FLATTERY WILL GET YOU EVERYWHERE (ESPECIALLY IF YOU ARE A MALE CAUCASIAN): HOW INGRATIATION, BOARDROOM BEHAVIOR, AND DEMOGRAPHIC MINORITY STATUS AFFECT ADDITIONAL BOARD APPOINTMENTS AT U.S. COMPANIES

JAMES D. WESTPHAL
University of Michigan

ITHAI STERN
Northwestern University

This study examined influences on the likelihood that directors of U.S. corporations will receive additional board appointments. We tested hypotheses with original survey data from 760 outside directors at large and medium-sized U.S. firms. Supplementary analyses assessed post-Enron era generalizability. Directors increased their chances of board appointments via provision of advice and information to CEOs and ingratiatory behavior toward peer directors. Ethnic minorities and women were rewarded less on the director labor market for such behaviors. Directors also increased their appointment chances by engaging in low levels of monitoring and control behavior, and demographic minorities were punished more for such behaviors.

In this study we examine the determinants of individual success in the market for corporate directors. Specifically, we consider how the behavior and demographic characteristics of outside directors affect the rate at which they acquire additional board appointments. Directors who hold numerous board seats exert considerable influence over U.S. corporations and the broader society. As directors acquire more board seats, they not only gain influence over policy making at more companies, but also acquire greater status in the corporate elite, which enhances their relative influence over policy making at all of the companies where they serve as outside directors (Finkelstein, 1992; Useem, 1984; Westphal & Khanna, 2003). Moreover, there is considerable evidence that directors who occupy multiple board seats at large U.S. companies are more likely to receive appointments to the boards of powerful nonbusiness institutions that exert influence over a wide variety of societal issues ranging from governmental and bank lending policies to the curriculum and research agendas of universities (Gersh, 1987; Ratcliff, 1987; Useem, 1984, 1987).

Given that individuals who occupy multiple board seats at large U.S. companies exert substantial influence over business and society, the question of which directors are most likely to acquire further appointments is of considerable theoretical and practical importance. Yet understanding of what determines success in the market for corporate directors remains limited. Agency theorists have argued that an individual’s attractiveness in the director labor market depends on the performance of companies where he or she has served as director (Fama, 1980; Johnson, Daily, & Ellstrand, 1996). In this view, a director’s “associations . . . with [firm] success and failure are information about his talents” (Fama, 1980: 292) and thus directors of better-performing firms are expected to acquire more board appointments than directors of poorer performers. Yet empirical studies have failed to substantiate this premise (Davis, 1993; Zajac & Westphal, 1996). Davis (1993) found that directors were more likely to join new boards to the extent that they already held many board seats. In interpreting this finding, Davis suggested that board appointments provide social connections to directors who serve on the boards of other companies, which presumably lead to invitations to join additional boards. Moreover, qualitative research on director selection also suggests that directors typically acquire additional board seats through referrals from fellow outside directors who serve on other boards (Domhoff, 2002; O’Neal & Thomas, 1996; Useem, 1984). However, some directors are more likely to receive such referrals than others,

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and prior studies have not sought to explain why directors vary in the rate at which they acquire board appointments through the recommendations of fellow board members. More generally, past research has not examined how the actual behavior and individual characteristics of directors affect their success in the market for corporate directors.\(^1\)

In this study, we begin to address this gap in the literature by considering how the behavior and demographic characteristics of outside directors affect the rate at which they acquire additional board appointments. Our theoretical perspective begins with the premise that directors tend to acquire further board seats through referrals from fellow outside directors who serve in key roles on other boards (such as a colleague who serves on the nominating committee or as the CEO of another company), as suggested by qualitative research on director selection (Domhoff, 2002; O’Neal & Thomas, 1996; Useem, 1984).\(^2\) We contend, however, that the likelihood of receiving a fellow director’s recommendation for a board seat may depend on whether a director exhibits certain behaviors and possesses certain demographic characteristics. Specifically, we consider how two categories of director behavior could influence the likelihood of receiving additional appointments at the corporate boards of firms where fellow directors are nominating committee members or CEOs: (1) behaviors believed to contribute to effective corporate governance, such as monitoring and control behavior and providing advice and information to CEOs, and (2) social influence behaviors, in the form of ingratiating tactics directed at fellow board members. Our theoretical perspective also suggests how demographic minority status could moderate the effects of director behavior on board appointments. Specifically, we argue that ethnic minorities and women may derive fewer benefits (in terms of recommendations for board appointments) from engaging in social influence behavior and behaviors thought to contribute to effective governance.

Beyond addressing the question of how individuals succeed in the market for corporate directors, our theory suggests how and why social discrimination could operate in the director labor market (Allport, 1954: 52; Otten & Mummendey, 1999). Our theoretical perspective ultimately suggests that demographic minorities must engage in a higher level of social influence behavior and a higher level of behavior thought to contribute to effective governance to have the same chance of obtaining additional board appointments. We tested our theory using a unique data set that combines large-sample survey data on the behavior of outside directors with archival data on board appointments, and we discuss implications of the results for behavioral and economic perspectives on corporate governance.

### THEORY AND HYPOTHESES

**Director Monitoring and Control Behavior, Advice and Information Giving, and Board Appointments**

Agency theory and behavioral perspectives on boards of directors suggest that outside directors can contribute to effective corporate governance by exercising control over top managers’ strategic decision making (Fama & Jensen, 1983; Walsh & Seward, 1990; for reviews, see Finkelstein and Hambrick [1996] and Mizruchi [2004]). According to Fama and Jensen (1983: 310), outside directors are responsible for engaging in “decision control” on behalf of shareholders in which they monitor and regulate management decision making and evaluate management performance (Hillman & Dalziel, 2003). In carrying out their decision control function, directors are expected to solicit information about the progress of executives in implementing corporate strategies, thereby minimizing information asymmetry in the management-board relationship and permitting an informed assessment of management performance (Fama & Jensen, 1983; Hillman & Dalziel, 2003; Johnson et al., 1996).

Outside directors are also expected to “ratify” management initiatives that promote shareholder interests while blocking or forcing changes in initiatives that do not serve shareholders (Fama & Jensen, 1983: 310; Hillman & Dalziel, 2003; Judge & Zeithaml, 1992). A basic tenet of agency theory is that management interests conflict to some extent with the interests of shareholders, so that top managers will tend to pursue corporate strategies that benefit themselves at the expense of shareholders (Evans & Weir, 1995; Fama, 1980; Fama & Jensen, 1983). Accordingly, corporate directors must maintain vigilant in monitoring management initia-

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\(^1\) Useem and Karabel (1986) provided evidence that certain social and educational credentials can increase managers’ access to corporate boards but offered less evidence that these credentials affect the likelihood that individuals who already serve on boards will gain further appointments and become relatively central in the board interlock network.

\(^2\) Studies by Lorsch and MacIver (1989) and Seidel and Westphal (2004) offer evidence that CEOs and members of a board’s nominating committee have primary influence over the nomination of new directors.
tives and challenging those that benefit managers more than shareholders (Demb & Neubauer, 1992; Judge & Zeithaml, 1992). From an agency perspective, moreover, outside directors are especially critical to effective decision control because they are formally independent of management and thus better able than inside directors to objectively evaluate management proposals and assess overall management performance (Conyon & Peck, 1998: Fama, 1980; Johnson et al., 1996).

Behavioral perspectives on corporate boards suggest that, aside from engaging in monitoring and control behavior vis-à-vis management, outside directors can also contribute to effective corporate governance by providing advice and information to management on strategic issues (Finkelstein & Hambrick, 1996; Hillman & Dalziel, 2003; Johnson et al., 1996; Lorsch & MacIver, 1989; Westphal, 1999). Lorsch and MacIver (1989: 64) provided qualitative evidence that outside directors sometimes influence management decision making by serving as a kind of consultant or “sounding board” to management during the strategic decision making process (see also Demb & Neubauer, 1992). CEOs may seek input from directors in the course of formulating corporate strategies, or they may solicit advice about the implementation of strategic decisions (Carpenter & Westphal, 2001; Finkelstein & Hambrick, 1996). In counseling top managers, outside directors can provide specialized expertise in particular functional areas and/or general management expertise from their prior experience at other firms that complements the firm-specific expertise of insiders (Carpenter & Westphal, 2001; Lorsch & MacIver, 1989). Directors may also provide information about specific strategic opportunities, such as acquisition or alliance opportunities, and they may assist in environmental scanning by furnishing information about the plans and practices of other firms (Hillman & Dalziel, 2003; Pfeffer, 1991; Useem, 1984).

Several authors have suggested that decision control and the provision of strategic advice and information represent two distinct roles performed by outside directors (Hillman & Dalziel, 2003; Pfeffer & Salancik, 1978; Westphal, 1999). In a large-sample empirical study, Westphal and colleagues found support for this classification of director roles. Factor analysis revealed that director involvement in corporate governance could be classified into three categories: independent monitoring and control; providing information and advice on strategic issues, typically at the CEO’s request; and inaction (Carpenter & Westphal, 2001; Westphal, 1999). Moreover, there is evidence that each kind of board involvement independently contributes to firm performance (Tosi & Gomez-Mejia, 1994; Westphal, 1999).

