THE ROLE OF THE INTERLOCKING DIRECTOR AND BOARD RECEPTIVITY IN THE DIFFUSION OF PRACTICES

CHRISTINE SHROPSHIRE
University of Georgia

Board interlocks are frequently examined as conduits of practices between firms. I propose that variance among the individual directors who create these linkages affects the likelihood information is transmitted across them. Further, I discuss organizational characteristics that shape how receptive a board is to the diffusion of practices. I conceptualize a model to investigate, first, which directors are more likely to transmit experience or knowledge about organizational practices and, second, what factors influence how that information is received.

A board interlock is created between firms when an executive or director at one firm joins the board of another (Burt, 1980; Mizruchi, 1996). Following a study of reciprocal interlocks (two firms with employees sitting on each other’s boards), Hallock (1997) concluded that the prevalence of interlocks is too high to be random but, rather, reflects meaningful organizational mechanisms (see also Fich & White, 2005). One reason board interlocks are so popular is that they are a credible and low-cost channel of information and communication across firms (Haunschild, 1993). As a result, interlocking directorates are a way to manage environmental uncertainty, gain access to diverse skills and resources, facilitate communication across firms, and provide legitimacy for the focal firm (Pfeffer & Salancik, 1978).

Board interlocks are commonly studied as mechanisms for the dissemination of practices between interlocked firms, including structures, strategies, systems, and processes. Because directors primarily advise but may also initiate and articulate corporate strategy (Johnson, Daily, & Ellstrand, 1996), they are often carriers of knowledge from an outside firm. As examples, scholars have documented the diffusion of organizational structures, such as the multidivisional form (Palmer, Jennings, & Zhou, 1993), investor relations departments (Rao & Sivakumar, 1999), and board independence (Westphal & Zajac, 1997) across interlocked firms. Studies have also shown that interlocked firms share similar strategies and behaviors, including acquisitions (Haunschild, 1993), diversification (Chen, Dyball, & Wright, 2009), poison pills and golden parachutes (Davis, 1991; Davis & Greve, 1997), defections between stock exchanges (Rao, Davis, & Ward, 2000), and decision processes (Westphal, Seidel, & Stewart, 2001). Despite the preponderance of interlock studies on constructive outcomes, diffused practices are not necessarily legal or beneficial to the firm, as demonstrated by the viral diffusion of stock option backdating (Colvin, 2006) and financial misrepresentation and restatement (Fich & Shivdasani, 2007).

Many interlock studies code diffusion as the adoption of a practice from an interlocked firm, thus assuming the diffusion of information about a practice as well as its subsequent implementation. To integrate the vast and disparate interlock literature, I broadly define the diffusion of practices from an interlocked firm to include the transfer and receipt of knowledge relevant to issues on the board’s agenda. This definition captures awareness, not just adoption, of practices. Whether the focal firm eventually adopts a specific practice is an interesting theoretical extension of the current model. I use the term diffusion of practices inclusively to capture stepwise components of (1) knowledge transfer by an individual director and (2) receptivity of a focal board and organization.

In a large body of research scholars have investigated the spread of structures or practices across board interlocks, yet none have consid-
ered the mechanism underlying that exchange. That is, existing research treats interlocks as homogeneous. I argue that diffusion between organizations depends on critical inputs from individuals rather than on anthropomorphized firms that imitate one another. I present a holistic perspective on the benefits of interlocking directors by proposing which individual directors carry interorganizational information, as well as which boards are most receptive to director experience at outside firms. I ask two questions. First, are some directors more likely to transmit knowledge across firms than others, and, if so, which individual characteristics predict this? Second, what factors make some boards more receptive to the diffusion of practices via interlocks than others?

To explore these questions I review the board interlock literature, including work from institutional, resource dependence, and social network traditions. For the first question I consider individual director characteristics that affect the likelihood of knowledge transfer between interlocked firms. To explore the second question I discuss characteristics of the board and the firm that make them more receptive to the diffusion of practices from outside the organization. Formulating my model in this manner is based on the prediction that, first, some interlocking directors possess and share knowledge and, second, some boards and firms are more receptive to that information.

I limit my discussion to practices that fall within the realm of board business—that is, decisions that are reasonably expected to involve board consideration and approval. The role and influence of the board on organizational outcomes have been the subject of much theory and discussion. Finkelstein, Hambrick, and Cannella note that “board characteristics affect such fundamental choices as acquisitions, diversification, divestitures, research and development spending, strategic change, executive compensation, and, of course, CEO dismissal” (2009: 11). Primary board functions are monitoring and resource provision (Hillman & Dalziel, 2003), which include such responsibilities and activities as selecting, compensating, and monitoring the CEO and other senior executives (including succession planning); ensuring audit and regulatory compliance; and overseeing corporate strategy and financial performance (National Association of Corporate Directors, 2005).

Since boards provide oversight on strategic decision making (Baysinger & Hoskisson, 1990), board information can significantly affect firm performance (McDonald, Westphal, & Graebner, 2008; Westphal, 1999).

Some studies have established that information flows between firms through director interlocks (e.g., Davis, 1991; Haunschild, 1993), while other studies have maintained that interlocks may not matter because boards have varied influence over strategic outcomes (e.g., Golden & Zajac, 2001) or because directors defer to CEOs in order to gain future board appointments (e.g., Westphal & Stern, 2007). These contrasting views point to the complexity of knowledge transfer between firms, a process of diffusion that unfolds as a director has and shares information and a focal board receives it. I fill this gap in the literature by identifying the mechanism for the diffusion of practices as the individual interlocking director.

Propositions focused on the individual director as the mechanism for diffusion provide the first contribution of this theory. The multilevel orientation also enhances our understanding of how the diffusion process between organizations develops across the individual, group, organization, and network levels. This paper responds to an interlock question long debated in the sociological literature of “what flows across the links” (Stinchcombe, 1990: 381; see also Mizruchi, 1996), as well as to recent calls for research on board influence on organizational outcomes (Finkelstein et al., 2009). Given that prior work on board interlocks assumes their homogeneity, interlocks have been treated as though they uniformly transmit information between firms. However, recent studies have begun to explore the individual or node in the intercorporate network. Kang (2008) has suggested the importance of interlocking directors’ individual characteristics, given that interlocks act as channels for both positive and negative outcomes to diffuse between firms. Chen and colleagues have called for research on board interlocks and their influence on strategic choice to “consider directors’ knowledge, relevant expertise, availability, and length of tenure” (2009: 208). Extending findings that board interlocks serve “as a conduit to disseminate ideas and innovations” (Galaskiewicz & Wasserman, 1989: 456), I theoretically examine variation in the diffusion of practices by considering factors at
multiple levels, including conditions that influence receptivity of the board to outside experience, as well as the qualitative nature of the director creating the interlock.

