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Managing C-suite conflict: The unique impact of internal and external governance interfaces on top management team reflexivity

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ABSTRACT

The ability of Top Management Teams (TMTs) to reflect critically on their own actions represents an important element of effective TMT decision making and governance effectiveness. This paper therefore examines how the TMT-board interface internal to the organization, as well as the TMT interface with the external supervisory authority, shape TMT reflexivity. Drawing from governance and psychological theories, we posit that cognitive conflict at the TMT-board interface can escalate by increasing levels of affective TMT-board conflict, and hereby, harm TMT reflexivity if not managed well. This proposition was tested in a multisource team-level data set collected in the field among TMTs (N = 111 TMT members) and their supervisory boards (N = 152 board members) of 56 Dutch insurance companies. The findings demonstrate that the link between cognitive and affective TMT-board conflict is mitigated by board membership influx. Yet in cases where conflict escalation does occur, its subsequent impact on TMT reflexivity hinges on the degree to which an external supervisory authority monitored TMT actions. The results illustrate that TMT decision making processes can be effectively influenced by internal and external TMT-governance interfaces, yet at different conflict stages, and through different governance actions.

Leadership at the upper echelon is a shared activity that requires the collective cognitions, capabilities, and interactions of all members within the Top Management Team (TMT, Hambrick, 2007). The collaborative goal of TMT members is to set the organization's strategic aims and provide the leadership to put them into effect (Adams et al., 2010; Pearce and Zahra 1992; Westphal and Bednar 2005). International governance standards (e.g., OECD, 2015, section VI) and governance scholars stress that well-functioning TMTs effectively balance stakeholder interests and are focused on achieving long-term organizational goals (Boivie et al., 2016; Hillman and Keim, 2001; Walsh and Seward, 1990). To ensure that TMTs fulfill these criteria, their decision making is monitored by internal governance bodies (i.e., boards of directors[1]) and external supervisory bodies. Internal boards have a primary duty to closely scrutinize TMT objectivity towards relevant stakeholders (Fama and Jensen, 1983; Ward et al., 2009). External supervisors—residing

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[1] This is consistent with classical agency theoretic reasoning that sees the role of boards as exercising oversight over the choices that top management makes in the running of the firm (Jensen and Meckling, 1976; Fama and Jensen, 1983).

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outside the organization—have a duty to verify whether TMTs follow market regulations that govern prudent business activities (Aguilera et al., 2015; Walsh and Seward, 1990).[2] Because of their distance, closely scrutinizing TMT actions by external supervisors is impracticable (Tihanyi et al., 2014) and external supervisors are more suited to fulfil the role of an independent outside authority (Cormier et al., 2010; Zattoni and Cuomo, 2010).

A key challenge to TMTs is that they operate in complex decision contexts and experience competing cognitive demands, which may cause them to make suboptimal decisions (Boivie et al., 2016; Westphal and Bednar, 2005). From a governance perspective, it is therefore important that internal boards and external supervisors stimulate TMTs to critically reflect on their decisions and adapt their future strategic plans when needed (Ackermann and Eden, 2011; Maassen and van den Bosch, 1999; Wong et al., 2011). TMTs' engagement in critical reflection on their own actions (i.e., team reflexivity, West, 2000) is thus seen as an important indicator of the likelihood that TMTs will make qualified decisions (e.g., Amason, 1996; Eisenhardt et al., 1997; Westphal and Zajac, 2013). TMTs that are more reflexive should be better able to grasp the short-time vs. long-time gain dilemmas intricate to their context, and to be more alert to stakeholder interests (Gersick and Hackman, 1990).

Although abundant team research empirically supports the notion that reflexivity is important for collective decision making, there is little understanding of the degree to which TMTs engage in this dynamic process. Moreover, the fact that TMTs do not operate in a social vacuum, and form relevant interfaces with internal boards and external supervisors, raises the question how these governance bodies can ensure that TMTs sufficiently reflect on their actions. We therefore examine this question in an empirical field-study. In doing so, we respond to calls from governance scholars to study this topic at the micro-level (Aguilera et al., 2015; Walls et al., 2012) and directly capture TMT reflexivity as a relevant TMT dynamic process (e.g., Madison, 2014; Rechner and Dalton, 1991; Tosi al., 2003).