Accordingly, extant theory and research on how directors contribute to strategic decision making suggests specific behaviors by which outside directors can demonstrate their value as corporate board members and thus increase the likelihood that fellow directors will recommend them for board seats at other firms. Specifically, directors contribute to effective governance and thus demonstrate their value as board members by providing strategic advice and information to CEOs (e.g., furnishing information about the practices of other firms and advising the CEO about implementation of a corporate strategy), or by engaging in behaviors related to decision control (e.g., soliciting information about strategic initiatives for the purpose of evaluating management performance and successfully pushing for changes in strategic proposals put forth by management). The greater the extent to which outside directors engage in these behaviors, the greater their value as board members, and thus the greater the likelihood that fellow directors will recommend them for board seats at other firms. As discussed above, a premise of our argument—supported by prior research on director selection—is that directors tend to acquire board seats through referrals from colleagues who serve in key roles on other boards (i.e., roles that enable them to influence director appointments). Prior qualitative and survey research specifically suggests that CEOs and members of a board’s nominating committee exert primary influence over director selection (Domhoff, 2002; Lorsch & MacIver, 1989; O’Neal & Thomas, 1996; Seidel & Westphal, 2004; Useem, 1984). Thus, we expect that a director’s monitoring and control behavior and advice giving will influence appointments to the board of another firm where a fellow director serves on the nominating committee or as CEO. Specifically:

Hypothesis 1. The greater the extent to which an outside director of a firm provides advice and information to the firm’s CEO on strategic

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3 Although we recognize that this perspective has been recently challenged by evidence suggesting that directors who engage in monitoring and control behavior are sanctioned on the director labor market (e.g., Westphal and Khanna, 2003), the dominant perspective in the larger corporate governance literature, including the economic (e.g., Hermalin & Weisbach, 1998), finance, (e.g., Shleifer & Vishny, 1997), management (e.g., Rediker & Seth, 1995) and legal literatures (Roe, 1994) is still that directors are normatively expected to participate in board control over management.
issues, the greater the likelihood that the director will be appointed to the board of another firm where a fellow director serves on the nominating committee or as CEO.

Hypothesis 2. The greater the extent to with which an outside director of a firm monitors and controls management decision making on strategic issues, the greater the likelihood that the director will be appointed to the board of another firm where a fellow director serves on the nominating committee or as CEO.

Ingratiation and Board Appointments

Our discussion thus far has suggested how directors may secure recommendations for board appointments by engaging in behaviors that demonstrate their value as board members. In this section, we suggest how directors may also secure such recommendations by engaging in social influence behavior toward colleagues who control access to board appointments. Specifically, we contend that directors can increase their chances of gaining additional board appointments by engaging in ingratatory behavior toward fellow directors who serve on nominating committees or as CEOs at other firms.

Ingratiation can be conceived of as a set of interpersonal influence tactics that function to “enhance one’s interpersonal attractiveness” and ultimately “gain favor” with another individual (Kumar & Beyerlein, 1991: 619; Vonk, 2002; Westphal, 1998). Research in social psychology and organizational behavior has characterized ingratiation as comprising three specific behaviors: flattery or other-enhancing communications; acts of opinion conformity, defined as verbal statements or other behaviors that affirm or validate the opinion held by another person; and favor rendering (Ellis, West, Ryan, & DeShon, 2002; Gordon, 1996; Jones, 1964; Tedeschi & Melburg, 1984; Westphal & Stern, 2006). An extensive body of empirical research in organizational behavior has provided evidence that these behaviors can lead to a range of positive outcomes for the ingratiator, such as larger compensation increases, recommendations for prestigious positions, and faster rates of promotion (Gordon, 1996; Higgins, Judge, & Ferris, 2003; Judge & Bretz, 1994; Liden & Mitchell, 1988; Orpen, 1996; Westphal, 1998; Westphal & Stern, 2006).

Social psychological perspectives on interpersonal influence address the mechanisms by which ingratiation behavior can lead to such beneficial outcomes. In particular, ingratiation behavior is thought to elicit positive affect and psychic indebtedness toward the ingratiator, which in turn cause the influence target to favor the ingratiator when given the opportunity (Jones, 1964; Vonk, 1998, 2002; Yukl & Tracey, 1992). As several authors have suggested, other-enhancement elicits liking through “reciprocal attraction” (Stevens & Kristof, 1995: 589; also see Ellis et al., 2002; Gordon, 1996). As Jones suggested, “People find it hard not to like those who think highly of them” (1964: 24; also see Heider, 1958). A detailed meta-analysis of 69 studies on ingratiation by Gordon (1996) showed that other-enhancement tends to have a positive influence on assessments of likability or interpersonal attraction. Other-enhancement can also lead to beneficial outcomes through the mechanism of social exchange. By virtue of norms of reciprocity, a person who is “paid” a compliment will feel socially and psychologically compelled to return the favor (Vonk, 2002).

Several authors have suggested that opinion conformity exploits similarity-attraction bias (Liden & Mitchell, 1988; Stevens & Kristof, 1995; Wayne & Kacmar, 1991). One of the most robust findings in the literature on social cognition is that people exhibit greater positive affect toward others who share their beliefs and attitudes (Byrne, 1971; Pulkos & Wexley, 1983; Wayne & Liden, 1995). Thus, acts of opinion conformity should exploit this bias to enhance positive affect toward ingratiating individuals. Moreover, displays of opinion conformity can be viewed as specific acts of other-enhancement (Westphal & Stern, 2006). In expressing agreement with another person, one essentially affirms or validates that person’s intellect or judgment. Accordingly, opinion conformity should not only trigger similarity-attraction bias, but also induce psychological indebtedness toward the ingratiator who expressed the conforming opinion. People also ingratiate themselves with individuals who control access to valued resources by rendering more tangible favors, such as offering advice or assistance on personal matters (Ellis et al., 2002; Jones & Wortman, 1973; Turnley & Bolino, 2001). The norm of reciprocity obligates individuals to return such favors, even if they were unsolicited.4

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4 In keeping with most contemporary perspectives on interpersonal influence, we treat self-promotion or “self-presentation” as a separate construct from ingratiation (Ellis et al., 2002; Godfrey, Jones, & Lord, 1986; Jones & Pittman, 1982). Whereas ingratiation enhances interpersonal influence by engendering positive affect and feelings of indebtedness, self-promotion typically involves attempts to influence performance judgments or evaluations of competence (Godfrey et al., 1986; Stevens & Kristoff, 1995). In fact, empirical studies have demon-
Thus, ingratiation by an outside director toward a board colleague should engender positive affect and a feeling of indebtedness toward him or her, thus prompting the colleague to favor the ingratiating director when given the opportunity. One way to favor an ingratiating director is to recommend him or her for a board appointment at another firm.

Prior research has shown that ingratiation behavior toward individuals who control access to job opportunities can increase the likelihood of receiving prestigious positions (Judge & Bretz, 1994; Orpen, 1996). Thus, we expect that directors can increase their chances of receiving board appointments at other companies by ingratiating themselves with colleagues who serve on the nominating committees or as CEOs of those other firms.

Hypothesis 3. Ingratiation toward a fellow director increases the likelihood that the focal director will be appointed to the board of another firm where the fellow director serves on the nominating committee or as CEO.

The Moderating Effects of Gender and Ethnic Minority Status

The discussion thus far has suggested alternate means by which directors can increase their chances of gaining board appointments at other firms. Specifically, we have argued that directors may be more likely to acquire new board appointments to the extent that they either engage in behaviors that are believed to contribute to effective governance or engage in social influence behavior in the form of ingratiation tactics directed at colleagues who control access to board positions. In this section, we consider whether some directors realize greater benefits from engaging in these behaviors than others. Specifically, we develop a theoretical argument suggesting that demographic minorities garner fewer rewards in the form of additional board appointments from engaging in behaviors that are thought to contribute to the quality of corporate governance, and they may also realize fewer such benefits from engaging in ingratiation behavior toward colleagues.

According to self-categorization theory, people routinely classify each other into social categories in order to simplify their social worlds (Hewstone, Hantzi, & Johnson, 1991; Turner, 1987; Shah, Kruglanski, & Thompson, 1998). Such categorization often occurs “automatically and without conscious awareness” (Hewstone et al., 1991: 579; also see Islam & Hewstone, 1993; Verkuyten, Drablos, & Van den Nieuwenhuijzen, 1999). Research in the minimal groups paradigm indicates that virtually any salient social feature can trigger social categorization, but people are especially prone to categorizing each other on the basis of visible or readily observable characteristics such as race and gender (Aquino & Bommer, 2003). There is abundant evidence for the “automaticity of race [and gender] as a basis for social categorization” (Hewstone et al., 1991: 526). Since categories that include the self are held in positive regard—consciously or unconsciously—social categorization tends to result in in-group/out-group bias: a positive bias when evaluating others with whom one shares salient social features such as race or gender and a negative bias toward those who are different on such characteristics (Brewer, 1979; Brewer & Kramer, 1985; Decremer, 2001; Hagendoorn & Harba, 1987; Tajfel, Billig, Bundy, & Flament, 1971).

A primary element of in-group/out-group bias is the so-called “ultimate attribution error,” which refers to a systematic tendency to attribute positive behaviors of in-group members and negative behaviors of out-group members to dispositional causes, while attributing negative behaviors of in-group members and positive behaviors of out-group members to external causes or temporary conditions (Hewstone, 1990; Pettigrew, 1979: 461). This pattern of attributions has been confirmed in a large number of experimental studies, many of which have examined in-group/out-group categorization on the basis of race and/or gender (for a review, see Hewstone [1990]; also see Beal, Ruscher, & Schnake, 2001; Brewer & Kramer, 1985; Chatman & von Hippel, 2001; Weber, 1994; Ybarra, 2002). There is evidence that people tend to attribute the positive behaviors of someone of their same race or gender to ability, dedication, or other internal traits that generalize across situations, while attributing the same behaviors on the part of someone of a different race or gender more to luck or special advantage. Conversely, people tend to “explain away” failure or other negative behaviors exhibited by others of the same gender or race by attributing the behaviors to external constraints or temporary
conditions such as unusual task difficulty, while attributing the same behaviors exhibited by others of a different race or gender more to a lack of competence or dedication (Chatman & von Hippel, 2001; Hewstone, 1990: 311; Weber, 1994; Ybarra, 2002).

