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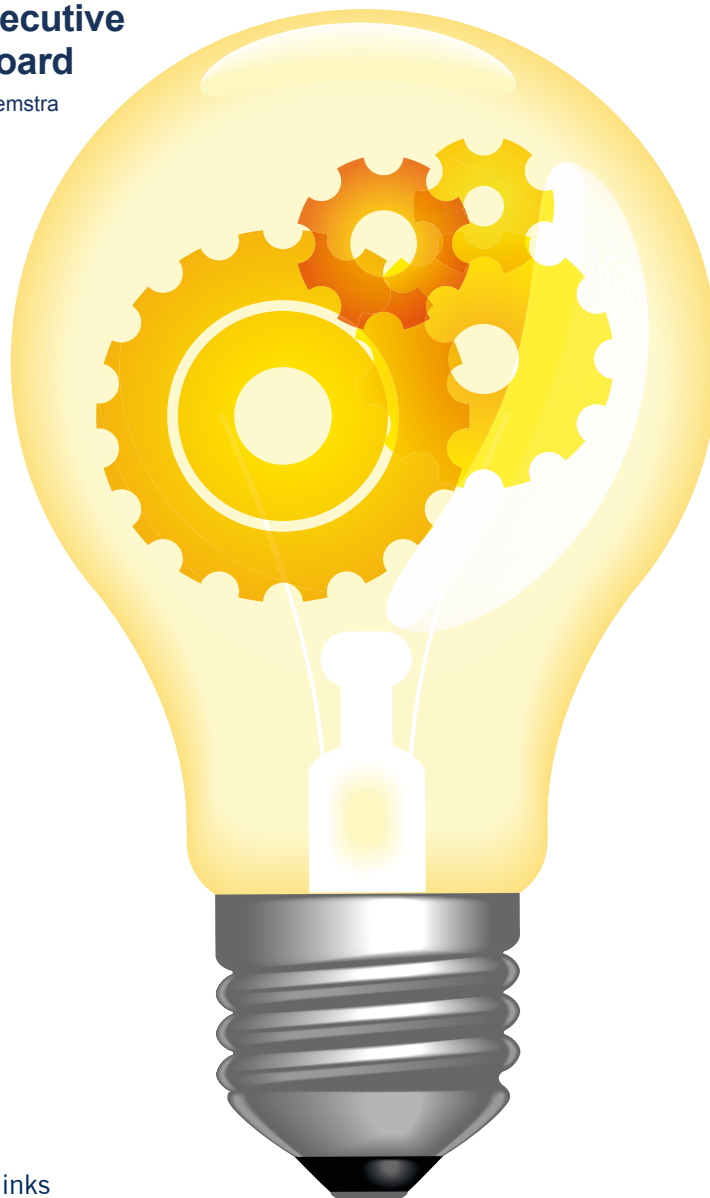
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# Attracting non-executive directors to the board

by Abe de Jong, Reggy Hooghiemstra and Marcel van Rinsum



**Companies that are performing poorly from a commercial perspective and are struggling to tap into the advice and guidance of well-qualified non-executive directors need to consider new board members' intrinsic motivations and the potential for enhancing their reputation if they are to improve the effectiveness of their board.**

One of the interesting elements of the research carried out in the preparation of our paper *To Accept or Refuse an Offer to Join the Board: Dutch Evidence* is the role that the risk of damage to the reputation of a non-executive director can play in them deciding whether or not to accept the offer of an individual appointment. Few people, it seems, relish the prospect of being tainted by failure should their involvement with an ailing company fail, or even simply be perceived to fail, to help turn it round.

Our paper not only identifies the problem, but also identifies a clear solution to it. Struggling companies, we suggest, should consider changing the emphasis towards the opportunity that they represent for non-executive directors to enhance their reputation.

Writing on corporate governance is traditionally centred on the relevance of non-executive directors and the role that they can play in helping a company's board with advice and guidance, and the value they add for investors by monitoring their executive

counterparts. There has by contrast been little in the way of consideration of the underlying thinking behind the structuring of corporate boards.

Previous studies of the subject matter have typically only addressed the issue of who is on the board. We set out with the aim of trying to discover more about why people accept or refuse an offer of a Dutch non-executive position.

## Motivating factors

The question is of more than academic interest. It has long been assumed that companies can populate their board with whoever they identify as their preferred candidates. What if, however, they would like a stronger board but find they cannot recruit the people they most want? We asked a series of questions designed in broad terms to find out who has refused offers, and why they refused them.

What then are the principal reasons? We distinguished between three categories: extrinsic, intrinsic and

reputational. Extrinsic reasons include additional income and status, although these are more important for younger people than for more experienced older people who enjoy a degree of financial independence.

Intrinsic reasons can be further subdivided into two categories. The first is self-development. A non-executive position offers the opportunity to learn, to the benefit of the individual and the company both. The second is related directly to work output: if a potential non-executive feels that s/he can contribute to growth, and add other value, the answer is more likely to be 'yes'. We find this to be the most important factor in the equation.

The results of this study show that, in general, directors do not accept yet another non-executive position just for the money or the prestige as is believed in agency theory. On the contrary, directors are more likely to accept an offer if they expect they can make valuable contributions to either the board's discussions or society in general.

Basically, this seems to suggest that non-executive directors behave in line with the ideas underpinning stewardship theory as they are intrinsically rather than extrinsically motivated. This should provide some comfort to policymakers as well as companies looking for non-executive directors. ▶

## Attracting non-executive directors to the board (continued)

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On the one hand, non-executive directors prefer to have a role beyond “rubber stamping” management’s proposals and simply cashing attendance fees. On the other hand, smaller listed and unlisted companies should be in a position to attract highly qualified and motivated non-executive directors, which eventually should increase board effectiveness.

The exact mix of motives will clearly differ between directors, and there is some evidence that intrinsic motivation and achievement are positively correlated. Putting this into a board perspective, it suggests that intrinsically motivated directors are likely to be more effective directors than extrinsically motivated ones.

executive directors can experience the greatest difficulty in recruiting them.

Research in the area of recruitment and selection of non-executive board members is mainly empirically driven. Our study provides some preliminary ideas about directors’ characteristics and their motives to join boards or not. It is, however, a challenge to develop a theoretical framework in this area which helps us to understand, on the one hand, why firms choose to recruit non-executive directors in a particular way and, on the other, whether this is successful.

Furthermore, it may also be interesting to bring together theories or ideas about what motivates individuals to join supervisory boards and their

clear. One of the loudest for invitees wavering over a decision is to focus not on risk and fear, and highlight instead the commercial challenge and the opportunity to enhance their reputation by helping to nurse a struggling company back to health. ■

The paper *To Accept or Refuse an Offer to Join the Board: Dutch Evidence*, written by Abe de Jong, Reggy Hooghiemstra and Marcel van Rinsum, has been published online in the journal *Long Range Planning*. <http://dx.doi.org/10.1016/j.lrp.2012.06.001>

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*“...there is some evidence that intrinsic motivation and achievement are positively correlated.”*

### Reputation matters

When it comes to reputational concerns, the quality of the existing management board, and its collective reputation, can play a major role in individuals declining to accept a role on a supervisory board. In simple terms, if you don’t think much of them, you refuse. This has obvious implications: companies with weaker boards will inevitably struggle, and the companies that most need strong non-

ideas about the roles they subsequently play. It is possible to distinguish control and strategic roles. Although we briefly speculated on this when we addressed the implications, we think it would be interesting to investigate how personal motives to join a board impact non-executive directors’ ideas about the roles they should play.

Pending further study, we feel the messages echoing from our paper are

