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# From Seats at the Table to Voices in the Discussion: Antecedents of Underrepresented Director Participation in Board Meetings

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## ABSTRACT

A corporate board's work is largely dependent on the collective contributions of individual directors. Thus, greater board diversity, with its commensurate knowledge complementarity, should stimulate better board discussions when members actively participate. Without the participation of underrepresented directors, however, the potential benefits of board diversity are lost. Herein we examine the drivers of underrepresented directors' participation in board meetings. Departing from prior studies that often used a single-level, compositional view of board diversity, we explore the antecedents of individual underrepresented director participation with a multi-level, multi-theoretic model. We find strong empirical support for our model, derived from detailed board of director meeting transcripts, offering several theoretical contributions to the literature.

## Keywords:

board of directors, board diversity, relational demography, status characteristics theory, underrepresented director participation

## INTRODUCTION

A corporate director is a member of the firm's most senior decision-making team (Finkelstein and Hambrick, 2009). A director contributes to the board's overarching goal of steering the firm by participating with other directors in complex and difficult tasks, such as guiding, advising, and monitoring executives (Daily and Dalton, 2003). As such, a board's work is largely dependent on the collective contributions of individual directors (Forbes and Milliken, 1999). With the expectation that 'people with diverse backgrounds...contribute unique perspectives that greatly enrich discussions of critical issues' (Biggs, 1995, p. 17), many argue that increasing the board's diversity via inclusion of members of underrepresented groups is of utmost importance for firms operating in today's increasingly complex environments (e.g., Clark, 2010; Knippen and Shen, 2019).

As such, firms have begun to appoint an increased number of demographically diverse directors who identify as members of underrepresented groups to address the breadth of complexity better that firms face (Brieger et al., 2019; Catalyst, 2011, 2017; Daily and Certo, 1999). With such changes, one would anticipate that evidence of the expected positive effects of demographic diversity on boards would also be growing. Unexpectedly, empirical evidence linking a board's demographic diversity to important firm outcomes is inconsistent and weak (see Kirsch, 2018; Kolev et al., 2019 for recent reviews). For example, studies linking board gender diversity to distal outcomes, like firm performance, highlight the incongruence between consistent theorizing of a positive relationship and inconsistent empirical evidence. In one case, a meta-analysis of 144 samples, Post and Byron (2015, p. 1559) found that 'firms with more female directors tend to have higher accounting returns but not necessarily stronger market performance'. The inconsistent empirical evidence of the benefits of a board's demographic diversity is not necessarily an indictment of the 'diversity value proposition'. Instead, it may point out a critical but unverified assumption embedded in this literature. Specifically, the board diversity literature implicitly assumes that once an underrepresented director joins the board, they actively participate in critical discussions and tasks (Hillman et al., 2008).

Indeed, recent research challenges scholars to move beyond the assumption

that the number of seats that underrepresented directors hold is equivalent to commensurate participation in board discussions. Instead, there are increasing calls to understand the barriers to underrepresented individuals' participation in critical discussions and tasks (Acharya and Pollock (in press; Sidhu et al., 2020; Weck et al., 2021). For instance, re- search clearly indicates that individual demographic differences affect important aspects of group interaction (Skvoretz and Fararo, 1996; Webster and Foschi, 1988) and can often lead to outgroup marginalization and decreased participation (Karakowsky and McBey, 2004; Sidhu et al., 2020; Wagner and Berger, 1997; Webber and Donahue, 2001). The limited evidence related to this phenomenon in boards suggests that even the corporate elite may be susceptible to this problem. For example, evidence suggests that racial minorities perceive less influence on the board's decision-making processes than non-minorities (Westphal and Milton, 2000) and that gender heterogeneity decreases the board's propensity to address failing strategies (Westphal and Bednar, 2005), and that marginalization can lead to negative outcomes, such as underrepresented director voluntary turnover (Dolan, 2015).

Departing from prior studies that have most often used a single-level, compositional view of board diversity, we seek to understand the barriers to underrepresented individuals' participation from a multi-level, multi-theoretic perspective. Specifically, this study integrates status characteristics theory with relational demography to understand the antecedents of underrepresented director participation in board meetings (Berger and Cohen, 1972; Tsui and O'Reilly, 1989). We suggest that certain *ascribed* status characteristics (e.g., being a female director or a Black director) are negatively associated with underrepresented director participation in board meetings, but that *achieved* status, the presence of additional directors who possess a 'shared disadvantage', (Cortland et al., 2017) and the achieved status of other underrepresented directors will moderate this relationship.

Supportive results based on a unique dataset of 54 firms' detailed transcripts of board meeting discussions over 13 years offer several contributions to the extant literature. First, giving us a better understanding of individual director participation in board meetings (Pettigrew, 1992), our findings concerning the antecedents of individual director discussion participation suggests 'why' underrepresented directors may

continue to participate less in board meetings, even when presented with a ‘seat at the table’. Moreover, we can better understand the mechanisms by which heterogeneous boards often suffer from pluralistic ignorance or ‘the illusion of universality’ (Sargent and Newman, 2021, p. 163). Indeed, the ‘hesitancy of group members to voice minority opinions’ is at least one driver of pluralistic ignorance (Westphal and Bednar, 2005, p. 265). As such, we suggest that many firms may fail to capitalize on the benefits that diverse members can bring to boards due to their unique backgrounds and perspectives and that these unique backgrounds and perspectives can help address today’s complex environments. We argue that some of the hesitancy to participate may be attributed to underrepresented directors’ outlook on status beliefs associated with their ascribed status, specifically that violating status-based expectations can result in increased resistance from other directors (Ridgeway, 2001), making them more hesitant to actively participate in board meetings (Westphal and Milton, 2000). However, the adverse effect of an underrepresented director’s *ascribed* status on board participation can be attenuated by that director’s *achieved* status (or the achieved status of another underrepresented director). In this way, our investigation of the interaction of individual- and group-level factors helps paint a clearer picture of the antecedents to underrepresented director participation in board meetings.

Second, our study contributes to the literature on how diversity affects a board of directors by building on the relational demography theoretical lens. Interestingly, our work suggests that – at least, for boards of directors – a ‘shared disadvantage’ (Cortland et al., 2017) kinship exists among underrepresented individuals to facilitate positive intragroup minority relations. This kinship appears to be beneficial for underrepresented director participation. We posit that directors from diverse, underrepresented groups relate to one another due to this kinship and see themselves as more dissimilar to the dominant group than dissimilar to each other (Cortland et al., 2017). As a result, they can positively reinforce and support one another throughout board meeting interactions, leading to increased participation among underrepresented directors (Williams and O’Reilly, 1998).

Finally, we contribute to the corporate governance literature by theorizing and empirically investigating how board composition affects individual underrepresented

director participation behaviour – a crucial part of the process connecting the presence of board diversity and the accrual of any related firm benefits. In doing so, we follow recent theorizing that veers from simply quantifying diversity to understanding how underrepresented directors engage in their roles as board members. In this way, we offer a greater understanding of the importance of both individual- and group-level considerations to board structure to increase underrepresented director participation.

## **THEORY AND HYPOTHESES**

Individuals who serve on boards of directors are often part of the corporate elite – or individuals with elite educations and social networks (Westphal and Khanna, 2003). While directors tend to offer tremendous economic value to both the firm and management by sharing these resources (Finkelstein et al., 2009), the similarity of their backgrounds and experiences can result in homogeneity of thought. Such homogeneity may be problematic because it threatens to produce a systematic bias in the board's collective perspective of critical firm issues. Because boards are predominantly composed of White male directors (Johnson and Schnatterly, 2013; Westphal and Stern, 2007), this problem may be further exacerbated due to demographic similarities.

Not surprisingly, there is increased academic and practitioner interest in diversity on boards of directors (Hillman, 2015). Though research in this area identifies multiple sources of diversity (including human capital, social capital, and demographics) at multiple levels of analysis (Bass, 2019; Tasheva and Hillman, 2019), considerable attention is directed toward demographic diversity. Board diversity can mitigate systematic bias by broadening the board's collective experience and knowledge-base and extending its social networks and cultural expertise (Kirsch, 2018; Miller and Triana, 2009). Increased demographic diversity is also argued to help boards more effectively address issues, such as environmental complexity and strategy formulation (Rindova, 1999). Both academic and practitioner research points to White male directors as the dominant group on many corporate boards – with female directors and directors of other racial categories holding proportionally fewer board seats. In this way, female directors and directors of other racial categories are underrepresented on many corporate boards.