The paper is structured as follows. First, I review the literature on board interlocks, which draws on institutional, resource dependence, and social network theories. This overview provides the background for the next section, where I explore which individual characteristics make a director more likely to carry information between firms. From there I turn to the board and organizational characteristics that influence receptivity to knowledge about practices shared via interlocks. I conclude with a discussion of the implications of the theory for practice and the opportunities that it creates for future research.

**BOARD INTERLOCKS AND THE DIFFUSION OF PRACTICES**

In a large body of literature researchers have examined the nature of board interlocks; this literature includes foundational work on how these linkages convey information regarding innovation and strategy (Bazerman & Schoorman, 1983; Haunschild, 1993; Mizruchi, 1996). Scholars have invoked a variety of theories to explain the existence and impact of interlocking directors. Rather than relying on one lens, I review and integrate findings across the corporate governance literature to propose a multilevel theory of interlocking directors and the diffusion of practices. As defined above, the diffusion of practices reflects a stepwise process of knowledge transfer by an individual interlocking director and receptivity of a board of directors.

The tradition of research on board interlocks comes largely from institutional theory, which suggests that the imitation of practices across interlocked firms follows normative, coercive, and mimetic pressures. For example, research on acquisition rates and premiums suggests that information transmitted via interlocks is significantly more influential than that available from other information sources due to normative aspects (Haunschild & Beckman, 1998). Similarly, Rao and Sivakumar (1999) used institutional theory to investigate coercive and mimetic conditions leading to the establishment of investor relations departments. Their results showed that social activists and financial analysts act to influence the creation of these boundary-spanning departments through legitimacy pressures, and the establishment of these structures is then facilitated by board interlocks. Other scholars have concluded that firms observe the behaviors of peer companies and imitate their choices for new market entry and expansion (Baum, Li & Usher, 2000; Haveman, 1993). Institutional theory provides a compelling perspective on board interlocks, yet research in this tradition has been limited to imitation and the role of legitimacy.

While much corporate governance research has focused on the role of directors in controlling diverging preferences of agents and principals, a resource dependence perspective suggests that directors also help the organization to deal with uncertainty associated with strategic decisions (Galaskiewicz & Wasserman, 1989; Pfeffer & Salancik, 1978). Through a resource dependence lens, directors help to manage complexity by scanning the business environment and sharing advice (Rindova, 1999; Useem, 1984), advice often gleaned from experience on other corporate boards (Davis, Yoo, & Baker, 2003; Richardson, 1987). Podolny (2001) described such linkages as conduits or pipes for information and resources. In particular, interlocking directors can provide detail and insight as to the design and implementation of practices in other firms that cannot be easily observed by outsiders. Through their positions, board members have both access to timely information and channels to needed resources (Zahra & Pearce, 1989) so that “interlocks play a crucial role in this process of information acquisition and interpretation” (Rao et al., 2000: 276). Gaining insight through exposure in multiple firms gives interlocking directors the opportunity to contribute their firsthand knowledge of practices elsewhere.

Resource dependence theorists also reason that environmental turbulence and complexity affect the value of boards and interlocking directorates (Keats & Hitt, 1988). For example, under conditions of increasing uncertainty, boards tend to be smaller but have more interlocking directors, especially among high-performing firms (Boyd, 1990). Carpenter and Westphal (2001) found that a firm’s environment affects the relevance of directors’ outside board experience and the likelihood that directors contribute to strategic decision making.
Interlock studies from this perspective imply that directors help the firm to navigate uncertainty through their external connections, but existing theory fails to explicate individual-level factors (Davis et al., 2003). In collapsing differences among directors to the board level, Davis and colleagues suggest "theoretical and practical ramifications of this neglect" (2003: 318). Ignoring variance may mask important relationships, such as the effect of board independence on firm performance. Thus, as with work in a related institutional vein, none of the resource dependence–based inquiries examine how the individual director affects the likelihood of interfirm diffusion. Prolific scholars in the area recognize that their findings “show that we need to reconsider the implicit assumption that all interlocks share uniform importance” (Haunschild & Beckman, 1998: 842).

A third theoretical perspective—social network theory—is also commonly invoked to understand interlocking directorates. Social network theorists recognize that corporate actions are embedded in social networks, and the patterns of connectedness and relationships affect the behavior of the network actors (Granovetter, 1985). Research supports the influence of social embeddedness on organizational behavior, and interlock studies establish the role and importance of interlocks in the process of embeddedness (Davis, 1991; Mizruchi, 1996; Rao et al., 2000). The resulting network of information is a powerful resource because interfirm linkages promote the development of capabilities to learn adaptive responses (Kraatz, 1998), as well as board-level schema for decision making (Westphal et al., 2001). Studies in this tradition reveal differences among inside and outside director influence on strategic outcomes (e.g., Geletkanycz & Hambrick, 1997; Westphal & Fredrickson, 2001) and suggest varying positions or experiences and differing commands of social influence among interlocking directors. Davis and colleagues call the prior experience of directors “the raw material of board decision-making” (2003: 305), and Phan, Lee, and Lau (2003) suggest that research focusing on the individual may help us to understand when an interlock is more or less influential.

Across these theoretical lenses, the research fundamentally suggests that interlocking directors disseminate information across firms (Bazerman & Schoorman, 1983; Geletkanycz & Hambrick, 1997). However, even beyond the management literature, our understanding of the process side of diffusion remains incomplete. The sociological literature on interlocks highlights the process of embeddedness, cooperation, and the flow of information, as well as how interlocking directors alleviate critical resource dependencies through these linkages to improve firm performance (Mizruchi, 1996; Pfeffer, 1972; Zald, 1969). Alternatively, research on interlocks from the finance literature tends to focus on the transfer of discrete practices, such as executive compensation (e.g., Hallock, 1997), and on the effect of multiple board linkages individually and collectively at the focal board (e.g., Fich & Shivdasani, 2007; Perry & Peyer, 2005).

Noting the lack of consideration of individual director heterogeneity in earlier work on interlocking directorates among institutional, resource dependence, and social network scholars across disciplines, I now turn my attention to when interlocking directors are more likely to have and contribute their experience in the boardroom, and I then consider when that outside knowledge is more likely to influence board decision making.

