Cross-cultural dimensions and the legal duties of different national systems may also influence how multiple identifications motivate individual director behaviors and interactions among board members (Khatri et al. 2006). The “inherently situational” distribution of power among board members is likely another integral contextual factor (Pettigrew and McNulty 1995, p. 852, Finkelstein 1992) related to the interactions and composites of multiple identities within a board worthy of research attention. We hope understanding of critical governance issues such as board effectiveness may be enriched through further study of this phenomenon by creating awareness of the influence of each director’s multiple identities and identification on board functions.

Endnote

1See Hogg et al. (1995) for a detailed comparison of identity theory and social identity theory.

References

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