Scholars have shown that underrepresented directors' experiences and knowledge are, indeed, different from those of the dominant group on corporate boards (Carter et al., 2010; Hillman et al., 2002). Recognizing the benefits of heterogeneous experience and knowledge for addressing the breadth of issues that firms face, multiple stakeholders have made increasing corporate boards' diversity a critical priority (Clark, 2010; Knippen et al., 2019). However, for these benefits to be realized, not only do underrepresented groups need to occupy seats at the board table, but they must also be active participants in board meetings. Thus, we follow recent theorizing (Acharya and Pollock (in press; Sidhu et al., 2020; Weck et al., 2021) that departs from quantifying the number of seats underrepresented directors hold. Instead, we focus on the *participation* of underrepresented individuals in boardroom discussions. Participation is a critical part of the director's engagement on the board and necessary for underrepresented directors to share their diverse experiences and knowledge that may differ from those of the dominant group.

In this vein, we examine the antecedents that lead to underrepresented director participation. We develop a multi-level model drawing from status characteristics theory and relational demography to suggest that status characteristics and comparing oneself to others will influence an individual's participation in board meetings (Berger et al., 1972; Tsui et al., 1992; Tsui and O'Reilly, 1989). While status characteristics theory helps conceptualize how individual-level status beliefs may influence underrepresented director participation, relational demography aids our consideration of how diversity as a group-level attribute may influence underrepresented director participation. By adopting a multi-theoretic, multi-level approach, we can examine individual- and group-level factors that we suggest shape underrepresented director participation in board meetings.

### **Antecedents of Underrepresented Director Participation: Individual-Level Factors**

We ground our hypotheses that explore the antecedents of individual underrepresented director participation in status characteristics theory (Berger et al., 1972; Berger and Wagner, 2014). Status characteristics theory suggests that 'power

and prestige orders in task groups are driven by the 'performance expectations' that individuals hold for one another, expectations about one's own and other group members' ability to contribute to accomplishing group tasks' (Bunderson, 2003, p. 560). Status characteristics theory has received increased attention in the recent board diversity literature. For example, in their study of board turnover, Acharya and Pollock (in press) find that status hierarchies within and beyond the board of directors influence a particular board member's likelihood to exit. In a study of female director engagement, Weck and colleagues (2021) use status characteristic theory to argue that although female directors have lower group status compared to their male counterparts, the presence of a female chair can elevate the status of other female directors.

We build from this research to examine the individual characteristics that may contribute to the status characteristics of underrepresented directors and their participation in board meetings. First, we use this framework to suggest that directors whose demographics differ from the dominant group (White males) have lower ascribed status and are likely to participate less often during board meetings. However, we later argue that by having achieved status – including, for example, serving in a prestigious position such as a top leadership role in the US military, political office, publicly-traded company, or academic college or university (D'Aveni, 1990; Hillman et al., 2002; Johnson et al., 2011) – these underrepresented directors can have greater performance expectations for themselves, which can attenuate the negative relationship between ascribed status and participation in board meetings (Ridgeway, 2001; Ridgeway and Walker, 1995). These vaulted performance expectations are likely to be shared by others on the board, leading to deference from individuals who may not do so otherwise. As such, status – and therefore board meeting participation – is a direct function of both an individual's ascribed (i.e., demographic) and achieved (i.e., educational and occupational) status characteristics (Blau and Duncan, 1967). We examine the relationships between ascribed and achieved status and underrepresented director participation below.

*Ascribed status and underrepresented director participation.* Ridgeway (2001, p. 637) defines status beliefs as a shared cultural schema that examines 'the status position in society of groups such as those based on demographics, education, or occupation' and



argues that such beliefs exist within organizations. Status beliefs derive from the assumption that there are competence differences among individuals from these particular groups and that groups are evaluated based on their competence levels. A noteworthy attribute of status beliefs is that these beliefs are shared by both dominant and subordinate groups (Jost and Banaji, 1994; Ridgeway et al., 1998). Though individuals who are adversely affected by such status beliefs may or may not personally endorse these ideologies themselves, their belief that others do in fact endorse them leads to the presumption that they will be treated commensurately (Major et al., 2002; Ridgeway, 2001). As such, they carefully consider whether or not their behaviour is accordant with the expectations that such widely accepted beliefs set forth (Guimond et al., 2013; Sechrist and Stangor, 2001). Scholars have shown that violating these status-based expectations leads to increased resistance from others (e.g., Ridgeway and Johnson, 1994).

Status beliefs are often based on demographically *ascribed status characteristics*. For example, in the US, White males in groups have historically held favoured status relative to individuals that are female or of other racial categories (Baron and Newman, 1990; Joshi and Knight, 2015; Joshi et al., 2006). As a result, individuals with lower ascribed status, such as females in mixed-sex groups or Black persons in interracial groups, may have lower performance expectations than the dominant group (i.e., White male group members) (Berger et al., 1972; Miller and Triana, 2009; Ridgeway, 1982). Furthermore, within groups, these status differences shape the actions and behaviours of individuals in highly patterned ways (Berger et al., 1977), such that members with higher status are given additional opportunities to make contributions to the task at hand and have their contributions evaluated more positively by others (Simpson and Willer, 2012; Veltrop et al., 2017). In contrast, lower status members tend to defer to higher status members because they believe that higher status individuals may make a more meaningful contribution (Berger et al., 1977). These status-based deference findings suggest that female and racial minority directors will likely be more hesitant to participate in group discussions, such as board meetings, and share their perspectives, assuming that the higher status group members' perspectives are likely more valuable.

The tendency for lower status group members to defer to higher status group

members is likely to remain static even in corporate elite groups such as firms' boards of directors. Abstractly, the notion that underrepresented directors actively participate in board meetings at levels commensurate with their proportional board representation appears to be a reasonable assumption. Supporting this assumption, each director has already distinguished themselves sufficiently to be nominated and elected to a board of directors (e.g., Kor and Sundaramurthy, 2009). Moreover, underrepresented directors are typically more educated and have greater experience in non-business backgrounds as compared to members of the dominant group (Hillman et al., 2002). However, despite this support for the assumption of proportionate participation, substantial theory and evidence in- form an alternative participation conclusion. For example, status characteristics theory suggests that while obtaining a director role is likely to enhance the performance expectations of the individual who attains it, the implications of such a status attribute will 'combine with, rather than eliminate, the existing salient status information about the person' (Ridgeway, 2001, p. 648). By recognizing that everybody else in the boardroom was also appointed to be a director, the status gained from directorship will be nullified, leading the lower-status, underrepresented director to defer to higher-status members of the dominant group.

Furthermore, prior evidence indicates that individuals tend to justify existing status hierarchies, even if these hierarchies may be disadvantageous to themselves (Jost and Banaji, 1994; Major et al., 2002). Status characteristics theory asserts that the lower performance expectations associated with being part of an underrepresented group have self-fulfilling effects on behaviour (Miller and Turnbull, 1986). Specifically, as these individuals invoke lower expectations for themselves based upon status beliefs that they assume are widely accepted they become less likely to readily participate, more likely to defer to ideas from others, more likely to evaluate others' participation positively, and more likely to adopt the views of others with higher status (Ridgeway, 2001). As such, they are often cast into reactive roles rather than those considered to be more proactive (Wagner and Berger, 1997).

Simply being a member of the relatively few corporate elite promulgates a status differential between underrepresented directors and nearly all demographically similar individuals who are not a part of the corporate elite. However, this elevated status

ceases to be distinguishing when these individuals are present within situations in which all individuals belong to the corporate elite, such as the boardroom. Yet, among fellow directors, of whom the dominant group is White males, the disadvantageous status characteristic of being a director of an underrepresented demographic category likely has salience for the relatively rare female director or a director of other racial categories and their participation in board meetings. Thus, considering their lower status and their continued relative rarity in service on boards of directors, we posit that underrepresented directors will participate less in board meetings than the dominant group.