**INDIVIDUAL-LEVEL PREDICTORS OF KNOWLEDGE TRANSFER**

In multiple country environments the population of directors remains a small-world phenomenon of highly connected individuals, many of whom are executives of other firms (Conyon & Muldoon, 2006). Preference for recruiting directors from well-connected boards helps to maintain the small-world nature of interlock networks (Davis et al., 2003) and reflects the value of individual director linkages in managing external uncertainty and resource dependencies. By definition, interlocking directors are affiliated with at least one other firm, which signals some generic exposure to how other firms operate and follows the resource dependence model of board interlocks as a means to manage critical dependencies. The likelihood that given directors possess and contribute their relevant experiences depends on their individual characteristics. First, I discuss individual-level predictors of knowledge transfer through interlocks as representative of an individual’s motivation to
Motivation of the Interlocking Director

Institutional, resource dependence, and social network theories point to individual director characteristics that affect the likelihood of diffusion of practices from an interlocked firm. Recognizing the value of outside experience and contributing relevant information to the current boardroom discussion first depend on the individual’s motivation to do so. I begin with the microlevel intrapersonal characteristics of the interlocking director and work toward interpersonal factors of the director’s ability to access influence and facilitate diffusion.

Organizational identification. In several streams of corporate governance research, scholars have explored factors that differentiate the motivation of directors to fulfill their board functions (e.g., Hillman, Nicholson, & Shropshire, 2008; Westphal & Stern, 2007). Any two directors, no matter how similar in demographics or structural positioning, are unlikely to have identical voice or influence in board decisions. One cause may be their differential inclination to contribute to the boardroom discussion by sharing their outside experience. Some directors may develop idiosyncratic preferences for strategies observed in other firms and push for similar practices at the focal board (Westphal et al., 2001). Rather than assuming that two interlocked firms will automatically learn about one another’s practices as a result of an interlock, we need to recognize the interlocking director’s motivation for transferring that knowledge.

Identity is a powerful mechanism for understanding how individuals behave, especially when similar individuals act differently in a given context (Ashforth, 2001; Stryker & Serpe, 1982). The strength of identification with a particular social identity reflects the extent to which an individual defines himself or herself by that social group membership (Mael & Ashforth, 1992), which, in turn, provides guidelines and norms for behavior in a particular social context. Social identity theorists argue further that an identity’s behavioral influence depends on its relevance in the given setting (Ashforth & Mael, 1996). Thus, individual behavior is shaped by an identity most in contexts where the identity is salient and identification is strong.

Hillman and colleagues (2008) linked contextually relevant director identities with the fulfillment of board functions, including monitoring and resource provision. They argued that identification with the organization motivates the director to be engaged and to share relevant experience in the boardroom. The salience of focal organizational identification, or “the degree to which a member defines himself or herself by the same attributes that he or she believes defines the organization” (Dutton, Dukerich, & Harquail, 1994: 29), shapes an individual’s engagement in the boardroom. If a director only weakly identifies with the focal organization, he or she will be less likely to relate outside experiences to inform the discussion at hand. Strong identification with the focal firm, however, will lead a director to seek the best outcomes for the organization, including contributing personal and relevant experience to shape the current boardroom discussion. Identification with the organization has been found to predict cooperation, prosocial behaviors, and individual motivation (e.g., Ashforth & Mael, 1989; Foreman & Whetten, 2002; Golden-Biddle & Rao, 1997), suggesting that the more a director identifies with the focal firm, the more likely he or she is to act in the interests of the firm.

As noted above, a variety of information has been found to diffuse via interlocks, including some related to unethical or destructive practices. However, with stronger focal firm identification, an interlocking director is more likely to search for opportunities to inform and contribute to the focal firm. Regardless of the nature of the practice and independent of promoting adoption of a specific practice, directors motivated to help the firm are more likely to reflect on their interlocked firm experience and to share previous exposure relevant to current issues on the board’s agenda, even stock option backdating (Colvin, 2006). In expanding our view of the diffusion of practices, I consider the initial step of transfer of information about practices from linked firms, rather than their ultimate adoption.

Proposition 1: The likelihood of knowledge transfer increases with the strength of the interlocking director’s identification with the focal organization.

Ingratiatory behavior toward the focal board. Strength of organizational identification moti-
vates directors to be engaged and to fulfill boardroom functions, thereby facilitating knowledge transfer from a linked firm. In addition to this motivation, a director’s desire for prestige and career success, as well as self-preservation and recognition as a corporate director, may motivate specific behaviors to gain additional outside directorships. Conscientious execution of monitoring and resource provision duties may create tension for a director who wishes to capitalize on opportunities in the director labor market (Hillman & Dalziel, 2003; Westphal & Khanna, 2003). Specifically, relaying advice and counsel from outside experience is a resource provision behavior that may increase the likelihood a director will gain new appointments through board connections (Carpenter & Westphal, 2001; Westphal & Stern, 2007). However, a director may also benefit in the market for corporate directors by engaging in a very different set of behaviors. Rather than sharing knowledge from outside experience, an interlocking director may suppress that information in deference to the CEO or other board members.

Westphal and Stern (2006, 2007) have investigated how ingratiation affects an individual’s standing within a corporate board. Ingratiation includes such interpersonal influence behaviors as flattering others, rendering favors, or conforming one’s opinions to validate another’s (Gordon, 1996; Westphal & Stern, 2006). By acting in deference and ingratiating oneself to other board members, a director may gain recommendations for new board appointments. Provision of advice and counsel versus ingratiation represents a conflict of motivation for directors to bring their outside experiences to bear on the boardroom discussion. Jones (1964) called this tension “the ingratiation’s dilemma,” which, as applied here, may diminish the likelihood that a director will share relevant knowledge or, if he or she does share it, that the information will be presented influentially.

While flattering fellow board members at the focal firm may facilitate new board appointments, this behavior also will decrease the ingratiation director’s influence on the focal board (Westphal & Stern, 2007). In other words, flattery or favors may help a director garner invitations to additional outside boards, but these behaviors will also minimize the director’s standing and influence inside the focal boardroom. Ingratiatory behaviors suggest a submissive and compliant director, one who is more likely to be a passive board member. In contrast to some individual characteristics that motivate directors to share their experiences effectively, ingratiation instead diminishes the likelihood of knowledge transfer and mitigates director influence on the board as a whole.

Proposition 2: The likelihood of knowledge transfer decreases with the interlocking director’s ingratiation behavior on the focal board.