This literature would suggest that in-group/out-group biases may influence how directors interpret the behavior of their colleagues. Thus, for instance, in interpreting low levels of advice giving or decision control by a colleague of the same race or gender, directors may be more likely to make excuses for the colleague’s limited contribution by attributing it to external constraints or temporary conditions, such as external demands on the director’s time (for instance, dealing with an important strategic issue at the director’s home company), or a poor fit between the director’s primary area of expertise and the strategic issues currently facing the company. At the same time, directors may be more likely to attribute low levels of advice giving or decision control by a colleague of another race or gender to that person’s general lack of knowledge and expertise. The opposite pattern of attributions should obtain in explaining high levels of involvement in strategic decision making. For instance, directors may attribute high levels of advice giving by a colleague of the same race or gender to superior knowledge and expertise, while attributing similar behavior by a colleague of another race or gender more to fortuitous circumstances or special advantage (such as special efforts by the CEO of the firm in question to involve the director in strategic decision making, or a particularly good fit between the director’s area of expertise and strategic issues currently facing the company).

Moreover, theory and evidence suggest that attribution biases may be more pronounced when demographic majority directors (e.g., white males) interpret the behavior of demographic minority directors (e.g., members of ethnic minorities or women) than vice versa (Hewstone, 1990). A particular demographic characteristic is more likely to provide a salient basis for out-group categorization when that characteristic is relatively unusual and is thus distinctive in the population of interest (Hewstone, 1990; Williams & O’Reilly, 1998). Accordingly, the intergroup relations literature would suggest that, since ethnic minorities and women constitute a small portion of all corporate directors, directors who are white males should exhibit more out-group bias in making attributions about the behavior of ethnic minorities and women on a board than vice versa (that is, ethnic minorities and women may exhibit little or no out-group bias in interpreting the behavior of white male board members). Moreover, there is evidence that out-group biases are especially pronounced when people make attributions about the behavior of peers or others with whom they compete for status or resources (Bettencourt, Brewer, Croak, & Miller, 1992; Brewer, 1979). Accordingly, out-group biases may be particularly likely to influence how directors interpret the behavior of fellow directors.6

Thus, as a result of biased attributions associated with out-group categorization, minority directors may receive less credit than other directors for any given level of involvement in strategic decision making. Research on intergroup relations offers considerable evidence that attribution bias can result in in-group favoritism, or a tendency for in-group members (e.g., others of the same race or gender) to receive favorable treatment in the allocation of positive outcomes, including job opportunities (Gardham & Brown, 2001; Hewstone et al., 1991; Otten & Mummendey, 1999; Otten & Wentura, 2001). Accordingly, the tendency for high levels of director involvement in strategic advice giving and decision control to enhance the likelihood of receiving recommendations for board appointments at other firms may be less pronounced for racial minorities and women than for other directors. In effect, our theoretical argument suggests that members of demographic minorities face a rather subtle form of “social discrimination” in the market for corporate directors (Allport, 1954: 52; Otten & Mummendey, 1999), in that they must engage in a higher level of advice giving or decision control than members of the demographic majority to have the same chance of receiving a recommen-

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5 By extension, this literature suggests that in-group bias may be especially pronounced when demographic minority directors make attributions about the behavior of other minority directors. However, such cases are very rare in our sample. As discussed further below, our sample includes dyadic combinations of directors who responded to our survey and boards of firms where a fellow director serves on the nominating committee or as CEO. Blacks and women occupy a small portion of all board positions (11% and 17%, respectively), and they occupy an even smaller portion of CEO or nominating committee positions (see Bilimoria & Piderit, 1994). As a result, there are very few cases in our sample in which both the focal director and the fellow director (i.e., the peer serving on another firm’s nominating committee or as CEO) are women or ethnic minorities (less than 1 percent of the sample).

6 Westphal and Stern (2006) showed that top managers do not necessarily exhibit out-group bias in making attributions about the behavior of subordinates (e.g., lower-level managers).
Hypothesis 4a. Demographic minority status negatively moderates the effect of advice and information giving on the likelihood of a director on the board of a focal firm receiving board appointments at other companies: Director advice and information giving on strategic issues has a less positive effect on the likelihood that the director will be appointed at another firm where a fellow director serves on the nominating committee or as CEO if the focal director is a demographic minority (ethnic minority or woman).

Hypothesis 4b. Demographic minority status negatively moderates the effect of involvement in decision control on the likelihood of a director on the board of a focal firm receiving board appointments at other companies: Director monitoring and control of management decision making on strategic issues has a less positive effect on the likelihood that the director will be appointed at another firm where a fellow director serves on the nominating committee or as CEO if the focal director is a demographic minority (ethnic minority or woman).

Another manifestation of the ultimate attribution error is a demonstrated tendency to attribute greater sincerity to the behavior of in-group versus out-group members (i.e., others of the same race or gender) (Hewstone, 1990). Conversely, people are more cynical in interpreting the behavior of dissimilar others. For instance, there is some evidence that people are more likely to look for and seize upon ulterior motives for acts of kindness done by someone of a different race (Hewstone, 1990). Accordingly, in-group/out-group bias could influence how directors react to ingratiatory behavior by colleagues on a board. Specifically, directors may give colleagues of the same race or gender the benefit of the doubt by interpreting flattery or the expression of similar beliefs as sincere statements of opinion. Similarly, directors may interpret favor rendering by similar others as sincere acts of kindness. Conversely, directors may adopt a more cynical view of ingratiatory behavior by dissimilar others. Specifically, they may attribute flattery, favor rendering, and the expression of similar beliefs by colleagues of another race or gender to ulterior motives, such as the desire to gain social influence and advance their careers. Ingratiatory behavior leads to fewer benefits when others view that behavior as insincere or as an attempt to curry favor (Gordon, 1996; Jones, 1964; Vonk, 1998). Specifically, as Vonk (1998) and others have suggested, ingratiiatory behaviors such as other-enhancement or the expression of similar beliefs are less likely to engender reciprocal attraction when others attribute those behaviors to ulterior motives.

Thus, to the extent that directors adopt a more cynical interpretation of ingratiatory behavior by colleagues of a different race or gender, minority directors may realize fewer benefits from engaging in ingratiation toward fellow board members. Specifically, our theoretical argument suggests that the effect of ingratiation on the likelihood of receiving recommendations for board appointments at other firms is less positive for racial minorities and women than for other directors. This view leads to the following hypothesis:

Hypothesis 4c. Demographic minority status negatively moderates the effect of ingratiation toward fellow directors on the likelihood that a director of a focal firm will receive board appointments at other companies: Ingratiation toward a fellow director has a less positive effect on the likelihood that the focal director will be appointed at another firm where a fellow director serves on the nominating committee or as CEO if the focal director is a demographic minority (ethnic minority or woman).

METHODS

Sample and Data Collection

The sample frame for this study comprised outside directors at 300 companies randomly selected from the Forbes 500 index of large and midsized U.S. industrial and service firms. A survey questionnaire was sent to each director in the sample frame in January 2000. We followed procedures that have been shown to enhance response rates in prior surveys of corporate elites: (1) we conducted a qualitative pretest of the initial survey questionnaire that included in-depth interviews with 22 directors at large and midsized companies and used feedback from the interviews to improve the content and appearance of the survey instrument; (2) in our cover letter we framed the survey as part of an ongoing research project on corporate governance involving faculty at several leading business schools and highlighted that thousands of managers and directors had participated in previous studies connected with this project; (3) we sent two further rounds of questionnaires to nonrespondents; and (4) we obtained endorsements of the survey from a prominent leader of a Forbes 500 company and from directors at a major management consulting firm (Fowler, 1993; Fox, Crask, &
Kim, 1988; Westphal, 1998). Seven hundred and ninety-one directors responded, for a response rate of 44 percent. After exclusion of cases with missing archival data, the final sample included 760 directors (42%).

We used the Kolmogorov-Smirnov (K-S) test and Heckman selection models to assess sample representativeness. The K-S test determines whether the distribution of a single continuous variable is different for respondents and nonrespondents. Results showed that respondents were not significantly different from nonrespondents on any of the continuous variables measured with archival data, including measures of firm performance, number of board appointments held, years of top management experience, and the board independence of the potential appointing firm (see the description of control variables below). Difference of proportions tests indicated that respondents were also not significantly different from nonrespondents on the dichotomous variables included in the study (i.e., gender, ethnic minority status, listing in the Social Register, attendance at an exclusive preparatory school, possession of an elite undergraduate degree, possession of an elite MBA degree, and membership in an exclusive social club). We used Heckman selection models to conduct a multivariate test of sample selection bias (Heckman & Borjas, 1980). The selection equation in these models estimated the likelihood of responding to the survey and included all the independent variables measured with archival data as well as variables that described survey characteristics, such as when the questionnaire was distributed and returned. The hypothesized results were not significantly different from those presented in the tables, and the selection parameters were not statistically significant, further suggesting that nonresponse bias did not affect our results.