*Hypothesis 1:* Underrepresented demographic characteristics negatively affect a director's participation in board meetings.

*Achieved status.* Though ascribed status characteristics, such as demographics, are one factor by which individuals evaluate a group and create performance expectations, status characteristics theory suggests that the gap between high-status individuals and low-status individuals can be reduced when additional characteristics, such as those associated with achievement, are also considered (Cohen and Lotan, 1995). Individuals with *achieved status characteristics* have obtained rare, prestigious positions and titles through 'going to the proper schools, having impressive prior experience and associating with the right people', which subsequently endows them with greater competence and performance expectations (D'Aveni, 1990, p. 125; Ridgeway and Walker, 1995). More specifically, scholars advocate that experience in a top leadership role in the US military, political office, publicly traded company, or an academic college or university can be particularly salient methods by which individuals have achieved status (Hillman et al., 2002; Johnson et al., 2011). The experiences gained while serving in these top leadership roles allow such individuals to draw upon more unique and valuable knowledge when participating by offering advice, expertise, and knowledge to others during board meetings (Henrich and Gil-White, 2001; Maner and Case, 2016).

An important assumption of status characteristics theory is that individuals will

combine both the positive and negative implications of each status characteristic to form an aggregated performance expectation for each group member (Ridgeway, 2001). Expressly, a director's participation is considered a function of the combination of all expectation advantages and disadvantages from an individual's status characteristics – namely from both ascribed and achieved status (Berger et al., 1992). Wood and Karten (1986) find evidence for this in examining gender differences in group participation. Specifically, they show that although men generally tend to participate more actively in task-related discussions, men and women equally participated when they had similar performance expectations. Applying this relationship to a board context, underrepresented directors are likely to participate less in board meetings than the dominant group due to their lower ascribed status. However, we anticipate that when underrepresented directors have achieved status via experience in a top leadership role, the negative relationship between ascribed status and participation may be attenuated.

*Hypothesis 2:* Experience in a top leadership role will attenuate the negative relationship between underrepresented demographic characteristics and a director's participation in board meetings.

### **Antecedents of Individual Minority Director's Participation: Group-Level Factors**

Given the multi-level nature of research on board diversity (Tasheva and Hillman, 2019), we also consider group-level factors that might influence underrepresented directors' participation in board meetings. Relational demography offers a perspective for understanding how heterogeneity of board composition negatively affects underrepresented directors (please see Chattopadhyay and George, 2016, for examples of low-status individuals being adversely affected by group heterogeneity). Specifically, we argue that demographic dissimilarity to the dominant group will substantively reduce underrepresented directors' participation in board meetings. However, we posit that this negative relationship can be attenuated when underrepresented directors recognize the existence of additional directors experiencing such demographic dissimilarity. These

underrepresented directors may have a 'shared disadvantage' (Cortland et al., 2017) that facilitates positive intraminority intergroup relations and kinship among underrepresented individuals. This kinship may incline directors to bolster and draw support from one another, subsequently increasing their participation. We further postulate that shared disadvantage support will occur among directors whose underrepresented characteristics are distinct from each other (e.g., White female directors and Black male directors serving on a board) but share dissimilarity to the dominant group (e.g., White male directors). Finally, we suggest that this kinship is especially salient for board meeting participation among all underrepresented directors when at least one underrepresented director possesses achieved status.

*Subgroup membership.* Beyond individual-level status characteristics, research shows that group-level factors also affect an individual's participation in task-oriented discussions (LePine and Van Dyne, 1998). The diversity literature shows that the composition of group diversity is especially important. For example, Kanter's (1977) work notes how demographic minorities exhibit greater participation and engagement as their minority subgroup's size increases (Joshi et al., 2006). Growth in the minority subgroup promotes individual participation by removing the stigma of being a 'token' (i.e., the case in which a single board member uniquely represents an underrepresented demographic minority) and providing support from a 'coalition' (Jackson and Thoits, 1995, p. 545). For example, a qualitative study of 50 female directors indicated that only with greater proportions of female directors did they participate more freely in discussions, such that one female director reasoned that increased minority representation on the board made it 'clear that you are not there because of gender but because of talent' (Konrad and Kramer, 2008, p. 146).

The importance of subgroup size is consistent with Byrne's (1971) similarity-attraction paradigm within relational demography, which suggests that individuals are attracted to similar others – and are more comfortable interacting with them – because similarity fosters a greater understanding of one's background, tendencies, and behaviours (Riordan and Shore, 1997; Xu et al., 2019). Similarity-attraction further posits that individuals will gain positive reinforcement from interactions with similar others (Nielsen, 2009; Williams and O'Reilly, 1998). Scholars have shown that because

interactions between such individuals are considered more comfortable and more positively reinforcing, they will perceive greater support from one another (Schulte and Cohen, 2012; Tröster and Van Knippenberg, 2012). It is important to note that the similarity-attraction paradigm also assumes interactions with dissimilar others are not necessarily viewed as hostile (Ely, 2004). However, we expect that the status imbalances felt by underrepresented directors become less salient when there are other underrepresented directors on the board.

The empirical support for these concepts is considered exclusively for underrepresented groups that are similar to one another. That is, prior work that relates minority subgroups to individual behaviour has primarily examined how members of a minority group interact with other members of the same minority group (e.g., Jackson et al., 1995; Joshi et al., 2006; Miller and Triana, 2009). We expound upon these studies by arguing that the uniqueness of boards among organizational teams and the historical scarcity of non-White male directors may induce the formation of a non-majority subgroup. Specifically, these underrepresented directors will become attracted to one another based on their kinship of being different from the dominant group.

For boards of directors, we expect individuals exhibiting underrepresented characteristics (e.g., female directors and Black directors) to form subgroups based on their dissimilarity from the dominant group. This idea draws heavily from the relational demography literature (Riordan, 2000; Tsui et al., 1992; Tsui and O'Reilly, 1989) and is based on the notion that individuals with underrepresented characteristics will recognize that they are dissimilar to the dominant group and will specifically seek out others who share this experience. Thus, we suggest that while these individuals are likely to commence their search by looking for others who are similar to them (e.g., members of their minority group), they may broaden their definition of 'similarity' to include those who are unlike the dominant group when others similar to them are nowhere to be found.

These arguments suggest that a relational demography lens allows for the emergence of a 'non-majority subgroup' – those experiencing kinship from intraminority intergroup relations – consisting of various directors exhibiting underrepresented characteristics. So, because underrepresented directors remain relatively rare within the context of boards of directors, they likely see much larger differences between

themselves and the dominant group than between one another, a similarity formed on non-majority characteristics. Importantly, this non-majority similarity encourages underrepresented directors to support one another during board meetings, just as directors who share the same type of underrepresented characteristic would (Schulte et al., 2012; Tröster and Van Knippenberg, 2012). More specifically, they can provide each other empathy, backup behaviours, relating, and reinforcement of engagement (Chen and Tesluk, 2012), thereby encouraging greater participation. While prior work has focused arguments on similar-other subgroups (Derks and Van Laar, 2016; Duguid, 2011), it largely overlooks intraminority intergroup relations that may also be meaningful in facilitating participation among underrepresented directors (see Cortland et al., 2017 for an exception). Thus, we argue that the kinship of a shared disadvantage will attenuate the negative relationship between the ascribed status of underrepresented directors and participation in board meetings.

*Hypothesis 3:* The presence of additional underrepresented directors on the board will attenuate the negative relationship between underrepresented demographic characteristics and a director's participation in board meetings.

*The achieved status of other underrepresented directors.* As previously argued, one's achieved status is expected to mitigate the negative effects of lower ascribed status on director participation (D'Aveni, 1990; Hillman et al., 2000). When an underrepresented director without achieved status serves on a board with an underrepresented director with achieved status, several positive effects can occur. Those with achieved status are often implicitly looked to as informal leaders within groups by those without such status because of their superior skills and knowledge (Cheng et al., 2013; Ronay and Maddux, 2020). Moreover, underrepresented directors render their ascribed status as a salient demographic characteristic. Thus, their shared ascribed status characteristic with an influential individual attracts them to – and prompts their respect of – the prestigious individual (Turner et al., 1987).