Due to the very distinct roles that boards have vis-à-vis TMTs, scholars anticipate at least some level of cognitive TMT-board conflict—or divergence in task perspectives—and actually believe that this conflict helps TMTs to make objective decisions. After all, boards are deliberately installed to make TMTs more reflexive and mindful of the divergent task views of others (Amason, 1996; Forbes and Milliken, 1999; Finkelstein and Mooney, 2003). Thus, whereas the level of cognitive conflict within the TMT-board interface may vary, the strategic priorities of TMTs on the one hand, and boards' duty to critically scrutinize these priorities on the other hand, imply that the TMT-board interface naturally contains some level of cognitive conflict (Veltrop et al., 2021). Such conflict arises (and dissolves) through dynamic interaction patterns among the board and TMT members, and can be influenced by key contextual interface features, such as their environmental complexity (Jehn and Mannix, 2001; Cummings et al., 2016).

Research suggests, however, that in spite of the potential benefits of cognitive conflict in the TMT-board interface, it may become dysfunctional when not managed properly (Kellermanns and Eddleston, 2004; Westphal and Khanna, 2003; McDonald and Westphal, 2010). Many studies demonstrate a positive correlation between levels of cognitive and affective conflict (De Dreu and Weingart, 2003), which appears particularly detrimental for teams engaged in complex decision making (De Wit et al., 2012). Our central proposition is therefore that TMT-board cognitive conflict can easily be misinterpreted and fuel affective conflict that entails relational entrenchment (Kellermanns and Eddleston, 2004; Jehn, 1995). This is problematic, as Li and Hambrick (2005) point out: affective conflict at the upper echelon causes a multitude of TMT problems, ranging from a lack of information exchange, unproductive collaboration patterns, to inadequate responses to environmental change. Hence, when cognitive TMT-board conflict escalates into affective conflict, this tension will likely reduce TMT reflexivity (Knapp et al., 2011). It thus follows that internal boards should be equipped to prevent such conflict escalating dynamics through preemptive conflict management measures.

Conflict research suggests that parties can forestall affective entrenchment by introducing a new collaboration structure that can derange existing practices and signals a willingness to build a positive affective atmosphere (Cronin and Weingart, 2019). One way to establish such a structure is by managing board membership influx (i.e., adding new outside board members, thereby restructuring a board's composition; Pelled and Adler, 1994). The instant disruption accompanying board membership influx triggers teams to become more self-aware about their own actions and to become cognitively less inward focused (Rink et al., 2013; Rink and Ellemers, 2015). At the TMT-board interface, such influx can thus instigate both parties to approach task disagreements more constructively, and hereby avert an escalation of cognitive conflict into higher levels of affective conflict. We therefore expect that the influx of new board members will ameliorate the potential cognitive-to-affective conflict spiral between TMTs and boards.

Notably, the above theorizing also makes it important to examine whether external supervisors can help ensure that TMTs remain reflexive when boards are unable to forestall disruptive conflict dynamics. Given that reflexivity constitutes an introspective process that occurs within TMTs, it is difficult for external supervisors to continuously monitor this process from a distance. However, an external authority can arguably act upon clear signals of increased affective conflict at the TMT-board interface, and hereby effectively mitigate its negative impact on TMT reflexivity. Studies on reactive conflict management measures show that parties tend to solve conflict entrenchment most effectively with the help from a legitimate independent third party who can neutralize the situation (Ury et al., 1988; Jehn and Bendersky, 2003; Karambayya et al., 1992). So, in cases where cognitive TMT-board conflict increases affective

[2] We study the impact of external supervision of De Nederlandsche Bank (The Dutch Central Bank), a Dutch financial supervisory agency. But (financial) supervisory agencies are prevalent across the globe (e.g., the US Securities and Exchange Commission, the Bank of England, The US Federal Reserve, the Japanese Financial Services Agency).

conflict, an external authority can ensure that TMTs remain self-reflexive through monitoring TMT actions.