Ability to Facilitate the Diffusion of Practices

Beyond individual motivation, board member characteristics differentiate the likelihood that a given director will possess a store of relevant knowledge to draw upon. Focusing at the individual level, I explore the question, “Which directors are more likely to transmit experience or information?” Exposure to a portfolio of strategic knowledge through outside experience reflects a given director’s ability to bring relevant information from an outside firm to the focal boardroom. These factors progress from within-board to across-board characteristics of the interlocking director as indicators of an individual’s ability to transfer knowledge.

Access to the focal firm CEO. Identification and ingratiation suggest behavioral motivators for interlocking directors to share or withhold information drawn from outside experience. Other interpersonal factors also have a profound effect on the influence of that information. Directors with access to the CEO may face a boardroom audience far more open to their experience and knowledge from other firms. Directors sharing similar backgrounds with the CEO will have more opportunity to influence decisions toward their favored choices and outcomes (Golden & Zajac, 2001), given a greater sense of trust in their advice and counsel, especially in their area of expertise (Westphal, 1999). These trusted individuals are more likely to shape boardroom opinions and enjoy access to and influence with management.

CEOs rely on their advice networks, particularly leaning on individuals with similar backgrounds or external ties (McDonald & Westphal, 2003). Social ties such as shared membership in clubs, outside boards, or philanthropic organizations facilitate access to channels of influence
These network connections, such as joint membership in the Business Roundtable, may help to socialize directors into behavioral norms of the role, including sharing advice from outside experiences (Palmer, 1983).

The CEO can further encourage a board to heed knowledge shared by a given interlocking director. Similarity not only establishes affinity (Tsui, Egan, & O’Reilly, 1992) but also increases influence (Cialdini, 1995). The similar experiences that develop cognitive overlap between a CEO and an interlocking director encourage the CEO’s endorsement of shared knowledge, granting that information more sway in boardroom discussions.

**Proposition 3: The likelihood of knowledge transfer increases with the interlocking director’s access to the CEO of the focal firm.**

**Minority director experience.** Research shows that a demographic majority disproportionately influences decision outcomes in boards of directors and that minority directors tend to be less engaged in board discussions (Westphal & Milton, 2000; Westphal & Stern, 2006). The power of the majority is compounded by the outgroup status and stereotyping of minority directors, undermining the value of their information. Many demographic characteristics could signify minority status; indeed, a director could be a minority member in one categorization and a majority member in another. Westphal and Milton (2000) considered multiple dimensions of minority status, including race, gender, educational degree, and functional and industry background, and found that each of these individual factors interacts with prior minority experience to affect the level of influence a director wields over board decisions. They found that previous experience as a minority director has a direct effect on current minority influence at the focal board. This suggests that directors who have experience swaying board opinion from a minority viewpoint in other groups are better equipped to utilize that experience toward the focal board’s decision outcomes.

Beyond the drivers that motivate a director to contribute knowledge, how information is shared also affects the likelihood of diffusion. Self-categorization and ingroup/outgroup biases shape the perception of shared information in such decision-making groups as boards of directors (Tsui et al., 1992; Williams & O’Reilly, 1997). These biases may lead majority members to devalue or disregard input from minorities (Mackie, 1987), although demographic minorities who overcome the outgroup bias can lead the group to generate more creative alternatives and discuss broader implications of various decisions and practices (Craner & Chen, 1998; Nemeth, 1986). By highlighting commonalities and creating new and shared ingroups, minority interlocking directors may position the information or experience from their linked firms to have more influence on focal board outcomes. Westphal and Milton (2000: 371) found that minority directors’ experience in winning over a majority boardroom helped them “learn how to frame their message in a way that makes other board members receptive,” garnering influence in board discussions.

**Proposition 4: Among minority directors, the likelihood of knowledge transfer to the focal firm increases with previous minority experience of the interlocking director.**

**Committee membership at the focal firm.** Finkelstein and colleagues (2009) outlined the growing proportion of board work completed via committees, noting that especially in the post-Enron era of governance activism, boards charge committees with handling critical tasks and doing so thoroughly. Board decisions increasingly reflect information and suggestions that originate in board committee meetings (Peterson & Philpot, 2007), which likely involve those directors with the greatest expertise in a given content area (Bilimoria & Piderit, 1994; Kesner, 1988). Whether the knowledge held by an interlocking director reaches the boardroom discussion depends on that individual’s proximity to the relevant conversations and decision outcomes. For example, executive pay decisions require compensation committee approval, so whether CEO pay at one firm will resemble that of an interlocked firm is likely contingent on participation of the interlocking director in compensation committee deliberations.

Research on board committees is still emerging, but the literature has consistently underscored the importance of committee assignments to the board’s influence on organizational outcomes. Boards can initiate strategic change
through committee work (Henke, 1986). Finkelstein and Mooney (2003) advised oversight of board committee membership to avoid harmful rifts while maximizing the capture of relevant expertise to ensure comprehensive discussion and high-quality decisions. Whether directors have the ability and opportunity to transmit knowledge from interlocked firms depends on their access to and involvement in the dialogue and decision.

While Sarbanes-Oxley and NYSE listing rules now require fully independent audit, compensation, and nominating committees, the constellation of additional board committees reflects the needs of the organization. For example, some firms have standing finance committees to oversee decisions related to investments, dividends, or raising capital, and interlocking directors are more likely to diffuse capital-related practices or knowledge when they sit on these committees. By focusing on the individual connecting two firms, I reason that awareness of a practice is more likely transmitted if the interlocking director sits on the focal board committee responsible for that particular content area. As noted by Peterson and Philpot, committees “provide the means, opportunity and structure that enable members to perform their fiduciary and other corporate governance duties” (2007: 181). Given the increasing weight of committee work on board outcomes, I suggest the following.

**Proposition 5:** The likelihood of knowledge transfer increases if the interlocking director serves on the relevant board committee at the focal firm.

**Depth of focal firm experience.** A wealth of firm-specific knowledge also increases an interlocking director’s influence and ability to diffuse knowledge from an outside firm. Therefore, depth of focal firm experience, through director tenure or through serving as an executive at the focal firm, may also affect an interlocking director’s utility in information exchange. More experience at the focal firm gives directors advantages in controlling the flow of information as a critical decision-making resource (Harris & Helfat, 2007), and it affords them a more nuanced understanding of the dynamics and balance of power between the board and CEO (Hermalin & Weisbach, 1998). More experienced directors may then more effectively transfer their knowledge from an interlocked firm.