We obtained archival data on board characteristics from Compact Disclosure and directly from proxy statements. We used COMPUSTAT and EDGAR Online to obtain data on firm performance. Biographical data on directors came from multiple sources that have been widely used in prior research on corporate elites, including Standard & Poor’s Register, Dun & Bradstreet’s Reference Book of Corporate Management, Marquis’ Who’s Who, the Social Register, annual company reports, and corporate proxy statements (Broad, 1996; Burriss, 2002; Domhoff, 2002; Palmer & Barber, 2001; Useem & Karabel, 1986). We obtained data on director gender and ethnicity from a large management consulting firm.

### Measures

The pretest was used to bolster the validity of our survey items. We asked pretest respondents to provide feedback on each item in the questionnaire in order to identify questions that were vague, ambiguous, or subject to bias. Each survey scale included multiple response formats to reduce response bias (for instance, Likert-type items were combined with questions about the number of times a particular behavior occurred during a certain time period) (DeVellis, 1991).

**Ingratiation toward a peer director.** We measured ingratiation with a nine-item scale that included questions about the three kinds of ingratiatory behavior that have been identified in the literature on social influence: opinion conformity, other enhancement, and favor rendering. The questions asked about a respondent’s behavior toward each of the other directors on a focal board. Scale items were adapted from measures of ingratiation developed by Kumar and Beyerlein (1991) and Westphal (1998). We refined the phrasing of the questions using feedback from the pretest. Table 1 provides the scale items. We conducted factor analysis on the ingratiation items, together with the indicators of self-presentation discussed below, using the principal factor method with promax rotation. The ingratiation items all loaded on a single factor (loadings were greater than .5 on the ingratiation factor and lower than .2 on other factors). Cronbach’s alpha was .91, suggesting high inter-item reliability. To generate factor scores, we used the Bartlett method, which yields unbiased factors, though these may be less accurate than factor scores estimated with the regression method (Rencher, 1998). In this case, the results were robust to either scoring method.

The questionnaire included a parallel set of items about the behavior of each of the other outside board members toward a focal director (e.g., “To what extent does [the director] point out attitudes and/or opinions you have in common?”). We used these data to assess interrater reliability. Specifically, to assess the interrater reliability of reports of ingratiatory behavior by one director (A) toward another (B), we compared self-reported ingratiation (A’s responses) with other-reported ingratiation (B’s responses) using the weighted kappa coefficient.\(^7\) Kappa is a coefficient that corrects for the level of correlation between respondents expected by chance and weights agreement by the level of

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7 When responses were available from more than one other board member, one set of responses was selected at random.
### TABLE 1  
Survey Scale Items and Interrater Reliability Assessment

<table>
<thead>
<tr>
<th>Items</th>
<th>Agreement between Focal Manager and CEO</th>
<th>Observed (Expected)</th>
<th>Kappa (Z)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ingratiation</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1. In talking to [the director], to what extent do you express agreement with [the director’s] viewpoint on a strategic issue, even when you do not completely share [his/her] opinion?</td>
<td></td>
<td>92.67% (66.15%)</td>
<td>0.78 (52.36)</td>
</tr>
<tr>
<td>2. In speaking with [the director], to what extent do you point out attitudes and/or opinions you have in common?</td>
<td></td>
<td>94.36 (71.47)</td>
<td>0.80 (53.50)</td>
</tr>
<tr>
<td>3. Over the past twelve months, how many times did you disagree with [the director’s] point of view on a strategic issue? [reverse-scored]</td>
<td></td>
<td>93.35 (67.49)</td>
<td>0.80 (48.83)</td>
</tr>
<tr>
<td>4. Over the past twelve months, how often have you complemented [the director] about [his/her] insight on a particular strategic issue?</td>
<td></td>
<td>92.83 (65.15)</td>
<td>0.79 (48.64)</td>
</tr>
<tr>
<td>5. In the past twelve months, how often have you expressed to [the director] that you enjoy working with [him/her]?</td>
<td></td>
<td>94.64 (68.26)</td>
<td>0.83 (55.16)</td>
</tr>
<tr>
<td>6. Over the past twelve months, how often have you complemented [the director] regarding [his/her] contributions to the board?</td>
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<tr>
<td>7. In the past twelve months, have you complemented [the director] regarding [his/her] career accomplishments or achievements?</td>
<td></td>
<td>89.43 (60.83)</td>
<td>0.73 (45.66)</td>
</tr>
<tr>
<td>8. In talking to [the director] over the past 12 months, to what extent have you given [him/her] advice on a personal or career matter, without the director asking for it?</td>
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<tr>
<td>9. Have you done a personal favor for [the director] in the past 12 months?</td>
<td></td>
<td>94.41 (67.42)</td>
<td>0.83 (35.55)</td>
</tr>
<tr>
<td><strong>Monitoring and control behavior</strong></td>
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<tr>
<td>1. How many times during the past year have you requested information from the CEO or another inside director for the purpose of evaluating management’s progress in implementing the firm’s corporate strategy?</td>
<td></td>
<td>96.27 (78.77)</td>
<td>0.83 (61.42)</td>
</tr>
<tr>
<td>2. Over the past year, to what extent have you sought information from the CEO or another inside director for the purpose of evaluating the performance of top management?</td>
<td></td>
<td>96.43 (81.61)</td>
<td>0.81 (56.79)</td>
</tr>
<tr>
<td>3. Over the past year, how many times did you constructively criticize a strategic proposal put forth by management [for approval]?</td>
<td></td>
<td>95.78 (73.02)</td>
<td>0.84 (51.48)</td>
</tr>
<tr>
<td>4. Over the past year, how many times did you suggest revisions to a strategic proposal put forth by management [for approval]?</td>
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<tr>
<td>5. To what extent have you exerted control over management decision making?</td>
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<tr>
<td><strong>Provision of advice and information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. In board meetings over the past year, how many times have you provided input or advice on strategic issues at the request of the CEO?</td>
<td></td>
<td>96.24 (77.72)</td>
<td>0.83 (61.28)</td>
</tr>
<tr>
<td>2. In board meetings over the past year, how many times have you provided information about the strategic actions, policies, and/or practices of other firms?</td>
<td></td>
<td>93.33 (73.23)</td>
<td>0.75 (50.02)</td>
</tr>
<tr>
<td>3. Over the past year, to what extent have you—at the request of the CEO—provided information or expertise in regards to a strategy or policy issue?</td>
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</tr>
<tr>
<td>4. In board meetings over the past year, how many times have you answered a question from the CEO about a specific strategy or policy issue?</td>
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<tr>
<td>5. To what extent have you acted as a kind of consultant or counsel to management on strategy and/or policy issues?</td>
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</tbody>
</table>

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**a** n = 1,788. Items are verbatim from the questionnaire.

**b** Interrater reliability statistics can be calculated for seven of the nine ingratiation items (two of the nine items were excluded from the scale used to assess interrater reliability).

**c** Z-statistics for all kappas are statistically significant.

**d** Interrater reliability statistics can be calculated for three of the five monitoring and control items (two of the five items were excluded from the scale used to assess interrater reliability).

**e** Interrater reliability statistics can be calculated for four of the five advice and information items (one of the five items was excluded from the scale used to assess interrater reliability).
convergence between raters. Values above .75 can be interpreted as indicating excellent agreement, and values in the .40 to .75 range are thought to indicate fair to good agreement (Fleiss, 1981). Table 1 includes kappa coefficients for the ingratiation items. They exceed .75 for all items but one, and that item is in the range of fair to good agreement. Overall, our evidence for the interrater reliability of the ingratiation measure is fairly strong.

Monitoring and control behavior; provision of advice and information. We measured monitoring and control behavior with a five-item scale that captured key elements of decision control, as conceived of by Fama and Jensen (1983). Scale items were adapted from a measure of board monitoring developed by Westphal and colleagues (Carpenter & Westphal, 2001; Westphal, 1999). We also measured the provision of advice and information by directors with a five-item scale adapted from a measure developed and validated by Westphal (1999). The items in this measure were based on descriptions of information and advice giving in the corporate governance literature (Demb & Neubauer, 1992; Finkelstein & Hambrick, 1996; Johnson et al., 1996; Lorsch & MacIver, 1989; Useem, 1984), and we refined the wording of the items using feedback from the pretest interviews. Table 1 displays these items. In a factor analysis using promax rotation, the monitoring/control and advice/information items loaded on two different factors as expected: loadings of the monitoring and control items were greater than .5 on the first factor and lower than .2 on the second factor, and loadings of the advice and information items were lower than .2 on the first factor and greater than .5 on the second. Interitem reliability was adequate for both scales (α = .91 and .87 for monitoring/control behavior and advice/information giving, respectively). We again estimated factor scores using the Barlett method.

The survey also included a parallel set of questions about the monitoring and control behavior and advice and information giving of other board members (e.g., “To what extent has [the director] sought to exert control over management decision making?”). We used these data to assess the interrater reliability of the survey items. As shown in Table 1, kappa coefficients for these items were consistently greater than .75, providing strong evidence for the interrater reliability of both measures.

Demographic minority status. We created a dichotomous variable to indicate minority status with respect to ethnicity, set to 1 if a focal director was an ethnic minority and 0 otherwise. A second dummy variable was set to 1 if the focal director was a woman and 0 otherwise.

Board appointment. The primary dependent variable in this study was a dichotomous measure that indicated whether a focal director received an appointment as an outside director of the board of a particular firm where another director served on the nominating committee or as CEO. We examined board appointments subsequent to the time of the survey at all firms in the Forbes listing of large and medium-sized companies for which data on board membership were available (906 companies). In the models presented below, we examined board appointments over the two-year period subsequent to the survey date. The hypothesized results were unchanged when we examined appointments over shorter and longer time windows (e.g., one year and three years).