For a board with multiple underrepresented directors, one beneficial indirect effect of seating an underrepresented director with achieved status is that this director can uniquely

serve as an exemplar for the other underrepresented directors without such status. Individuals have been shown to mimic the behaviour of those whom they admire and respect (Bandura, 1977). In accord with the similarity-attraction paradigm (Byrne, 1971), underrepresented directors are attracted to similar others. Therefore, it appears reasonable that underrepresented directors will be attracted to and admire similar others who have achieved status characteristics (Sluss and Ashforth, 2008). Further, achieved status can inspire respect and reverence for such individuals by others (Halevy et al., 2012).

Another benefit that underrepresented directors with achieved status provide for underrepresented directors without achieved status is additional psychological safety to increase their self-expression and personal engagement on the board (Kahn, 1990). Because underrepresented directors without achieved status see underrepresented directors with achieved status as prestigious and influential board members, they likely also consider the underrepresented, achieved status directors as informal leaders of their group (Cheng et al., 2013; Ronay et al., 2020). Similarity to a leader has been shown to increase psychological safety and, subsequently, participation within a group (Tröster and Van Knippenberg, 2012). This increase in participation may be due to those in lower status positions feeling more comfortable interacting with similar others (Williams and O'Reilly, 1998) and recognizing that similar others with achieved status have a sizeable affect on the group. Ultimately, this leads to decreased 'fear of reprisal or negative consequences' for expressing themselves (Xu et al., 2019, p. 443).

Third, underrepresented directors with achieved status may create a climate in which underrepresented directors without achieved status feel comfortable participating in board meetings not only by participating more themselves but also by guiding board discussions toward issues to which other underrepresented directors have expertise (Weck et al., 2021). This manner of directing topics draws out greater levels of participation from underrepresented directors without achieved status. Furthermore, the relational demography literature also suggests that as additional underrepresented directors without achieved status draw comparisons to underrepresented directors with achieved status, they may adjust their behaviour (Chatman and Spataro, 2005; Tsui et al., 2002).



We posit that by the similarity-attraction paradigm and serving as an exemplar, the presence of an underrepresented director with achieved status will attenuate the negative relationship between the ascribed status of the underrepresented director and participation in board meetings, even if this underrepresented director lacks achieved status. Moreover, based on our prior arguments, we expect the effect of achieved status to cross intraminority intergroup relations in the board context.

*Hypothesis 4:* The presence of an underrepresented director with experience in a top leadership role will attenuate the negative relationship between underrepresented demographic characteristics and a director's participation in board meetings.

## **METHODS**

This study's sampling frame consists of publicly traded US firms from 1994 to 2006. However, the core data source, detailed board meeting transcripts, is not publicly available. To gain access to these sensitive documents, we asked approximately 2,200 firms to allow access to their historical board meeting transcripts detailing the directors' board meeting discussion. Of those requested, 431 agreed to participate. However, only 54 of these firms had board *transcripts* that allowed coding of individual-level director participation. In total, our board-level sample comprises an unbalanced panel dataset of 569 firm-years, while the director-level sample consists of an unbalanced panel of 5,845 director-years.

Using the Kolmogorov-Smirnov two-sample test, we checked for sample inclusion bias by comparing the characteristics of the 431 firms who opted in from those opting out of the study as well as comparing the characteristics of the 54 boards with individual-level discussion detail to the opted-in boards without individual-level discussion detail. Each two-sample test results suggested that the two sets of firms did not differ significantly from Fortune 1000 firms in the proportion of female directors, the proportion of Black directors, board size, return on equity, or firm size. The average board in our sample was composed of 11 directors, and Chair-CEO role duality was present in 70 percent of board-years. Female and Black directors made up approximately 10.5 percent and 7.8 percent, respectively, of the boards. Moreover, the final sample includes different size firms, from approximately \$50 M in annual net

sales to approximately \$45B in annual net sales, across thirteen different 3-digit NAICS industries.

When collecting board-meeting transcripts, we found that many firm representatives were reluctant to allow sensitive firm documents outside the firm. To overcome this problem, we requested that each firm's auditors, who had already read the documents as part of the firm's required annual audit, code the board meeting transcripts. This facilitated many firms' willingness to participate. We also obtained director information from annual proxy statements and firm information from COMPUSTAT unless otherwise noted to complement these data.

### **Dependent Measures**

To address director participation, we avoid issues related to splitting the sample based on demographic characteristics by measuring each individual director's participation and then using direct and interactive tests to study how individual- and group-level characteristics affect an director's participation. To measure *director participation*, we followed the procedures of Tuggle and Schnatterly (2010). More specifically, our coders (CPA auditors) began by measuring the amount of time, in minutes, each director participated in board meeting discussions during the year. The coders then summed the minutes each director spoke and calculated a percentage of total annual meeting discussion per director on each board, thereby producing a precise individual-level participation measure for each director. While many dictated transcripts of board meeting discussions have timestamps that aided our coders in assessing time spoken by each director, some did not. In these cases, our coders estimated the individual director's discussion by dividing each director's number of words spoken by the total number of words spoken to yield a relative discussion outcome level. For the sample of 54 company transcripts in this study, twelve firms started with non-time stamped transcripts. However, all but four converted to timestamp transcripts within our sample period. Many of these companies have board tables with microphones dedicated to each director (often embedded directly in front of where the designated director sits). Importantly, two CPAs coded each firm's set of board meeting transcripts. When disagreements arose, coders consulted with each other, reviewed the transcripts again, and discussed any discrepancies until they agreed.

Appendix 1 offers additional details of our data collection procedure.

### **Independent Measures**

To test our model, several independent variables are required. At the individual-level (hypotheses 1 and 2), we used demographic characteristics to capture ascribed status and director prestige to capture achieved status of the directors in the sample. The demographic characteristics of each director was reported to the author team by the CPAs. Using dummy codes, a '1' represented a *female director*. Similarly, a '1' represented the director's race (White, Black, Hispanic, Asian, or Native American). To confirm this coding's accuracy, we compared the reported demographics with a list of self-reported demographic characteristics provided by directors to a professional consulting service that aids organizations in recruiting underrepresented (i.e., female and racial minority) directors and top managers. We found that there were no differences between the two parties. This firm has collected data on underrepresented directors via surveys, personal communication, and group associations since 1994. We focus specifically on the *Black directors* as they are the largest non-White racial category represented on US publicly traded corporate boards (Executive Leadership Council, 2006). In fact, our sample of boards with minority directors is limited to White female directors and Black male directors.

Next, *director prestige* reflects achievements that are valuable and rare, even among corporate directors. We relied on legally required public disclosure of biographical information in annual proxy statements to code for prestigious factors. Following prior work by D'Aveni (1990) and Hillman et al. (2002), we used a dummy variable to indicate if a director has or has had any of the following four types of prestigious work experiences: (1) high academic prestige via a deanship of a college or presidency of a university; (2) high business prestige via a position as the CEO of a public firm; (3) high military prestige via a position as a general or admiral in the military; or (4) high political prestige via holding either a state- or national-level political office. Initially, we had coders code director prestige as a unique dummy variable for each type of prestige. However, since there were no significant differences between our sample's prestige type effects, we combined the four dummy variables into one dummy variable. If any of the above

prestige achievements were present for a specific director-year, director prestige was coded '1'; otherwise, this variable was coded '0'. Again, two coders examined each director's biographical information per year for evidence of such prestige. Coders achieved an inter-coder agreement of 97.6 percent for all director-years. Despite this high level of agreement, coders met and resolved their few points of initial disagreement.

For the cross-level effects on an individual's participation (hypotheses 3 and 4), we measured the characteristics of minority subgroups. First, we computed the proportion of the *female director subgroup* and the *Black director subgroup* as a proportion of the total number of directors. Next, using the approach to address prestige discussed earlier, we used dummy variables to indicate the *presence of a female director with prestige* or the *presence of a Black director with prestige* on the board. These two variables were coded '1' if present on the board during a specific director-year, '0' otherwise.