The likelihood that a director has relevant knowledge to contribute may also vary with that director’s standing within the focal board. Length of board service is one source of power and positioning (Finkelstein, 1992), and directors with more experience at the focal firm may enjoy greater legitimacy in the boardroom. Longer-tenured directors may be more committed to the status quo (Golden & Zajac, 2001), but the likelihood of diffusion focuses on the transfer of knowledge, regardless of whether the information suggests strategic change or reaffirms the current strategic direction. Directors with greater focal firm experience may enjoy a more established position on the board from which to voice outside experience.

**Proposition 6:** The likelihood of knowledge transfer increases with the interlocking director’s depth of focal firm experience.

**Breadth of outside experience.** Knowledge varies not only with the nature of focal firm experience but also with outside experience, in terms of the number and status of outside affiliations. As suggested above, the diffusion of practices from an interlocked firm depends primarily on whether the interlocking director has and shares relevant expertise. For example, holding more directorships expands an individual’s pool of available resource linkages. Useem quotes a director:

> You’re damn right it’s helpful to be on several boards. It extends the range of your network and acquaintances, and your experience. That’s why you go on a board, to get something as well as give.... It just broadens your experience, the memory bank that you have to test things against (1984: 47–48).

At a minimum, directors with more outside experience have broader exposure to and awareness of practices, given the number of firms they are connected to. As one illustration, directors can better inform succession planning at a focal firm when they have experienced CEO turnover elsewhere, a greater likelihood with more firm affiliations that may include exposure to multiple types of successors and a range of CEO tenure (Shen & Cannella, 2002; Vancil, 1987). Directors with experience across multiple firms are legitimized in the boardroom and better positioned to influence board outcomes (Finkelstein, 1992). Directors who are heavily in-
terlocked are also more likely to receive invitations to join additional boards (Davis, 1993) and, with that prestige, to wield greater influence and nuanced understanding of bringing their experience to bear in boardroom discussions (Bigley & Wiersema, 2002; D’Aveni & Kesner, 1993).

However, while Carpenter and Westphal (2001) found that directors on multiple boards make a greater contribution to firm strategy, individuals who hold a large number of directorships may inadequately engage on each board. For example, Ferris, Jagannathan, and Pritchard (2003) suggested that directors sitting on three or more boards might lack the time and resources to devote adequate attention to each firm. Similarly, directors serving as executives elsewhere face time constraints in effectively fulfilling their board responsibilities (Monks & Minow, 1996), especially when jobs at their home firms become more demanding (Perry & Peyer, 2005). Debate continues in the popular and academic press as to an optimal number of directorships to ensure individual engagement and maximize experience for one to draw on without becoming “overboarded” (Buchholtz, Amason, & Rutherford, 2005). Debate continues in the popular and academic press as to an optimal number of directorships to ensure individual engagement and maximize experience for one to draw on without becoming “overboarded” (Buchholtz, Amason, & Rutherford, 2005). Indeed, wisdom on board selection and composition holds that a firm should seek directors with both relevant expertise and the time to serve (Finkelstein & Mooney, 2003). Given this conflict, a moderate number of directorships may best enable interlocking directors to gather strategic exposure as well as position them to share their experience with the focal board in an influential way. The exact number represented in the idea of a “moderate” count of directorships is likely to be different for a full-time CEO, a professional director, and a retired part-time director. While an optimal number of outside directorships may be difficult to specify, in general, I expect a curvilinear (i.e., inverted U-shaped) relationship between breadth of experience and the likelihood of diffusion to the focal firm.

**Proposition 7:** The likelihood of knowledge transfer increases, and then decreases, with the breadth of the interlocking director’s experience.

**Status of outside experience.** While escalating outside affiliations may yield diminishing benefits, the status of those connections reinforces the positioning of the individual’s message. Directors sitting on the board of GE, as opposed to an average S&P 500 firm, for example, may be more likely to believe their knowledge is worth sharing. High-status appointments confer esteem and privilege (Washington & Zajac, 2005), paving the way for directors to diffuse practices from their outside firms. Relative firm differences reflect a firm-level effect on board receptivity, but the status of outside affiliations first affects the likelihood that a given director will have and share relevant knowledge. Status “flows through associations” and represents how “an individual’s location within a hierarchy . . . determines the opportunities and constraints that the individual confronts” (Podolny, 2005: 11, 14). A director’s ability to contribute as enabled by status suggests boundary-spanning self-efficacy, reflecting confidence to offer information about practices from external experience (Bandura, 1997; Marrone, Tesluk, & Carson, 2007: 1426).

Research on CEO and board social capital has explored how status impacts the influence of information. In their study of celebrity CEOs, Hayward, Rindova, and Pollock (2004) found that high-status executives tend to internalize their success and become more confident about their own contributions. When an interlocking director is affiliated with high-status (e.g., large, well-performing) outside firms, the ability to facilitate the diffusion of practices increases.

**Proposition 8:** The likelihood of knowledge transfer increases with the status of the interlocking director’s experience.

### BOARD RECEPITIVITY AND THE DIFFUSION OF PRACTICES

While individual characteristics affect the motivation and ability of a director to transmit knowledge, external and internal factors at the board and firm levels influence how receptive the board is to an interlocking director’s outside experiences. As discussed above, diffusion across a board interlock depends first on whether the individual director has and contributes knowledge. A subsequent consideration is how the board receives information about organizational practices at interlocked firms. I now turn to factors that influence board receptivity.
Focal Board Power

The nature of collaboration and the relationship between the focal firm’s board and CEO reflect path dependency and affect the extent of any individual director’s influence. Golden and Zajac (2001) explored the influence of boards on strategic change and the battle for power between the board and CEO. They found that weak financial performance stimulates strategic change, but the effect is much stronger in firms with powerful boards, suggesting that they may be more receptive to having members share ideas and experiences. The CEO-board balance of power also constrains the framing of opportunities, as evidenced by the greater likelihood of alliance formation in firms with cooperation and trust between the CEO and board, as opposed to either CEO- or board-controlled firms (Gulati & Westphal, 1999). Recent findings also suggest that the power (im)balance between the CEO and board moderates the relationship between board composition and firm performance (Combs, Ketchen, Perryman, & Donahue, 2007; Finkelstein et al., 2009), adding to our understanding of how boards affect organizational outcomes.