Control variables. We controlled for behavioral processes that might be correlated with ingratiation and that could enhance the likelihood of a focal director’s receiving another director’s recommendation for a board appointment. First, although some evidence exists that self-promotion or self-presentation is frequently less effective than ingratiation as a means of gaining social influence, as discussed above, we nevertheless controlled for a survey measure of self-presentation as a precaution (self-presentation to peer director). Items in the scale were adapted from a measure developed and validated by Stevens and Kristof (1995) (α = .87, κ = .77). We also included a survey measure of friendship between the focal director and other board members (see Burt, 1992), as directors may be more likely to recommend their friends for board seats (friendship tie to peer director). Prior research has shown a negative correlation between friendship and ingratiation among top managers (Westphal, 1998), in which case friendship could operate as a suppressor variable in the models. The level of agreement between directors about the status of their relationship as friends versus acquaintances was high (92%). We also controlled for the level of social interaction between the focal director and each of the other directors on the board over the prior six-month period, given that directors who interact socially on a regular basis may be more salient to each other as candidates for board seats (α = .83, κ = .78) (social interaction with peer director).

We controlled for elite social and educational credentials that have been shown in prior studies to affect the likelihood of gaining board appointments (Useem & Karabel, 1986; Westphal & Stern, 2006), although there is some evidence that these characteristics are more valuable in gaining board seats for managers who currently do not serve as outside directors at large companies (Davis, 1993; Westphal,
& Stern, 2006). We included dummy variables that indicated whether a director held an MBA from an elite business school or a degree from an elite undergraduate institution, using elite designations from Palmer and Barber (2001), Useem and Karabel (1986), and Domhoff (2002) (elite MBA; elite undergraduate degree). Another dummy variable, exclusive social club membership, indicated whether a director belonged to an exclusive social club; Domhoff (1970) developed a list of such clubs (see also Palmer & Barber, 2001). A fourth variable, listing in Social Register/attendance at exclusive prep school, indicated whether a director had attended an exclusive preparatory school or been listed in the Social Register, with exclusive preparatory school designations taken from Palmer and Barber (2001) (see also Domhoff, 1970; Useem & Karabel, 1986). We also controlled for the number of board appointments held by a focal director, given evidence that directors are more likely to receive invitations to serve on corporate boards to the extent that they already serve on multiple boards (Davis, 1993).

In addition, we controlled for demographic similarity between a focal director and other board members, given prior evidence that incumbent directors tend to favor the appointment of demographically similar board candidates (Westphal & Zajac, 1995). Specifically, we controlled for similarity with respect to age, functional background, and level of education (see Westphal and Zajac [1995] for a description of these measures). We combined these variables into a single index using principal components analysis.

It might be suggested that CEOs will have less influence over the director selection process when boards are relatively independent of top management. However, available evidence suggests that CEOs exert considerable influence over director selection regardless of the board’s independence from management (cf. Seidel & Westphal, 2003). Nevertheless, as a precaution we developed a control for board independence that included the following indicators: relative CEO-board tenure (i.e., the average board tenure of a firm’s directors divided by the tenure of the firm’s CEO), separation of the CEO and board chair positions, average director stock ownership, and the portion of outside directors appointed after the CEO (cf. Finkelstein & Hambrick, 1996). Using principal components analysis, we combined these variables into a single measure of board independence, independence of potential appointing board.

We also controlled for firm performance. From an agency perspective, directors of firms with high performance (high performers) should be more successful on the director labor market than the directors of poorly performing firms (Fama, 1980). We included two indicators of performance: market-to-book value and return on assets. We adjusted these measures for industry differences by subtracting the median value among other companies that operated in a focal firm’s primary industry. Directors also may be more attractive board members to the extent that they have many years of top management experience. Thus, we controlled for the number of years an outside director had previously served as the top manager of a company in the sample frame (top management experience). It is not clear why the hypothesized effects of director behavior on board appointments would be confounded by firm size or industry, and thus we did not control for these variables in the primary analyses. However, in separate models we included an indicator of firm size (log of firm sales) and dummy variables for industry, and the results were not substantively different from those presented below.

It might be suggested that ethnic minorities and women would be more likely to obtain appointments on boards on which a relatively large portion of nominating committee members are demographic minorities. As noted above, however, ethnic minorities and women occupy a very small portion of nominating committee positions, and by extension the firm-level variance in the demographic diversity of nominating committees is extremely low. Thus, we did not necessarily expect the demographic diversity of nominating committees to predict the likelihood that ethnic minorities or women would receive board appointments. Nevertheless, in separate models we controlled for the portion of nominating committees comprised of women and ethnic minorities (as well as the interaction of these variables with demographic minority status of the focal director). The control variables were not significant, and the results were unchanged.

Analysis

We tested the hypothesized effects of director behavior on the likelihood of gaining board appointments using maximum-likelihood logistic regression analysis. We ran models with and without the “inteff” command in STATA, which computes interaction effects in nonlinear models (Norton, Wang, and Ai, 2004), and the sign and statistical significance of the interaction effects were substantively unchanged. The sample included dyadic combinations of responding directors and boards of firms where fellow directors served on the nominating committees or as CEOs (n = 3,725). Since
multiple dyadic combinations in the sample involved the same director or the same board, we used the Newey-West robust variance estimator to correct for autocorrelation from observation clustering (Newey & West, 1987). This estimator effectively treats each cluster (i.e., responding director and board) as a “super-observation” that contributes to the variance estimate. In separate models where fellow directors served on the nominating committee or as CEO, the results were consistently unchanged from those presented below. In further models, we randomly selected one observation per board, and the results were again unchanged.

To ensure that parameter estimates were not biased by any unmeasured differences between the boards of firms where fellow directors were on the nominating committees or the CEOs and boards in the larger population, we ran separate analyses using Heckman sample selection models. In the first of two sets of models, the selection equation included all dyadic combinations of responding directors and boards in the larger sample frame; in the second set of models, the selection equation included all dyadic combinations of responding directors and boards on which a fellow director served (in any role, not necessarily on the nominating committee or as CEO). The selection equations used probit regression to estimate the likelihood that a dyad included a board where a fellow director served on the nominating committee or as the CEO of the respective firm. In both sets of models, parameter estimates from the selection equation were included in a second-stage logistic model as a means to estimate the likelihood of a focal director’s gaining an appointment to the board of a particular firm where a fellow director served on the nominating committee or as CEO. In both sets of models, the hypothesized results were unchanged, indicating that our findings did not reflect differences between the characteristics of boards or firms where fellow directors served on the nominating committees or as CEOs and the characteristics of boards or firms in the larger population.

RESULTS

Table 2 shows descriptive statistics and bivariate correlations. Table 3 provides the results of logistic regression models of board appointments. As shown in model 1, the results support Hypothesis 1. The greater the extent to which a director provides advice and information to a CEO on strategic issues, the greater the likelihood that the director will be appointed to the board of another firm where a fellow director serves on the nominating committee or as CEO. Contrary to Hypothesis 2, director monitoring and control behavior is negatively related to the likelihood that a director will be appointed to another board where a fellow director serves on the nominating committee or as the firm’s CEO.

The results strongly support Hypothesis 3. Ingratiation toward a fellow director has a strong, positive effect on the likelihood that a focal director will receive an appointment to the board of a firm where the fellow director serves on the nominating committee or as CEO. The magnitude of this effect is notable. For instance, an increase in ingratiatory behavior that involves (1) complementing the director regarding his/her contributions to the board two more times during the past 12 months, (2) disagreeing with the director’s point of view on a strategic issue one less time during the past 12 months, and (3) doing one more personal favor for the director during the past year increases the likelihood of receiving a board appointment at a company where that director serves on the nominating committee or as CEO by 72 percent.

Hypothesis 4a predicted that demographic minority status would negatively moderate the effect of director advice and information giving on the likelihood of receiving board appointments at other companies. The results in model 2 of Table 3 support this hypothesis. The interaction between gender and provision of advice and information is negative and significant, indicating that the positive effect of advice and information giving on board appointments is significantly weaker for women than for men. Similarly, the negative interaction between ethnic minority status and provision of advice means that the positive effect of advice and information giving on board appointments is stronger for ethnic minorities. Simple effects indicate that although the effect of advice and information giving is weaker for demographic minorities, it is nevertheless positive and significant for both women and ethnic minorities.

The results also show that demographic minority status negatively moderates the relationship between director involvement in decision control and the likelihood of receiving board appointments at other companies. The interaction between gender and monitoring and control behavior indicates that the negative effect of such behavior on board appointments is significantly more pronounced for women than for men. The negative interaction between ethnic minority status and monitoring and control behavior likewise indicates that the negative effect of such behavior on board appointments is stronger for ethnic minorities.