## **Controls**

To isolate the effect of the independent variables on the outcomes of interest, we modelled several control variables. We first discuss the controls for the antecedents of individual director participation. At the individual level, we control for *outside director* because being an outsider allows the director to better monitor management, which consequently may affect a director's participation (Carrall et al., 1999). We also control for *director's tenure* because directors acquire firm-specific expertise over time, which may affect their participation. We excluded director age as this is highly correlated with director tenure in our sample. We control for a *director's other boards* as the total number of appointments may affect a director's participation (Kor and Sundaramurthy, 2009), especially for minority directors (Westphal and Milton, 2000). We control for *director's ownership* as prior research suggests that it creates an incentive that motivates a director to monitor strategic decision-making more actively and offer their expertise on strategic issues (Bergh, 1995). We calculated this variable as the number of shares owned divided by the total number of outstanding shares. At the board-level, we control for *board size* as the size of the board affects subgroup formation, as well as the potential amount of participation as board meetings, have

limits, and larger groups require more 'sharing' of that limited time.

Additionally, we included variables that could structurally or socially affect a director's participation level during board meetings. We included a dummy variable signifying if a director was chairperson of the board of directors, *chair of BoD* (if a director is both CEO and Chair of the Board for the fiscal year, we coded this '1'). We accounted for the *number of committee chairships* each director served for the board during a fiscal year. Because the chair of the board sets the board meeting agenda and, therefore, to some extent, the discussion flow of the board meetings, we include variables for chair-director relative prestige, with *greater prestige than board chair* (coded '1' if yes, otherwise '0') and *less prestige than board chair* (coded '1' if yes, otherwise '0'). At the board-level, we controlled for the presence of a *female chair of BoD*, *Black chair of BoD*, *female CEO*, and *Black CEO* (each variable coded as '1' if present, otherwise '0'). The similarity to the board chair or CEO on these minority characteristics may impact a director's level of participation. Finally, we controlled for the *presence of chair-CEO duality* ('1' if present, '0' if not), the *total female committee chairships*, and the *total Black committee chairships* for each board (each measured as a count).

Beyond the board and individual variables that may affect a director's participation in board meeting discussion, firm and industry factors may prompt certain directors' participation. Consequently, to control for potential firm distress, we include prior year *firm performance* by measuring each firm's prior year's return on equity and its prior-year *debt to assets* ratio. We account for *organization age*, which has been found to influence managerial discretion and risk-related decision-making (Finkelstein et al., 2009), and for *firm industry* and *industry turbulence* by including industry dummies and each industry's dynamism measure (Karim and Carroll, 2016), respectively. Finally, we control for each *firm-year* with dummy variables.

## **Analysis**

The theory and data related to our hypotheses are inherently multi-level. Specifically, time is nested within directors who, in turn, are nested within boards. As such, there are three levels of variation: within director (level 1), between directors (level 2), and between boards (level 3). We utilize random coefficient modelling (RCM),

which currently estimates the effect of factors at different levels on appropriate outcomes (Raudenbush et al., 2011), to explicitly account for the lack of independence in our measures (Hoffman, 1997; Rabe-Hesketh and Skrondal, 2005). We tested for multi-collinearity and found that it does not influence the results with all the variance inflation factor scores well below 10.

Specifically, we used Stata's random coefficient modelling procedure (mixed) to analyse our data (Rabe-Hesketh and Skrondal, 2005) and followed the literature to build our models effectively. First, we estimated the null model (with no predictors involved) and found significant level-2 and level-3 variation (0.6757 and 0.1675 intraclass correlations, respectively), which corroborates the necessity of multi-level modelling. Second, in developing the fixed and random portions of the model, we followed Singer (1998), Bliese and Ployhart (2002), and Holcomb et al. (2010) recommendations to use theory and fit indices (Akaike Information Criterion-AIC and Bayesian Information Criterion-BIC each assess goodness-of-fit of successive models) to produce the most parsimonious, yet best fitting, model. This approach indicated that the best models (lowest AIC and BIC) include time, male/female, and racial category as fixed factors with random intercepts at the board and director levels.

## **RESULTS**

Table I lists descriptive statistics and correlations for the variables in both analyses. We present the RCM results in Table II. For presentation purposes, we did not include the dummy variables for year or industry in these tables.

Hypothesis 1 argued that underrepresented demographic characteristics negatively affect a director's participation in board meetings. As seen in model 2 of Table II, the coefficients of both female directors and Black directors are negative and statistically significant. These results strongly support hypothesis 1. Hypothesis 2 argued that achieved status would positively moderate the negative relationship between an underrepresented director's ascribed status and their participation in board meetings. The results listed in model 3 of Table II show the coefficients of the interactions between prestige and female directors, and prestige and Black directors are positive and statistically significant. These results strongly support hypothesis 2.

Model 5 in Table II provides the cross-level tests required for hypothesis 3. This hypothesis argued that the increased presence of other underrepresented directors on the board positively influences the negative relationship between an underrepresented director's ascribed status on their participation in board meetings. The results provide support for the hypotheses. Specifically, we see that a female director's participation increases when the female and/or Black director subgroup increases. Likewise, we see a Black director's participation increases when the female and/or Black director subgroups increase.

Model 6 in Table II provides the cross-level tests required for hypothesis 4. This hypothesis argued that the presence of an underrepresented director with achieved status will attenuate the negative relationship between the ascribed status of an underrepresented director and their participation in board meetings. This was argued to occur across minorities – similar or not. The results provide support for the hypothesis. Specifically, we see that a non-prestigious female director's participation increases with the presence of either a prestigious Black and/or female director. Likewise, we see that a non-prestigious Black director's participation increases with the presence of either a prestigious Black and/or female director.

## **DISCUSSION**

Boards of directors play an integral role in addressing the many complex and critical issues facing the firm. As such, significant research has been aimed to understand the board and its processes better. Herein we addressed a critical but underappreciated assumption that lies within the board diversity literature. Specifically, this literature, building on more generalized diversity research, argues that the presence of demographically diverse yet underrepresented directors provides heterogeneity of knowledge and experience that enables more comprehensive discussion of critical issues during board meetings (Milliken and Martins, 1996; Rindova, 1999). However, the assumption made here is that underrepresented directors will actively participate in these discussions (He and Huang, 2011). But research from the team diversity literature and related work on board diversity (e.g., Westphal and Milton, 2000; Westphal and Stern, 2007) suggests that achieving such participation is fraught with challenges.





Table I. (Continued)

	<i>Mean</i>	<i>S.D.</i>	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
Percent of AA directors	0.08	0.09	0.04	0.30	0.02	0.20	-0.19	0.17	-0.16	0.19	-0.05	0.12	0.10	-0.01	0.15	0.00	0.28	0.29											
Female director	0.10	0.30	-0.16	0.03	0.01	0.04	-0.04	0.17	-0.08	0.01	0.03	0.02	0.04	-0.10	0.11	0.02	0.04	0.28	0.09										
AA director	0.08	0.27	-0.19	0.10	0.01	0.06	-0.06	0.11	-0.10	0.11	0.00	0.03	0.03	-0.05	0.53	0.04	0.14	0.09	0.32	0.19									
Presence of female director with prestige	0.07	0.26	0.05	-0.14	-0.02	0.07	0.03	-0.02	-0.07	0.03	-0.03	0.20	0.05	-0.01	0.07	0.09	0.10	0.36	0.02	0.12	0.01								
Presence of AA director with prestige	0.07	0.26	-0.01	0.12	-0.02	0.04	-0.01	0.07	-0.08	0.10	-0.02	0.06	-0.01	0.00	0.02	0.06	0.08	-0.10	0.25	-0.02	0.08	-0.05							
Presence of chair-CEO duality	0.70	0.59	0.07	-0.02	-0.01	0.05	-0.01	0.10	-0.02	0.09	0.00	0.00	-0.07	0.09	0.00	-0.04	0.12	0.00	0.15	0.02	0.05	0.01	-0.01						
Female chair of BoD	0.01	0.09	-0.05	0.06	0.00	-0.01	-0.05	0.07	0.01	0.06	0.01	-0.03	0.02	-0.03	0.13	-0.02	0.08	0.13	0.11	0.29	0.28	0.02	-0.03	0.04					
AA chair of BoD	0.02	0.15	-0.11	0.07	-0.01	0.03	-0.03	0.09	-0.04	0.01	0.01	0.04	0.00	-0.04	0.24	0.06	0.10	0.04	0.17	0.13	0.53	-0.01	0.06	0.05	0.54				
Female CEO	0.00	0.04	0.01	-0.04	0.00	-0.01	-0.04	-0.05	-0.04	-0.03	-0.01	-0.01	0.06	-0.01	-0.01	-0.01	-0.01	0.06	0.02	0.11	-0.01	-0.01	-0.01	-0.04	0.00	-0.01			
AA CEO	0.00	0.04	0.01	-0.05	-0.01	0.04	-0.01	-0.06	-0.03	-0.02	0.00	-0.01	-0.01	0.04	0.02	-0.01	-0.01	0.02	0.03	-0.01	0.14	-0.01	-0.01	-0.02	0.00	0.13	0.00		
Total female committee chairships	0.30	0.51	0.02	0.25	-0.03	0.03	-0.14	0.07	-0.05	0.02	-0.04	0.11	0.18	-0.01	0.12	0.03	0.11	0.54	0.30	0.16	0.10	0.21	-0.06	0.00	0.18	0.08	0.02	-0.01	
Total AA committee chairships	0.58	0.75	0.00	0.27	0.00	0.15	-0.15	0.14	-0.12	0.09	-0.03	0.15	0.19	-0.02	0.19	0.01	0.32	0.24	0.81	0.08	0.26	0.13	0.06	0.13	0.11	0.18	0.06	0.03	0.40