Influence on firm outcomes, therefore, depends in part on the power position of the board relative to the CEO. Boards can “impel, impede, or exert no effect on strategic change in organizations,” depending on their power and inclination for altering the firm’s practices (Golden & Zajac, 2001: 1107). As regulatory changes such as the Sarbanes-Oxley Act in the United States and the Cadbury Report in the United Kingdom mandate increasing board independence and encourage board activism, the balance of power will likely remain fodder for debate among academics and practitioners.

When the board wields power over management, decision outcomes are more likely to reflect the preferences of influential directors (Zajac & Westphal, 1996). For example, executive pay is being reined in at some firms with powerful boards:

Directors . . . are increasingly cutting back the pay-setting power of CEOs. Bold boards are killing practices long popular among big bosses, such as retention grants of restricted shares, generous exit rewards and “gross-ups” to cover the taxes that executives have to pay for certain benefits (Lublin, 2008: R1). Pettigrew and McNulty (1995) argued that the structural context shapes the board’s influence on the firm’s strategic direction, specifically by enabling interlocking directors to translate potential power into actual influence. Alternatively, with a powerful CEO, decisions are more likely to reflect the CEO’s preferences and experience, rather than those of interlocking directors. So while power may not solely determine the influence of the board, it does dictate the opportunities to receive information about practices via interlocking directors that may shape strategic outcomes.

Proposition 9: Board receptivity increases when the focal board is powerful vis-à-vis the focal CEO.

Focal Board Demographic Diversity

As discussed at the individual level, each interlock’s information does not carry uniform influence. I now consider board receptivity when the director linking two firms is a demographic minority. Elements of board composition, particularly diversity, can make group decision making more complex, offering advantages and disadvantages in terms of decision speed, quality, and outcomes (cf. Jehn, Northcraft, & Neale, 1999; Pelled, Eisenhardt, & Xin, 1999). Research on group diversity has shown that the negative effects of surface-level demographic heterogeneity on group conflict and the blocking of cooperative norms decrease over time (Chatman & Flynn, 2001; Harrison, Price, Gavin, & Florey, 2002). As directors gain more interaction and familiarity working with a diverse board, the benefits should increase while the negative outcomes should diminish.

The environment in which information is presented determines individual influence on board outcomes. Receptivity of the board to individual input may reflect the legitimacy and delivery of the carrier’s message. As discussed above, having prior experience as a minority director and having network ties to focal majority directors increase the influence of a given minority director (Westphal & Milton, 2000). Haunschild and Beckman (1998) discussed the influence of unique over redundant information, although the impact of the information is also contingent on the uniqueness of similar inputs. To the extent that a minority is a token director,
however, he or she may not enjoy the same influence, regardless of how exclusive he or she is as an information source. A greater proportion of minority directors can augment the influence of each minority director, especially when one speaks from experience at an interlocked firm.

Scholars have suggested critical representation breakpoints in the influence of minority directors. For example, Konrad and Kramer (2006) have argued that the benefits of gender diversity on boards are only available to firms who surpass token female director status. The baseline advantage may be available with the first introduction of heterogeneity, but I reason that information presented to the board is more likely to influence decision outcomes if the board has experience receiving information from diverse inputs. Once a board includes multiple women, for example, gender differences become less salient, and women may wield greater influence in boardroom discussions and decisions (Konrad & Kramer, 2006). Board members tend to focus on minority differences, rather than the message, if the group is relatively homogeneous, whereas diverse groups establish more collaborative and cooperative norms for positive interaction, regardless of demographic characteristic (Ely, 1994; Martins, Milliken, Wiesenfeld, & Salgado, 2003). The literature on diversity, conflict, and decision making suggests that board composition affects the ability of a demographic minority to influence group outcomes.

Proposition 10: Board receptivity increases with demographic diversity on the focal board, relative to boards with no or only one demographic minority member.

Strategic Conformity with the Industry

Sometimes decision makers in organizations, through path dependence or other patterns, develop a proclivity for or an aversion to strategic change. For example, to the extent that a firm aligns with industry norms (i.e., strategic conformity) in resource allocation decisions such as R&D spending or financial leverage, it may be less likely to consider new strategies or initiatives (Zhang & Rajagopalan, 2003). Such firms lean toward more comprehensive programs of conformity, maintaining consistent strategies and performing similarly to industry averages (Finkelstein & Hambrick, 1990). On the other hand, ceteris paribus, firms that deviate from industry norms may be more willing to entertain suggestions and information about less familiar practices from interlocked firms.

Interlocks may shape strategic choices to be more or less aligned with industry norms. In previous research scholars argued that most interlocks exist outside the focal industry (Westphal et al., 2001), and extraindustry interlocks encourage the adoption of strategies less aligned with industry norms (Geletkanycz & Hambrick, 1997). Strategic conformity reinforces the status quo and suppresses a board’s willingness to listen to directors’ experiences and stories from outside the focal industry. Given these findings, I argue that a firm that generally aligns with industry norms is likely to have a board that is less receptive to outside information from interlocking directors.

Proposition 11: Board receptivity decreases with the focal firm’s strategic conformity to industry norms.

Relative Firm Differences

Beyond individual indicators of having and sharing knowledge, network characteristics affect the likelihood of board receptivity to the interlocking director’s knowledge. The number and nature of a given director’s outside affiliations reflect idiosyncratic experience at the director level, while differences between interlocked and focal firms may affect the receptivity of the board to a given director’s information.

Centrality of the focal firm. Firm centrality reflects the board’s connectedness and positioning within the broad intercorporate network. For example, if a board has only one or two interlocking directors, only those directors can provide concurrent accounts of outside experience, thus increasing their influence. Prior research shows that unique information—that is, information not accessible through other channels—is more influential in leading a board of directors toward strategic change (Haunschild & Beckman, 1998). If a firm has many interlocking directors, a vast range of outside experiences must be sifted through and considered. Even if multiple directors have specific and relevant knowledge to contribute, the boardroom may not
benefit from having so many interlocking directors, given the challenges of weighing a large amount of information from multiple outside firms. Furthermore, a board with many interlocking directors is also more likely to have passive members—that is, those reputed to rubber stamp management decisions and to avoid actively monitoring the CEO (Zajac & Westphal, 1996). When a board is highly interlocked, most of its directors hold multiple board seats and face challenges to maintain in-depth knowledge of each firm’s practices, given their “part-time” status at each firm (Pettigrew, 1992).