The results also support Hypothesis 4c, which predicted that demographic minority status would
# TABLE 2
Descriptive Statistics and Pearson Correlation Coefficients

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Mean</th>
<th>s.d.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
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<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Monitoring and control behavior</td>
<td>0.00</td>
<td>0.98</td>
<td></td>
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<tr>
<td>2. Provision of advice and information</td>
<td>0.00</td>
<td>0.99</td>
<td>-0.16</td>
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<tr>
<td>3. Ingratiation toward peer director</td>
<td>0.00</td>
<td>0.98</td>
<td>-0.07</td>
<td>-0.10</td>
<td></td>
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<tr>
<td>4. Ethnic minority</td>
<td>0.11</td>
<td>0.32</td>
<td>0.04</td>
<td>0.11</td>
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<tr>
<td>5. Woman</td>
<td>0.17</td>
<td>0.38</td>
<td>0.05</td>
<td>0.14</td>
<td>0.03</td>
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<tr>
<td>6. Social interaction with peer director</td>
<td>0.00</td>
<td>0.90</td>
<td>0.01</td>
<td>-0.03</td>
<td>-0.02</td>
<td>-0.04</td>
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<tr>
<td>7. Self-presentation to peer director</td>
<td>0.00</td>
<td>0.93</td>
<td>-0.01</td>
<td>0.05</td>
<td>0.16</td>
<td>0.19</td>
<td>0.02</td>
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<tr>
<td>8. Friendship tie to peer director</td>
<td>0.24</td>
<td>0.43</td>
<td>0.03</td>
<td>-0.07</td>
<td>-0.07</td>
<td>-0.03</td>
<td>0.22</td>
<td>0.04</td>
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<tr>
<td>9. Demographic similarity to peer director</td>
<td>0.00</td>
<td>1.22</td>
<td>-0.04</td>
<td>0.03</td>
<td>-0.11</td>
<td>-0.05</td>
<td>0.13</td>
<td>-0.06</td>
<td>0.07</td>
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<tr>
<td>10. Number of board appointments</td>
<td>1.21</td>
<td>1.40</td>
<td>-0.05</td>
<td>0.07</td>
<td>-0.04</td>
<td>-0.03</td>
<td>0.03</td>
<td>0.01</td>
<td>0.04</td>
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<tr>
<td>11. Listing in social register/attendance at exclusive preparatory school</td>
<td>0.12</td>
<td>0.33</td>
<td>-0.07</td>
<td>-0.04</td>
<td>-0.03</td>
<td>-0.06</td>
<td>-0.06</td>
<td>0.04</td>
<td>-0.15</td>
<td>0.05</td>
<td>0.04</td>
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<tr>
<td>12. Elite undergraduate degree</td>
<td>0.24</td>
<td>0.33</td>
<td>-0.03</td>
<td>-0.02</td>
<td>-0.06</td>
<td>-0.08</td>
<td>-0.11</td>
<td>0.03</td>
<td>-0.12</td>
<td>0.03</td>
<td>0.02</td>
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<tr>
<td>13. Elite MBA</td>
<td>0.06</td>
<td>0.23</td>
<td>0.04</td>
<td>-0.01</td>
<td>0.03</td>
<td>0.02</td>
<td>0.01</td>
<td>-0.02</td>
<td>0.00</td>
<td>0.03</td>
<td>0.01</td>
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<tr>
<td>14. Exclusive social club membership</td>
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<td>0.01</td>
<td>0.04</td>
<td>-0.14</td>
<td>-0.17</td>
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<td>0.13</td>
<td>0.05</td>
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<td>0.11</td>
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<tr>
<td>15. Top management experience</td>
<td>16.73</td>
<td>9.36</td>
<td>-0.03</td>
<td>0.06</td>
<td>-0.03</td>
<td>0.05</td>
<td>0.04</td>
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<td>0.02</td>
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<td>0.06</td>
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<tr>
<td>16. Independence of potential appointing board</td>
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<td>1.43</td>
<td>0.01</td>
<td>-0.01</td>
<td>0.00</td>
<td>0.03</td>
<td>-0.01</td>
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<td>17. Industry-adjusted market-to-book value, focal firm</td>
<td>0.01</td>
<td>0.42</td>
<td>-0.04</td>
<td>-0.02</td>
<td>0.02</td>
<td>0.00</td>
<td>-0.01</td>
<td>-0.03</td>
<td>-0.01</td>
<td>0.00</td>
<td>0.01</td>
<td>0.00</td>
<td>0.03</td>
<td>0.01</td>
<td>0.00</td>
<td>0.03</td>
<td>0.01</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Industry-adjusted return on assets, focal firm</td>
<td>0.01</td>
<td>0.06</td>
<td>-0.03</td>
<td>-0.02</td>
<td>0.01</td>
<td>0.01</td>
<td>0.02</td>
<td>-0.02</td>
<td>0.00</td>
<td>0.01</td>
<td>0.00</td>
<td>0.03</td>
<td>0.04</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
<td>0.04</td>
<td>0.00</td>
<td>0.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Position of peer director on potential appointing board (member of nominating committee vs. CEO)</td>
<td>0.74</td>
<td>0.44</td>
<td>0.00</td>
<td>0.01</td>
<td>0.00</td>
<td>0.00</td>
<td>0.02</td>
<td>-0.02</td>
<td>-0.01</td>
<td>-0.03</td>
<td>0.01</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
<td>0.04</td>
<td>0.00</td>
<td>-0.01</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>20. Board appointment</td>
<td>0.10</td>
<td>0.30</td>
<td>-0.12</td>
<td>0.17</td>
<td>-0.24</td>
<td>-0.13</td>
<td>-0.20</td>
<td>0.02</td>
<td>0.04</td>
<td>0.08</td>
<td>0.09</td>
<td>0.05</td>
<td>0.04</td>
<td>0.03</td>
<td>0.02</td>
<td>0.05</td>
<td>0.01</td>
<td>-0.03</td>
<td>0.02</td>
<td>0.03</td>
<td>0.01</td>
</tr>
</tbody>
</table>
TABLE 3
Results of Logistic Regression Models of Board Appointments

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and control behavior</td>
<td>−0.175*</td>
<td>−0.173*</td>
<td>−0.100</td>
</tr>
<tr>
<td></td>
<td>(0.071)</td>
<td>(0.078)</td>
<td>(0.089)</td>
</tr>
<tr>
<td>Provision of advice and information</td>
<td>0.151**</td>
<td>0.172***</td>
<td>0.061</td>
</tr>
<tr>
<td></td>
<td>(0.056)</td>
<td>(0.057)</td>
<td>(0.064)</td>
</tr>
<tr>
<td>Ingratiation toward peer director</td>
<td>0.692***</td>
<td>0.848***</td>
<td>0.193</td>
</tr>
<tr>
<td></td>
<td>(0.092)</td>
<td>(0.100)</td>
<td>(0.133)</td>
</tr>
<tr>
<td>Ethnic minority</td>
<td>−1.145**</td>
<td>−1.214**</td>
<td>−0.798*</td>
</tr>
<tr>
<td></td>
<td>(0.414)</td>
<td>(0.446)</td>
<td>(0.375)</td>
</tr>
<tr>
<td>Woman</td>
<td>−1.116***</td>
<td>−0.946***</td>
<td>−0.496</td>
</tr>
<tr>
<td></td>
<td>(0.343)</td>
<td>(0.293)</td>
<td>(0.280)</td>
</tr>
<tr>
<td>Social interaction with peer director</td>
<td>0.042</td>
<td>0.041</td>
<td>0.020</td>
</tr>
<tr>
<td></td>
<td>(0.138)</td>
<td>(0.173)</td>
<td>(0.139)</td>
</tr>
<tr>
<td>Self-presentation to peer director</td>
<td>0.122</td>
<td>0.134</td>
<td>0.179</td>
</tr>
<tr>
<td></td>
<td>(0.101)</td>
<td>(0.101)</td>
<td>(0.125)</td>
</tr>
<tr>
<td>Friendship tie to peer director</td>
<td>0.619*</td>
<td>0.624*</td>
<td>0.674*</td>
</tr>
<tr>
<td></td>
<td>(0.266)</td>
<td>(0.267)</td>
<td>(0.285)</td>
</tr>
<tr>
<td>Demographic similarity to peer director</td>
<td>0.131*</td>
<td>0.132*</td>
<td>0.076</td>
</tr>
<tr>
<td></td>
<td>(0.057)</td>
<td>(0.057)</td>
<td>(0.053)</td>
</tr>
<tr>
<td>Number of board appointments</td>
<td>0.070</td>
<td>0.068</td>
<td>0.091</td>
</tr>
<tr>
<td></td>
<td>(0.081)</td>
<td>(0.080)</td>
<td>(0.098)</td>
</tr>
<tr>
<td>Listing in social register/attendance at exclusive preparatory school</td>
<td>0.564</td>
<td>0.561</td>
<td>0.564</td>
</tr>
<tr>
<td></td>
<td>(0.322)</td>
<td>(0.325)</td>
<td>(0.332)</td>
</tr>
<tr>
<td>Elite undergraduate degree</td>
<td>0.381</td>
<td>0.375</td>
<td>0.423</td>
</tr>
<tr>
<td></td>
<td>(0.248)</td>
<td>(0.247)</td>
<td>(0.281)</td>
</tr>
<tr>
<td>Elite MBA</td>
<td>0.866</td>
<td>0.871</td>
<td>0.748</td>
</tr>
<tr>
<td></td>
<td>(1.025)</td>
<td>(1.028)</td>
<td>(1.057)</td>
</tr>
<tr>
<td>Exclusive social club membership</td>
<td>0.318</td>
<td>0.337</td>
<td>0.322</td>
</tr>
<tr>
<td></td>
<td>(0.225)</td>
<td>(0.228)</td>
<td>(0.245)</td>
</tr>
<tr>
<td>Top management experience</td>
<td>0.009</td>
<td>0.010</td>
<td>0.007</td>
</tr>
<tr>
<td></td>
<td>(0.017)</td>
<td>(0.017)</td>
<td>(0.016)</td>
</tr>
<tr>
<td>Independence of potential appointing board</td>
<td>−0.036</td>
<td>−0.038</td>
<td>−0.046</td>
</tr>
<tr>
<td></td>
<td>(0.028)</td>
<td>(0.029)</td>
<td>(0.035)</td>
</tr>
<tr>
<td>Industry-adjusted market-to-book value, focal firm</td>
<td>0.244</td>
<td>0.244</td>
<td>0.217</td>
</tr>
<tr>
<td></td>
<td>(0.250)</td>
<td>(0.252)</td>
<td>(0.279)</td>
</tr>
<tr>
<td>Industry-adjusted return on assets, focal firm</td>
<td>0.944</td>
<td>0.913</td>
<td>0.960</td>
</tr>
<tr>
<td></td>
<td>(0.890)</td>
<td>(0.904)</td>
<td>(0.941)</td>
</tr>
<tr>
<td>Position of peer director on potential appointing board (member of nominating committee vs. CEO)</td>
<td>0.036</td>
<td>0.037</td>
<td>0.041</td>
</tr>
<tr>
<td></td>
<td>(0.081)</td>
<td>(0.081)</td>
<td>(0.092)</td>
</tr>
<tr>
<td>Woman × monitoring and control behavior</td>
<td>−0.457*</td>
<td>−0.231</td>
<td>0.007</td>
</tr>
<tr>
<td></td>
<td>(0.196)</td>
<td>(0.220)</td>
<td>(0.220)</td>
</tr>
<tr>
<td>Woman × provision of advice and information</td>
<td>−0.698***</td>
<td>−0.441</td>
<td>0.007</td>
</tr>
<tr>
<td></td>
<td>(0.273)</td>
<td>(0.292)</td>
<td>(0.292)</td>
</tr>
<tr>
<td>Woman × ingratiation toward peer director</td>
<td>−0.278*</td>
<td>−0.154</td>
<td>(0.0142)</td>
</tr>
<tr>
<td></td>
<td>(0.130)</td>
<td>(0.142)</td>
<td>(1.42)</td>
</tr>
<tr>
<td>Ethnic minority × monitoring and control behavior</td>
<td>−0.575***</td>
<td>−0.227</td>
<td>(0.073)</td>
</tr>
<tr>
<td></td>
<td>(0.237)</td>
<td>(0.232)</td>
<td>(0.232)</td>
</tr>
<tr>
<td>Ethnic minority × provision of advice and information</td>
<td>−0.459***</td>
<td>−0.240</td>
<td>(0.152)</td>
</tr>
<tr>
<td></td>
<td>(0.152)</td>
<td>(0.156)</td>
<td>(0.156)</td>
</tr>
<tr>
<td>Ethnic minority × ingratiation toward peer director</td>
<td>−0.606*</td>
<td>−0.253</td>
<td>(0.343)</td>
</tr>
<tr>
<td></td>
<td>(0.343)</td>
<td>(0.372)</td>
<td>(0.372)</td>
</tr>
<tr>
<td>Recommendation by peer director</td>
<td>3.032***</td>
<td>(0.320)</td>
<td>(0.320)</td>
</tr>
<tr>
<td>Constant</td>
<td>−0.938</td>
<td>−0.995</td>
<td>−1.046</td>
</tr>
<tr>
<td></td>
<td>(0.610)</td>
<td>(0.616)</td>
<td>(0.661)</td>
</tr>
<tr>
<td>Wald chi-square</td>
<td>97.56***</td>
<td>157.31***</td>
<td>149.35***</td>
</tr>
<tr>
<td>n</td>
<td>3,725</td>
<td>3,725</td>
<td>2,848</td>
</tr>
</tbody>
</table>