<sup>a</sup>n = 5,845. All correlations with absolute values of  $r > 0.035$  are significant at  $p > 0.05$ .

Table II. Random coefficient modeling results for director participation

		<i>Model 2<sup>a</sup></i>	<i>Model 3<sup>a</sup></i>		<i>Model 5<sup>a</sup></i>	<i>Model 6<sup>a</sup></i>
	<i>Model 1<sup>a</sup></i>	<i>H1</i>	<i>H2</i>	<i>Model 4<sup>b</sup></i>	<i>H3</i>	<i>H4</i>
Constant	0.0885***	0.0903***	0.0884***	0.0972***	0.1029***	0.1041***
<b>Board/Firm-level Controls:</b>						
Organization age	0.0000	0.0000	0.0000	0.0001	0.0000	0.0000
Firm performance	-0.0001	-0.0001	-0.0001	-0.0001	-0.0001	-0.0001
Debt to assets	0.0096 <sup>+</sup>	0.0077	0.0082	0.0065	0.0058	0.0067
Industry turbulence	-0.0040	-0.0058	-0.0049	0.0001	-0.0005	0.0004
Board size	-0.0104***	-0.0105***	-0.0106	-0.0101***	-0.0099***	-0.0099***
Presence of chair-CEO duality	-0.0013	-0.0008	-0.0004	-0.0013	-0.0013	-0.0014
Female chair of BoD	0.0151	0.0370*	0.0476	0.0489*	0.0456*	0.0446*
Black chair of BoD	-0.0413***	-0.0050	-0.0073	-0.0067	-0.0067	-0.0084
Female CEO	0.0915***	0.0677*	0.0839	0.0849*	0.0751*	0.0745*
Black CEO	0.0174	0.0206	0.0210	0.0176	0.0107	0.0144
Total female committee chairships	0.0046*	0.0031	0.0039 <sup>+</sup>	0.0033	0.0025	0.0025
Total black committee chairships	0.0051***	0.0055***	0.0055***	-0.0018	-0.0020	-0.0029
<b>Director-level Controls:</b>						
Outside director	0.0000	0.0016	0.0024	0.0025	0.0020	0.0018
Board tenure	0.0018***	0.0018***	0.0017***	0.0017	0.0017***	0.0017***
Number of other boards	-0.0003	-0.0004	-0.0006	-0.0005	-0.0006	-0.0004
Director ownership	-0.0104*	0.0069	0.0032	0.0025	0.0047	0.0082 <sup>+</sup>
Director prestige	0.0232**	0.0162*	0.0023	0.0089	0.0083	0.0105
Chair of BoD	0.0189***	0.0157***	0.0157***	0.0157***	0.0154***	0.0150***
Number of committee chairships	-0.0015	-0.0003	-0.0008	-0.0003	-0.0010	-0.0011
Greater prestige than board chair	0.0229**	0.0229**	0.0094	0.0032	0.0042	0.0031
Less prestige than board chair	-0.0163***	-0.0180***	-0.0191***	-0.0112*	-0.0111*	-0.0107*

Table II. (Continued)

	<i>Model 1<sup>a</sup></i>	<i>Model 2<sup>a</sup></i>	<i>Model 3<sup>a</sup></i>	<i>Model 4<sup>b</sup></i>	<i>Model 5<sup>a</sup></i>	<i>Model 6<sup>a</sup></i>
		<i>H1</i>	<i>H2</i>		<i>H3</i>	<i>H4</i>
<b>Director-level Independent Variables:</b>						
Female director		-0.0293***	-0.0349***	-0.0359***	-0.0404***	-0.0431***
Black director		-0.0458***	-0.0493***	-0.0515***	-0.0600***	-0.0668***
Female director X Director prestige			0.0969***	0.0960***	0.0963***	0.0663***
Black director X Director prestige			0.1089***	0.1144***	0.1146***	0.0551***
<b>Direct-effect Controls:</b>						
Board female director percentage				0.0225*	0.0115	0.0111
Board black director percentage				0.0946***	0.0801***	0.0921***
Presence of female director with prestige				0.0012	-0.0006	-0.0029
Presence of black director with prestige				-0.0074**	-0.0074**	-0.0168***
<b>Board-level Independent Variables:</b>						
Board female director percentage X Female director					0.0857**	0.0722*
Board black director percentage X Black director					0.1081**	0.0838*
Percent of black directors X Female director					0.0870*	0.0750*
Percent of female directors X Black director					0.0824*	0.0994*
Prestigious female director presence X Female director						0.0270 <sup>+</sup>
Prestigious female director presence X Black director						0.0404*
Prestigious black director presence X Black director						0.0660***
Prestigious black director presence X Female director						0.0351***
Likelihood Ratio Test	1576.91***	227.67***	154.27***		34.05***	95.75***

<sup>a</sup>Level 2 continuous variables are board-mean centered. Level 3 continuous variables are grand-mean centered.

<sup>b</sup>Both level 2 and level 3 continuous variables are grand-mean centered.

\*\*\*p < 0.001; \*\*p < 0.01; \*p < 0.05; <sup>+</sup>p < 0.10; n = 569 firm-years, 5,845 director-years.

Instead of assuming participation on the part of underrepresented directors, we investigate its antecedents by drawing on the group diversity literature (e.g., Jackson and Joshi, 2011; Joshi et al., 2011) and, more specifically on relational demography (Riordan, 2000; Tsui and O'Reilly, 1989) and status characteristics theory (Berger et al., 1972, 1998) to develop a multi-level theory that explores underrepresented director participation in board meetings and its boundary conditions. First, we address how ascribed status characteristics impact director participation in board meetings. Specifically, we hypothesize that underrepresented directors do, in fact, participate in board meetings less than directors of the dominant group. Second, we seek to understand better contexts in which the incongruity of participation is attenuated.

Our results show that underrepresented director participation in board meetings is affected by both individual-level and group-level factors. First, consistent with our theory development, we find that underrepresented directors participate materially less than the directors who are members of the demographically dominant group. This finding suggests that the assumption of active participation on the part of underrepresented directors needs to be more carefully considered. Instead, our results suggest that obtaining the diversity benefits offered by underrepresented directors through their unique experiences and backgrounds requires more thought and effort to ensure their participation.

While other factors indeed matter, our research indicates that the effect of ascribed status is moderated by achieved status. For instance, we found that top leadership experience increased the participation of underrepresented directors. According to status characteristics theory, this outcome occurs because underrepresented directors with this experience see increases in their overall status level, positively affecting their participation.

In addition to individual-level status characteristics that partially explain underrepresented director discussion participation, we find that relational demography's similarity-attraction paradigm helps explain how group-level factors can also serve as boundary conditions for an underrepresented director's participation in board meetings. Specifically, as these individuals are surrounded by a greater proportion of other underrepresented directors and/or an underrepresented director with achieved

status, their participation will likely increase. This explanation offers a more nuanced theoretical understanding of how an underrepresented director's status characteristics, both ascribed and achieved, combine to affect their participation in board meetings.