Applying the logic from Proposition 7, the board must balance the breadth of ideas among interlocking directors to bring a broad range of experiences while enabling active engagement and contribution. The benefits of director interlocks and of interlocking directors’ advice to the focal firm are expected to rise and fall at the board level in a manner similar to an individual’s breadth of experience. When a board has only one interlocking director, informed counsel from his or her outside experience is likely to garner attention and influence. Once the board has many interlocking directors, however, the influence of any one director’s experience may diminish. Focal firm centrality via interlock ties reflects social capital in the form of information access (Davis, 1991). The receptivity of the board to practices from outside firm boundaries reflects how interlocked the firm is within a wide organizational network.

Proposition 12a: Board receptivity to a given interlocking director increases, and then decreases, with the focal firm’s centrality in the interlocking directorate.

Relative age and status of the interlocked firm. While centrality focuses on conditions at the focal firm, the focal board’s receptivity to directors’ knowledge reflects the nature of their outside affiliations. Networks are conduits for status transfer such that a firm’s links to others may signal quality (Benjamin & Podolny, 1999). Differing network resources create status differentials (Brass & Burkhardt, 1993), which affect individual and organizational behavior (D’Aveni & Kesner, 1993). Higher-status and more established contacts are valuable and influential (Cialdini, 1995).

As discussed in Proposition 8, sitting on the board of GE may increase directors’ willingness to share knowledge, given the perceived value of their experiences. Compared to a director with a less visible interlock, an interlocking director from GE may also enjoy a board more willing to listen to shared information. Firm performance and size have been used as proxies for status, following the institutional logic that lower-performing, smaller, or younger firms seek to emulate more successful, well-established, and larger firms and, thus, may be more receptive to knowledge about practices in place at older or higher-status firms (Haunschild & Beckman, 1998). Therefore, via relative firm differences, I suggest the following.

Proposition 12b: Board receptivity to a given director increases with the status of the interlocked firm relative to the focal firm.

Proposition 12c: Board receptivity to a given director increases with interlocked firm age relative to focal firm age.

Environmental Turbulence

Conditions outside the focal firm can also make the decision-making environment more receptive to information about practices shared across interlocks. For example, environmental turbulence or strategic conformity may constrain the board’s ability to initiate change (Carpenter & Westphal, 2001; Zhang & Rajagopalan, 2003). Environmental turbulence refers to the extent to which a firm faces complexity and uncertainty in its external environment (Boyd, 1990), and it determines the salience of particular strategic issues (Wiersema & Bantel, 1993). These external constraints may limit the board’s (or any individual’s) opportunity to influence decisions. In particular, when the competitive environment is less turbulent, boards tend to discuss current practices or changes with fewer moving variables and less uncertainty. Boards are less likely to pursue change under highly unstable conditions (Goodstein, Gautam, & Boeker, 1994).

While resource dependence logic suggests that having a more diverse board provides the organization with greater access to critical resources, under conditions of increasing environmental turbulence, more diverse groups may
also be less responsive and slower to make decisions. Some of the benefits of diversity, such as generating broader alternatives, also correspond to slower decision times (Eisenhardt, 1990). Keck (1997) discussed types of environmental change and argued that continuous change, similar to environmental turbulence, further differentiates the benefits of heterogeneous experience and input to strategic decisions. Environmental turbulence alters the relevance and contribution of directors’ external experience toward board functions of monitoring and resource provision (Carpenter & Westphal, 2001). A more uncertain environment is “noisier,” making the outside experience of one director more difficult to receive in a complex decision-making context. The stepwise process where a director shares relevant information and the board receives it unfolds with less interruption in more predictable, certain environments.

**Proposition 13:** Board receptivity decreases with the focal firm’s environmental turbulence.

In sum, by considering the role of the interlocking director along with board receptivity, I offer a more complete perspective on the likelihood of the diffusion of practices between interlocked firms. The propositions imply a stepwise diffusion process. First, a director must have the motivation and ability to contribute knowledge and experience, and, second, the board must be receptive to that shared knowledge. The collective effects of individual characteristics and organizational factors influencing the diffusion of practices are summarized in Table 1. Some characteristics of interlocking directors and boards increase the likelihood of diffusion, whereas others decrease the likelihood. Also captured in the table are the curvilinear effects predicted for breadth of experience, an individual factor, and focal firm centrality, a network characteristic. Up to some optimal number of outside directorships and up to some point of network embeddedness, the identification of which is an empirical question, having more interlocks and being more central in the intercorporate network increase the likelihood of diffusion. However, beyond optimal points, these characteristics indicate that a focal firm is less likely to benefit from the idiosyncratic knowledge of a given interlocking director.

It may also be useful to think about the proposed relationships as concentric circles, with the individual-level characteristics at the center, surrounded by factors of boardroom receptivity, including firm- and industry-level features. The graphic complexity arises from the reality that an interlocking director depicted on a board is actually a boundary spanner (Zahra & Pearce, 1989), residing not wholly within one firm but, rather, within multiple firms. The challenges of studying hierarchical, nonnested phenomena are explained in Hillman et al.’s (2008) description of directors who manage multiple identities in the boardroom, and they are made more complex by the stepwise process where an

<table>
<thead>
<tr>
<th>TABLE 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Role of the Interlocking Director and Board Receptivity in the Diffusion of Practices</strong></td>
</tr>
<tr>
<td><strong>Levels</strong></td>
</tr>
<tr>
<td>The role of the interlocking director in knowledge transfer</td>
</tr>
<tr>
<td>Board receptivity</td>
</tr>
</tbody>
</table>
individual transfers a practice and the board receives it. Aspects of some identities may be aligned, but not truly nested, since the board seat represents a part-time appointment. Multilevel theory such as this one represents a diffusion process involving multiple steps at the intersection of organizations, which unfolds across individual, group, organization, and network levels.

**DISCUSSION**

This paper examines the characteristics of interlocking directors that make them more likely to have and contribute relevant experience, as well as the focal board’s receptivity to that knowledge. I discuss indicators of an individual’s motivation and ability to carry knowledge between firms so as to propose microlevel differences among interlocking directors. While scholars have considered how some contextual factors affect the imitation of systems or structures between firms, critics of interlock research point to a lack of understanding of the qualitative nature of these linkages. Internal and external contexts establish a climate of receptivity to outside information available through interlocks. The relationships proposed include the characteristics of interlocking directors, the context of the focal firm, and the likelihood that practices diffuse through board interlocks. Rather than jumping to the adoption of practices, my model proposes knowledge transfer as the initial action in a stepwise, multilevel process of diffusion—one that begins with individual action but is moderated by context.