* Standard errors are in parentheses. Z-statistics are one-tailed for hypothesized effects, two-tailed for control variables.

* $p < .05$

** $p < .01$

*** $p < .001$
negatively moderate the effect of director ingratiation toward a peer director on the likelihood of receiving an appointment to the board of a firm where the peer director serves on the nominating committee or as CEO. The negative interaction between gender and ingratiation indicates that the positive effect of ingratatory behavior on board appointments is significantly weaker for women than for men. Moreover, the interaction between ethnic minority status and ingratiation means that the relationships between ingratiation and board appointments is significantly less positive for ethnic minorities. Simple effects reveal that the relationship between ingratiation and board appointments is weaker for demographic minorities, yet it is still positive and significant for both ethnic minorities and women.

Our theoretical argument suggests that certain director behaviors (ingratiation, advice and information giving, and monitoring and control behavior) lead to board appointments by increasing the likelihood that fellow board members recommend a focal director for a board seat. To further test our theoretical argument, we distributed an additional questionnaire to individuals who served on nominating committees in the sample frame. The survey asked directors to indicate (1) whether the CEO or another director had recommended that someone be nominated for an outside director appointment during the prior two years, and if so, (2) who made the recommendation(s), and (3) who was recommended. We received responses from at least one director on the nominating committee for 76 percent of the boards in the sample. With these data, we generated a dichotomous variable that indicated whether the focal director was recommended by another director (D) for a board seat at a firm where D served on the nominating committee or as CEO. We then examined whether recommendation by the fellow director (D) mediated the effects of director behavior on subsequent board appointments. Model 3 of Table 3 provides the results of this supplementary analysis. They show that when recommendation by a peer director is added to the model, the main effects of director behavior and the interaction effects with demographic minority status become nonsignificant, providing initial evidence for mediation. We then ran the Sobel (1982) test for mediation. The results of this test confirmed that recommendation by a fellow director significantly mediate the effects of each director behavior on board appointments (Z = 2.14, 2.26, and 2.36 for the effects of monitoring/control behavior, advice/information giving, and ingratatory behavior, respectively).

A premise of our theory is that a focal director’s behavior will only influence board appointments at a company where a fellow director serves on the nominating committee or as CEO (that is, given that directors at other boards are not privy to the focal director’s behavior). To test this premise, we ran separate models in which the sample included all dyadic combinations of responding directors and boards in the larger sample frame where a fellow director did not serve on the nominating committee or as CEO. As expected, none of the director behaviors (ingratiation, advice giving, and monitoring and control behavior) significantly predicted board appointments in these models.

We also tested our hypotheses using survey data from a later time period. It might be suggested that monitoring behavior would have a more positive influence on director appointments in the wake of the Enron and other corporate governance scandals and the ensuing adoption of the Sarbanes-Oxley Act and various stock exchange corporate governance guidelines. In part to assess this possibility, in January 2003 we distributed a questionnaire survey to outside directors at 250 companies with revenues above $100 million that were listed in the Reference USA database. The questionnaire included the same measures of ingratiation, advice giving, and monitoring discussed above. The survey yielded a sample of 630 directors, representing a response rate of 41 percent. We again estimated board appointments at companies in the larger sample frame over various time periods (one year and two years after the survey), using the same set of independent and control variables. The statistical significance and relative magnitude of the effects discussed above were unchanged. Ingratiation toward peer directors had a strong, positive effect on the likelihood of receiving appointments to the boards of other firms where the peer served on the nominating committee or as CEO. Advice giving had a positive but weaker effect on board appointments, and monitoring behavior had a significant and negative effect. The interactions were also replicated: the positive effects of ingratiation and advice giving were significantly weaker for women and ethnic minorities, and the negative effect of monitoring behavior was also significantly more negative for these demographic groups (results are available from the authors).

DISCUSSION

Our first set of results indicated that directors increase their chances of gaining further board appointments by (1) providing advice and information to CEOs frequently, (2) engaging in a high level of ingratatory behavior toward peer directors, and
(3) engaging in a low level of monitoring and control behavior vis-à-vis management decision making on strategic issues. These results were also replicated in the post-Enron environment. The negative effect of monitoring and control behavior on subsequent board appointments may reflect prevailing norms of director behavior. In particular, there is considerable qualitative evidence, as well as large-sample survey evidence, indicating that outside directors at large U.S. companies are normatively expected to defer to the CEOs’ judgments on strategic issues and to respect the decision-making authority and autonomy of senior management (Davis & Thompson, 1994; Domhoff, 2002; Mizruchi, 2004; Westphal & Khanna, 2003). In a recent study that combined large-sample survey data from outside directors with qualitative data from field interviews, Westphal and Khanna (2003: 361) found that outside directors who participated in changes that increased board control over management at a particular firm experienced “social distancing” from directors at other companies: they were less likely to be invited to informal meetings, their advice was solicited less often, and others were less likely to build on their comments in formal meetings. The authors concluded that participation in board control over management violated prevailing social norms of director conduct, resulting in social sanctions. Thus, our findings can be interpreted as suggesting that directors who engage in monitoring and control behavior are effectively sanctioned on the director labor market because they have violated prevailing social norms of director conduct. Directors who provide frequent advice and information to top managers rather than exercising control over them are attractive board candidates because they contribute to strategic decision making without threatening the decision-making autonomy and authority of senior managers. As a result, directors who give advice and information to managers frequently and who avoid involvement in decision control are more likely to receive further board appointments. Supporting this perspective, our findings indicated that a director who engages in high levels of advice giving and low levels of monitoring and control behavior is more likely to receive a fellow director’s recommendation for a board seat at another company, which in turn increases the likelihood of actually receiving an appointment at that company’s board.