In total, the results of our study indicate that even 'obtaining a seat at the board table' does not lead underrepresented directors to participate at the rate one would assume. The status associated with possessing underrepresented characteristics still seems to hinder what might be termed 'fully-fledged' membership on a corporate board. However, our results also indicate that the presence of other underrepresented directors and their achieved status helps to improve such participation. These results might best be captured by the late Vernon Jordan, a famed Black corporate director. Mr. Jordan enjoyed high achieved status as a director from his myriad of roles as a civil rights leader, corporate lawyer, investment banker, and a close friend of President Bill Clinton.

At the height of his career, he served as a director on nearly a dozen major corporations. Indeed, a 2003 network analysis of the American corporate elite during the 1980s and 1990s found Jordan to be the top 'linchpin' (i.e., closest social ties to other elites) corporate director in the country (Davis and Yoo, 2003). Jordan was the only corporate director in the United States to rank as a top-tier 'linchpin' director during all three time periods of the study. Our research supports the idea that Jordan actively participated as a director in board meetings, even though he was one of the very few Black directors serving on corporate boards during the time period examined. Moreover, our research would suggest that his presence increased the participation rates of other underrepresented directors. But such increased participation does not necessarily require the presence of a Vernon Jordan. Instead, increased proportionality of other underrepresented directors will positively affect participation as well.

### **Implications for Theory**

There are several theoretical implications that stem from our work. Our primary contribution integrates status characteristics theory with relational demography to understand the antecedents of underrepresented director participation in board meetings. While corporate boards are organizational teams in that they share a

purpose, an interdependence, and a structure, they differ from more typical organizational teams in several ways. A critical distinction is how boards differ in their historical demographic homogeneity and membership transaction. When underrepresented directors take a seat at the board table, they likely observe the salient dissimilarity between themselves and directors of the dominant group. We argue that this dissimilarity makes each director's *ascribed* status salient, and the ascribed status of underrepresented directors may adversely affect their participation in board meetings. However, our investigation of multiple individual- and group-level factors as antecedents to underrepresented director participation provides insight into how this adverse effect can be attenuated.

Specifically, the underrepresented director's *achieved* status (or the *achieved* status of another underrepresented director) can attenuate this relationship. In this way, we add to the literature by pointing to the interactive nature of both individual- and group-level factors for understanding underrepresented director participation in board meetings. Notably, the interaction of ascribed status and achieved status is an important determinant to underrepresented director participation, and thus behaviour, on corporate boards.

Second, our work suggests that underrepresented directors see a similarity between themselves and other underrepresented directors in terms of ascribed status. Consequently, instead of splintering into different and less powerful demographic-based subgroups, we argue that a positive intraminority intergroup relation can materialize. We believe that this notion extends the relational demography literature (Chatman and Spataro, 2005; Tsui et al., 1992, 2002) by suggesting that as minority directors form subgroups based on intraminority intergroup relations, such a categorization will increase underrepresented director participation during board meetings. Developing such subgroups can provide other underrepresented minorities with empathy, backup behaviours, relating, and reinforcement of engagement (Chen and Tesluk, 2012), all of which can encourage greater participation.

Anecdotally, examining work team demographic diversity from a relational demography perspective, Riordan and Shore (1997) find that similarity in race-ethnicity is positively related to the attitudes toward the group and perceptions of advancement.

However, gender diversity did not affect attitudes. These authors concluded that different demographic variables operate in a complex manner. Our study's findings suggest that underrepresented group members' participation will operate similarly. While these two studies may appear to have conflicting findings, it is important to note the difference in sample composition. Specifically, Riordan and Shore's (1997) employee sample is composed of roughly 34 per cent Black employees and 80 per cent female employees, while our board sample, in stark contrast, is only eight per cent Black directors and 10 per cent female directors. We suspect that these very different diversity levels within each underrepresented demographic and combined shared disadvantage diversity of the samples drives the varying results, perhaps setting boundary conditions for this theory's central tenets.

Situating micro-level theory within the firm's most senior decision-making team demonstrates that our understanding of organizational phenomena can be improved by mixing micro and macro levels and theories (Forbes and Milliken, 1999). While we agree that such an approach for top management teams would be useful, applying team diversity theories to the board is especially important. In fact, because of the board's overarching power and its unique attributes, further examination of boards through a team lens is likely to provide a new understanding of effective governance and an extension of the existing group and team theories.

### **Implications for Practice**

In addition to this study's theoretical and empirical contributions, it also informs new implications for practice. Our research suggests a number of mechanisms through which increased participation among underrepresented directors occurs. Findings in the voice-related literatures, mostly employee voice, suggest that the perception of common knowledge within a team gives a member a sense of psychological safety that gives an underrepresented individual reassurance to speak up rather than choose silence (Milliken and Morrison, 2003). In contrast to the manager-to-employee power relationship surrounding voice, boards of directors are intentionally made up of primarily non-employee directors tasked with governing the firm's management. By design, they are given voice along with the legal power to hire and fire the CEO. So, an underrepresented director's

voice isn't encumbered by a power relationship that could cost them their job. Their participation in board meetings is unique from the concept of being given a voice. Our underrepresented director participation concept is more about the director's perceived relative status among other board members and fellow underrepresented directors. If a director is comfortable with their ascribed or achieved status, they are more likely to participate in board meetings.

Another implication for practice that our findings can inform is avoiding pluralistic ignorance, which can be brought about by underrepresented directors' lack of participation (Westphal and Bednar, 2005). A prior condition that must be met for pluralistic ignorance to occur in the board context is a reluctance of underrepresented directors to share their perspectives or ask questions despite those perspectives or questions unknowingly being shared by the majority of board members. Like voice, pluralistic ignorance is attributable to underrepresented directors' hesitation to share an opinion or ask a question because they perceive it as unpopular among other board members. In contrast, underrepresented director participation in board meetings doesn't focus on the popularity of a director's potential voice but merely the relative level at which the underrepresented director participates in board meetings.

### **Limitations**

Like most research, this study has limitations. First, we should emphasize that while we were able to capture how much each director participated during board meetings, we cannot measure the 'quality' of each director's participation. However, because seemingly simple statements may provoke extensive discussions, 'perceived impactful-ness' or 'perceived quality' may have questionable validity. Thus, we assert that understanding the drivers of underrepresented directors' participation is a worthwhile goal. Second, we were unable to test the effects of more nuanced racial minority characteristics or multi-minority characteristics since our sample with underrepresented directors is limited to Black male directors and White female directors. For example, we could not test the participatory differences between Black female directors with those of Asian female directors. Future research may be able to gather a larger, more inclusive sample to test these effects. Third, our sample does not include observations in the upper range of diversity (where underrepresented directors



representation is commensurate with that of the population). Thus, we should exercise caution when extrapolating our findings to very high levels of board diversity. That said, national mandates in countries like Norway – requiring at least 40 percent female director representation on corporate boards – may provide future research opportunities in this regard. Fourth, while we proposed a number of theoretical mechanisms that may be at play in determining director participation in board meetings (e.g., perceived status differences, perceived similarity, and psychological safety), we could not measure which mechanism is the driver of participation formally. Future scholars are challenged to delve deeper into the phenomenon of director participation in board meetings and its potential mechanisms. Finally, we recognize that discussions among directors also occur outside board meetings. Many directors participate in committees (e.g., the nomination or audit committees) that may provide a more intimate setting to raise concerns before bringing them to the entire board. However, if integral to the firm's advancement, these topics are likely to be introduced during a formal board meeting in which all directors are present.

### **Future Research**

We also advocate for more research focusing on board diversity. For example, prior studies examining the effects of diversity within groups have discussed the idea of 'queen bee' behaviour (Derks et al., 2016). Queen bee behaviour suggests that when a lower status individual joins a group, the incumbent lower status individual may seek to inhibit the status of recently-added similar others (Derks et al., 2016; Duguid, 2011). Scholars might work to discover if this concept holds across underrepresented statuses on boards of directors. Additionally, future work might assess the degree to which dominant group members limit underrepresented directors' participation. For instance, Liz Dolan, previously on the board of Quiksilver, stated that 'fellow directors excluded me from a series of critical conversations...what I learned is that even when a woman earns a seat at the table, the men can put you in a soundproof booth' (Dolan, 2015, p. 2).