Scholars have repeatedly called for multilevel theory that integrates microlevel and macrolevel factors in order to understand organizational behavior (Hitt, Beamish, Jackson, & Mathieu, 2007). Zajac and Westphal (1996) noted the complexity of such frameworks, compared to those that consider only factors at a single level, but they argued for their necessity in capturing the reality and multilevel nature of board interlocks. Recently, Bamberger (2008) echoed the need for management academics to move beyond contextualizing extant findings toward generating their own context theories. By acknowledging interlock characteristics at the individual and board levels, we can more fully model the diffusion of practices via interlocks as a phenomenon of interest. In this paper I identify individual-level predictors of knowledge transfer by an interlocking director and contextualize this mechanism for exchange by identifying higher-level factors likely to influence the focal construct and its relationships (i.e., “context theorizing”).

This theory proposes a broad research agenda, although challenges exist for empirical testing. The diffusion of organizational practices as an observable phenomenon is the outcome of multiple boardroom processes, while the process itself may remain unmeasured and less visible. Strategic change could involve measuring changes in resource allocation decisions or diversification levels or, as in previous research, coding the occurrence of an event, such as an acquisition or structural innovation. Given the multiple steps and multilevel nature of this model, it is possible that experiences and strategies may be introduced to the boardroom discussion, and even found to be highly relevant and informative, yet have no measurable outcome. Even if measurable change occurs, its meaning may not fully diffuse. Westphal and Zajac (2001) explored the decoupling of policy and practice, when an organization symbolically adopts a new plan without substantively instituting the change. This overarching model of diffusion provides a number of opportunities for empirical testing of its components, although a test of the complete model appears unlikely.

While the complexity of multilevel theory presents some challenges for empirical testing, several proposed relationships lend themselves to quantitative study. For example, in prior research scholars have developed indicators for power in the boardroom (e.g., Golden & Zajac, 2001; Zajac & Westphal, 1996), and some propositions offer readily measurable characteristics, such as demographic minority status and focal board tenure. Additional individual-level factors may be important, and those proposed here represent an initial exploration to integrate extant research and to stimulate discussion of individual differences in motivation and ability among interlocking directors. While I discuss how strong organizational identification motivates directors to bring their experiences to benefit boardroom discussion, Hillman and colleagues (2008) have proposed the salience of multiple director identities, such as being a CEO, customer, or supplier, as behavioral predictors of boardroom behavior. Rather than an
insider-outsider dichotomy of board membership, they suggest that the strength of identification with a number of board roles predicts resource provision, including the contribution of advice and counsel. Beyond the individual- and board-level factors here, further variance may exist among directors with similar standing and influence in their motivation to share knowledge from experience with other firms. Understanding the drivers of individual director engagement in board function is a fascinating and promising area for future research.

A given board’s context may also amplify the importance of any one level relative to others. In extreme uncertainty environmental turbulence may prevail; in other contexts or decision settings board committee membership may be essential to the diffusion of a specific practice from an interlocked firm. If a board has multiple interlocking directors, it could be that the interlocking director who strongly identifies with the focal organization will be the only one who engages in environmental scanning for relevant experiences and information; thus, in some contexts organizational identification may determine whether diffusion occurs. The institutional context may also affect diffusion, since the small-world nature of corporate boards appears in a variety of country environments (Conyon & Muldoon, 2006). Within and across levels there may be interaction effects that reinforce or inhibit the process of diffusion through knowledge transfer and board receptivity. The vast research agenda integrated here also creates new opportunities for theoretical extension and empirical study.

Given this paper’s inclusion of individual, board, and firm levels, I also leave for future study a component critical to our understanding of diffusion across board interlocks—namely, the content of the practice. While I suggest that characteristics of the interlocking director and interlocked firms influence the likelihood of diffusion, it is possible that specific practices are differentially likely to transmit between firms. For example, both constructive and destructive practices are empirically shown to diffuse via interlocks, but whether one is more likely than the other has not been established. A subsequent step in diffusion, whether a practice is adopted, could be examined to understand when firms act on transmitted and received information about practices. Upper echelons suggest avenues for future research on the diffusion of specific strategies, including acquisition and diversification (e.g., Chen et al., 2009; Jensen & Zajac, 2004). How outside experiences and the characteristics of interlocking directors actually shape practices at the focal firm is a rich area for future exploration (e.g., McDonald et al., 2008).

In bringing attention to individual interlocking directors, I illustrate the importance of levels of analysis issues in research on boards of directors. Theory on interlocking directors and the diffusion of practices focuses not only on the individual director but also on the individual relative to the group. This type of cross-level theory (Klein, Dansereau, & Hall, 1994; Rousseau, 1985) is particularly promising in specifying heterogeneity and avoiding the aggregation errors of single-level theory (Klein & Kozlowski, 2000). Empirical research in this area may be fruitful in testing the proposed model, but only with careful attention paid to variance within the group (i.e., the board) based on individual differences—for example, characteristics of interlocking directors, traits, and so forth (Cannella & Holcomb, 2005; Klein et al., 1994).

My theory also has implications for board composition and the ongoing debate about limits to the number of directorships. Previous work suggests that firms may not proactively manage interlocks, since ties with a specific firm are rarely reconstituted when one director exits (Westphal, Boivie, & Chng, 2006). However, given institutional pressures around director tenure and board term limits, consideration of previous and concurrent director experience may help to structure a board for efficacy and responsiveness to changing environmental demands. By considering outside experience along with individual differences among director nominees, both management and shareholders may gain confidence in and a more complete understanding of board composition and effectiveness. Furthermore, individual directors may become more cognizant of outside experiences that inform discussion in the focal boardroom and provide suggestions that are not pre-scripted by the CEO. Since CEOs often determine the agenda for board meetings and may constrain the realm of options presented to the board, directors have long been dependent on management reports to understand the scope of the business, current issues, and the range of strategic choices avail-
able to the focal firm. With fewer inside directors, increasing calls for board activism, and the changing corporate regulatory environment, the role of the interlocking director specifically and board influence over organizational outcomes in general are expected to expand (Finkelstein et al., 2009). This paper integrates research on board interlocks to improve our understanding of effective boards by theorizing when directors influence board discussions, as well as which boards are most receptive to director expertise from outside the organization.

REFERENCES


Christine Shropshire (shropshire@terry.uga.edu) is an assistant professor of management in the Terry College of Business at the University of Georgia. She received her Ph.D. from Arizona State University. Her research interests include corporate governance, stakeholder management, and diversity in the upper echelons.