Although providing advice and information to a CEO has a positive effect on the likelihood of gaining further board appointments, the effect of ingratiatory behavior directed at colleagues is much stronger in magnitude. One possible explanation for these notable differences in effect size is that directors and boards vary somewhat in their normative conceptions of board roles and director contributions: some boards place greater emphasis on provision of advice, and others place greater emphasis on monitoring, so that the effect of either one is diminished relative to ingratiation. Accordingly, interesting questions for future research are whether directors and boards do in fact vary in their normative conceptions of board roles and, if so, what the antecedents of these differences are. Our results suggest that the most efficient means of gaining board appointments and achieving a central position in the board interlock network is to engage in a high level of ingratiating toward fellow directors who control access to board positions (directors who serve on the nominating committees or as CEOs of other firms), while avoiding involvement in decision control.

These findings have important implications for corporate governance. Agency theory and legal perspectives on boards suggest that outside directors have the potential to play a critical role in corporate governance by monitoring and controlling management decision making on behalf of stakeholders. Given that outside directors are formally independent of management and located above management in the corporate hierarchy, they are uniquely positioned to objectively evaluate management decision making and force any needed changes in corporate strategy and policy. Thus, from this perspective, shareholders would be well served if directors who engage in decision control vis-à-vis top management were favored in the director labor market and afforded central positions in the board interlock network. Instead, our findings indicate that directors who engage in monitoring and control behavior are effectively punished in the director labor market: they are less likely to be selected onto additional boards, and thus they are less likely to become central in the board network. To the extent that central directors tend to exert disproportionate influence over strategy and policy at particular companies (Useem, 1984; Westphal & Khanna, 2003), directors who engage in monitoring and control behavior ultimately have less influence over policy making at U.S. companies in two respects: they influence policy making at fewer companies, and they have less influence over policy making at the (few) companies where they serve as directors, in comparison to more passive directors. Thus, our findings suggest how director selection processes may contribute to the frequent failure of boards to adequately control management decision making and behavior, which in turn has been implicated in a variety of adverse organizational outcomes, including ill-conceived acquisitions and al-
Our results did not depend on whether director recommendations were made by CEOs or by members of a board’s nominating committee. Nominating committees, which are typically composed exclusively of outside directors, were ostensibly created to ensure that director selection criteria reflect the priorities of shareholders and other stakeholders rather than those of management (Phan, 2000). Thus, our findings appear to suggest that such committees typically fail to serve their intended purpose. Moreover, there is some prior evidence that directors are more likely to be appointed to a firm’s nominating committee if they have social ties to the CEO or if their demographic profiles match those of top managers (Bilimoria & Piderit, 1994), which may help explain why nominating committees often fail to use director selection criteria that reflect shareholder interests.

Our second set of results indicated that demographic minority status moderates the effects of director behavior on board appointments. Specifically, ethnic minorities and women are rewarded less than male Caucasians on the director labor market for engaging in a given level of advice giving or ingratiation behavior (that is, they improve their chances of receiving a board appointment less by engaging in these behaviors), and they are punished more for engaging in monitoring and control behavior. Moreover, these results were also replicated in the post-Enron environment. These results are consistent with our theoretical perspective, which suggests that in-group/out-group biases influence how directors interpret the behavior of their colleagues. In particular, the so-called ultimate attribution error may lead directors to give less credit to demographic minorities for positive behaviors such as advice and information giving, while assigning more blame for negative or normatively proscribed behavior such as decision control. Moreover, the results are also consistent with our theoretical expectation that in-group/out-group biases may lead directors to adopt a more cynical interpretation of ingratiation behavior on the part of demographic minorities.9

Our findings reveal a subtle form of social discrimination in the corporate elite (Allport, 1954: 52; Otten & Mummendey, 1999), since directors who are demographic minorities must engage in a higher level of advice giving and ingratiation behavior (and a lower level of decision control) to have the same chance of receiving a colleague’s recommendation for a board appointment (with other director characteristics and behaviors held constant). Accordingly, our results are consistent with contemporary perspectives on discrimination, such as “aversive racism,” that suggest that although overt forms of discrimination have become less common in U.S. companies over time, discrimination persists in relatively subtle, “covert” forms (Crandall & Eshleman, 2003; Dovidio & Gaertner, 2000: 316). Experimental studies have demonstrated aversive racism against ethnic minorities and women in simulated hiring decisions (Dovidio & Gaertner, 2000), and our study contributes to this literature by providing systematic evidence of social discrimination in actual selection decisions (decisions about whom to appoint to corporate boards). Although ethnic minorities and women may not come up against a “glass ceiling” that prevents them from assuming central positions in the board interlock network, they also do not receive equal treatment in the director selection process.

Our theory and findings also have implications for research on social capital. In one sense, the results attest to the importance of social capital for minority status and the difference between self-reported advice giving and advice giving attributed by peers.

9 One might argue that ingratiation should have a negative effect on director influence when others adopt a cynical interpretation of such behavior. However, theory and evidence suggest that ingratiation can still engender some influence under such circumstances. As several theorists have asserted (cf. Jones, 1964; Stevens & Kristof, 1995; Westphal & Stern, 2006), ingratiation behavior can be viewed as an act of deference that affirms the power of the influence target, and people favor others who affirm their power (Sadler & Woody, 2003). Moreover, favor rendering can trigger the norm of reciprocity regardless of the ingratiator’s motives (Stevens & Kristof, 1995). Thus, individuals can benefit from ingratiation even when others adopt a cynical interpretation of such behavior, though they are likely to benefit even more when it is perceived to be genuine, and our results are consistent with this expectation.
gaining access to positions of power in U.S. companies, given that recommendations from fellow directors had a very strong effect on the likelihood of receiving board seats at other firms. Moreover, separate analyses confirmed that although advice giving and ingratiation increased the likelihood of gaining appointments at companies where fellow directors served on the nominating committees or as CEOs, these behaviors did not affect the likelihood of gaining appointments at other companies. At the same time, our findings also suggest that directors can enhance their social capital by engaging in social influence tactics toward colleagues who control access to board positions. These findings may contribute to the larger literature on social capital, which tends to treat social capital as an exogenous construct. As Adler and Kwon (2002) have observed, there is little empirical research on the social processes by which individuals actively create, enhance, or maintain social capital.

Our theoretical perspective may not fully address how human capital variables affect access to board appointments for demographic minorities. Hillman, Cannella, and Harris (2002) found that women and African American directors were more likely to have backgrounds in such fields as law and public relations, suggesting that demographic minorities sometimes gain access to boards by having specialized expertise. Future research could examine whether the negative effect of minority status on board appointments is reduced for directors who possess relatively objective sources of human capital. By extension, there would be value in research that examined how minorities cope with social discrimination in director selection and other decision-making processes in the corporate elite. Perhaps they place greater emphasis on acquiring advanced degrees and other objective indicators of their qualifications for board service. It is unclear a priori how social discrimination would affect the influence strategies of minority directors. Given that minorities derive lower returns from ingratiation than majority directors, they might forego ingratiation in favor of an alternative influence strategy, or they might simply devote little time and energy to social influence attempts of any kind. As shown in Table 2, however, minority status is positively correlated with level of ingratiation, suggesting that minorities may seek to compensate for social discrimination by engaging in higher levels of ingratulatory behavior.

Moreover, although supplementary analyses established the generalizability of our results to the post-Enron era, future studies should also examine the generalizability of our findings to the boards of organizations other than large, publicly traded corporations. The factors affecting an individual’s likelihood of gaining a board appointment at organizations such as small entrepreneurial and nonprofit organizations may be different from the factors determining success in the market for directors of large, publicly traded corporations. Young firms, for example, might choose to appoint reputable outside directors who can bolster their legitimacy, overlooking other attributes (Certo, 2003; Deutsch & Ross, 2003). Moreover, given the financial constraints under which nonprofit organizations operate, they may place greater emphasis on the capacity of board members to manage finances and stakeholders and focus less on their propensity to engage in monitoring and control behavior (Radbourne, 2003).

Overall, our findings suggest that director labor markets fall short of the meritocratic ideal articulated by financial economists and legal scholars in two respects: (1) they reward high levels of social influence behavior to a greater extent than they reward behavior that is believed to contribute to effective corporate governance (indeed, monitoring and control behavior is actually punished on the director labor market) and (2) demographic minorities are disadvantaged in the director labor market, in that they are rewarded less for any given level of advice giving or ingratiation and are punished more for any given level of monitoring and control behavior. These findings call into question a fundamental assumption of economic perspectives on governance: namely, the premise that reputation in labor markets serves a vital control function by rewarding and motivating efficient behavior by agents, including monitoring behavior by directors that maximizes shareholder returns (Fama, 1980; Yermack, 2004). Financial economists have increasingly focused on reputation as a control mechanism of last resort as evidence accumulates that financial incentives and board independence often fail to adequately influence director behavior. But our findings suggest how reputation in labor markets can discourage agents from engaging in efficient behavior by rewarding political influence tactics and effectively punishing behaviors that promote shareholder interests. Moreover, these effects are exacerbated by social discrimination in the director selection process. Thus, rather than dampening agency costs in corporate governance, the director labor market furnishes perverse incentives that amplify those costs.
REFERENCES


Otten, S., & Mummendey, A. 1999. To our benefit or at


James D. Westphal (westjd@umich.bus.edu) is the Robert G. Rodkey Collegiate Professor of Business Administration at the Ross School of Business, University of Michigan. His current research interests include corporate governance, symbolic and institutional processes, and corporate elites. He received his Ph.D. in organization behavior from Northwestern University.

Ithai Stern (i-stern@kellogg.northwestern.edu) is an assistant professor of management and organizations at Kellogg School of Management, Northwestern University. His research interests focus on strategic choices that affect organizational evolution, corporate governance, and interorganizational alliances. He received his Ph.D. in strategic management and organization theory from the University of Texas at Austin.
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