We also believe that further work should study other possible factors that may affect underrepresented director participation, such as a firm's culture around

diversity or the dominant group members' behaviours. In doing so, scholars may learn about potential boundary conditions and extensions of underrepresented director participation in board meetings. In this vein, empirical examination of the mechanisms that underlie the relationships presented in this research provides additional explanatory power that propels our understanding of how underrepresented directors engage in their roles on the board. We also suggest that future research observe the relationship of achieved status characteristics among different demographic groups. For example, are the effects of having experience in a top leadership role on board meeting participation felt less by individuals of high ascribed group status than those who are not? We further encourage researchers to explore other underrepresented director characteristics (e.g., age, sexual orientation, national origin, etc.) that may affect a director's participation in board meetings.

## **CONCLUSION**

In conclusion, our research addresses a more theoretically rich, multi-level model of underrepresented director board meeting participation. Drawing from multiple group diversity theories, we explore the antecedents and boundary conditions of underrepresented director participation in board meetings. Using transcripts of board meeting discussions and measuring each director's participation quantity, our evidence challenges the inferred assumption that an underrepresented director's presence automatically equates to that director's participation in board meetings. Instead, we show that both individual- and group-level factors serve as critical components of an underrepresented director's participation. We hope this study's contributions will encourage scholars to shift their board diversity measures from simply noting the presence – or lack thereof – of a director with an underrepresented demographic or characteristic, toward that of an underrepresented director's impact on board processes, board discussions, board decisions, and ultimately, firm performance.

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## **APPENDIX A**

### **Collection and Coding of Board Meeting Minutes Data**

Three critical elements are necessary to the collection of board meeting minute data: (1) ensuring firm and director confidentiality and risk-free participation, (2) eliciting the

participation of sample firms' respective auditing firms, and (3) organizing and training auditing firms' CPAs to be coders.

### **Firm Participation in Sample**

1. When first contacted about participating in the study, firm records managers (often attorneys) expressed reluctance to allow their board minutes or board meeting transcripts outside the firm. To overcome this problem, we requested that the firm allow its auditors to code the time minority directors spoke during official board meetings via its board minutes/board meeting transcripts. Each firm's auditors have access and are required to read the board minutes as part of the firm's required annual audit. Limiting access to the firm's independent auditors ensures that the firm's board minutes are not viewed by anyone except the auditing firm's employees. Auditors are bound by the American Institute of Certified Public Accountants' Code of Professional Conduct, of which rule 301 states that '[a] member in public practice shall not disclose any confidential client information without the specific consent of the client' (AICPA, 1988).
2. We contacted approximately 2,200 firms to request their participation in a research program focusing on board of director discussions. Because one of the co-authors served as an auditor prior to entering a career in academia, he was able to leverage connections serving in leadership at the American Institute of Certified Public Accountants (AICPA) to gain support for this research project. In obtaining these leaders' endorsements, many CPA firms and companies perceived how such an endeavor might be beneficial to society and agreed to participate in the study.
3. In total, 431 of the firms contacted agreed to participate in this study and had board transcripts of adequate quality to undergo coding. Of the 431 firms that agreed to participate, only 54 had board meeting transcripts with sufficient detail to measure each director's discussion time.
4. Within the sample of 54 firms, the number of board meetings (and subsequently, the number of transcripts) is highly variable across firms and sometimes within firms over time. Most typically, a firm's board of directors met between five and six times each fiscal

year. However, the number of board meetings in the sample ranged from two to ten times in a fiscal year. Furthermore, it is worth noting that some boards met for each official board meeting for only one day, while others met for multiple days. As such, we argue that the number of hours and minutes met may be a better representation of a board meeting than simply the number as recorded in databases such as IRRC or RiskMetrics. Additionally, boards have recently engaged in meeting together within quorums for more, often shorter meetings via video or telephone calls. In our sample specifically, some count these meetings in their official meetings, while others do not.

### **Auditing Firm and Individual CPA Participation**

1. We formally requested each sample firm's auditing firm's participation in this study after the sample firm agreed to participate. The auditors' access to company board minutes makes them a natural choice for the coding of board meeting minutes.
2. Payment for the auditors' services depended on the time spent coding and the price agreed upon with each auditing firm. Many of the auditors generously agreed to charge a reduced price or forego payment if 'when they performed the coding' was flexible and/or because of the professional accounting industry contacts. Additionally, many auditing firms' partners/managers suggested assigning staff accountants to familiarize themselves with clients' board minutes was helpful for future audits. We also received generous financial support from multiple academic institutions and accounting firms to compensate accounting firms for services billed for this research programme.
3. Our co-author's former accounting firm served as the collection hub for communications with CPA coders and the compilation of this study's data. This sourcing has also helped with billing, as CPAs have a strong reciprocity culture and often do not charge each other for engagements with such a limited scope.

### **The Content Coding Process**

1. *Selection and training of coders.* The partner who had been contacted to assess the auditing firms' participation selected coders. For each sample company, this partner identified at least three accountants at different seniority levels to participate in the study. Some auditing firm offices had multiple sample firms to code, and therefore

assigned separate teams of accountants to code different sample firms. A total of 271 coders from 56 locations participated in the coding process. To ensure the reliability between coders and the validity of our procedures, we conducted a pretest. Three firms agreed to take part in the pretests. The pretest involved sending each potential coder the board meeting minutes and instructions. Inter-rater reliability for the coders was 0.87 (Krippendorff's alpha). After additional discussions and further training (by identifying key terms and how to code each term), the coders coded a second set of minutes. This resulted in improved inter-rater reliability of .92. Upon completion of the coding by the second, or when applicable the third coder, all the coders for a specific set of minutes met to resolve the coding differences. After completing this discussion of coding discrepancies, there was a 100 per cent rate of agreement between coders. As noted, we utilized Krippendorff's alpha to test coders interrater reliability. Like Cohen's kappa, Krippendorff's alpha is a reliability coefficient developed to measure inter-coder agreement. However, Krippendorff's alpha accommodates multiple coders (more than two) and interval/ratio level data. Please see Krippendorff (2004) for further explanation of this measure.

2. *Coding procedure.* Two coders coded each set of minutes. Coders were instructed to print out hard copies of their assigned minutes and make notes on these transcripts so they could recall and defend their coding. While each of the 54 firms in our sample of firm minutes attribute comments to specific directors, 42 also had been recorded and professionally transcribed with timestamps. This documentation facilitated accurate data collection. For the remaining 12 firms, timestamps per statement were not recorded. Twelve firms started with non-time stamped transcripts. However, all but four converted to timestamp transcripts within our sample period. For transcripts without timestamps, we had CPAs, using office productivity software, count the number of words spoken by each minority director and divide each by the total number of words spoken at board meetings that fiscal year. After coding a firm's complete set of fiscal year meeting minutes for each minority director, each coder categorized and summed the time, measured in minutes, by director. After each coder had coded his/her minutes for a given firm-year, he/she submitted his/ her coded results. The inter-rater agreement between the coders was then assessed. Ninety-one percent of the firm-years were coded within 90 per cent

accuracy between coders one and two. However, in the remaining nine per cent of firm-years, a third coder was employed. After the third coder submitted his/ her coding results, agreement among all three coders was assessed, and coders were instructed to resolve differences in a post-negotiation meeting.

3. *Final coding verification.* As an additional step to verify the coding's reliability, the authors randomly selected and received approximately two percent of each CPA's coding and a related segment of the board minute transcripts. We verified the accuracy of the text coding. Redaction of any firm identifiers was used when- ever possible. The auditing firm coders also disguised director-specific names before submitting the sample text. We avoided selecting more than one consecutive hour of any specific fiscal firm-year to comply with the spirit of our security agreement (limited viewing of minutes except for each firm's auditors) with each sample firm. With these rules, the firms' and directors' legal exposures are minimized. However, the reliability of each coder can be checked by the authors.