To test our predictions, we conducted a field survey among 56 Dutch insurance companies.[3] The survey constructs (i.e., cognitive and affective TMT-board conflict, external monitoring and TMT reflexivity) are assessed through different sources, and board membership influx is derived from archival data. A visual representation of our model is presented at the end of the theoretical framework below (see Fig. 1).

Theoretical framework

TMT reflexivity

Research and theorizing in economics, management and psychology suggests that social dynamics are a relevant driver of TMT decision making (Cyert & March 1963; DeChurch and Mesmer-Magnus, 2010; Hambrick and Mason, 1984). TMT decisions are generally considered effective when they (a) maximize shareholder value or profit (b) meet customer interests and (c) ensure firm viability (Adams et al., 2010). Theories on strategic paradoxes and decision dilemmas predict, however, that while making decisions, top managers experience competing pressures when attempting to meet these goals simultaneously (Eisenhardt, 1989; Fama and Jensen, 1983; Mitnick, 1975). Empirical evidence demonstrates, for example, that maximizing sales growth and shareholder profits can be at odds with customer interests or viability demands (Margolis and Walsh, 2001). The unique context in which TMTs operate (i.e., unpredictable, rich in resources and driven by profit-based incentive schemes) further strengthens these pressures as it tends to incentivize TMTs to make strategic decisions that yield short-term benefits (Frank and Obloj, 2014; Wong et al., 2011; Keltner et al., 2003). TMTs are thus faced with complex issues and competing demands, which are so cognitively challenging that they can limit their objectivity and ability to yield optimal decision outcomes (Amason, 1996; Eisenhardt et al., 1997).

Governance research on TMT dynamics suggests that governance bodies can rely on TMT reflexivity as a solid proxy for sound TMT decision making (Forbes and Milliken, 1999; but see also Laureiro-Martínez and Brusoni, 2018; Samba et al., 2018). Derived from psychology, the concept of team reflexivity captures the extent to which a group, in our case a TMT, collectively reflects upon operating methods and ways of working, and is willing to make adaptions when needed (West et al., 1997). There is robust evidence that members of highly reflexive teams develop a critical mindset to carefully assess a situation before taking strategic action, which allows them to maintain objectivity when faced with complex work issues (for an overview, see Konradt et al., 2016). This finding is in line with accountability research, showing that teams generally reach better decisions when they need to justify the process through which they derived at their decision outcome (Pitesa and Thau, 2013). By frequently discussing decision routines and the need for possible changes therein, all task views are taken into account and the importance of objectivity for reaching high quality decision outcomes remains salient to all team members (Gersick and Hackman, 1990; Konradt et al., 2016; Schippers et al., 2013). However, as intuitively simple as TMT reflexivity may seem, there is a vast number of findings showing that TMTs may very well lack such objective judgment (Georgakakis et al., 2017; Samba et al., 2018; Veltrop et al., 2015, see also Amason, 1996). These studies illustrate that TMTs do not automatically engage in reflexive thinking. The TMT-board interface thus represents a crucial medium through which boards can influence this dynamic process (West et al., 1997).

TMT-board conflict dynamics

Internal boards are tasked with scrutinizing TMT decision-making to ensure effective TMT decision-making. However, exactly this duty may create some level of 'cognitive conflict'—or goal incongruence—between the TMT and the board (Boivie et al., 2016; Fama and Jensen, 1983; Forbes and Milliken, 1999). Specifically, given their unique roles, boards and TMTs are likely to hold different cognitive representational perspectives of what goals, knowledge and procedures are important when making strategic decisions (McDonald and Westphal, 2010; McCubbins et al., 1989). So, even though challenging TMT decision-making is arguably the very core reason to have independent boards (cf. Fama and Jensen, 1983), governance scholars acknowledge that their distinct duties may produce cognitive disagreement at the TMT-board interface (Veltrop et al., 2021; Boivie et al., 2016).

While acknowledging that teams generally benefit most from non-conflicting, positive interactions (Schippers et al., 2013), conflict scholars do propose that cognitive conflict is not necessarily a dysfunctional dynamic process (Jehn, 1995; De Wit et al., 2012). It is expected that some level of this particular type of conflict reflects the presence of a valuable knowledge pool that can instigate parties to reflect more carefully on their decisions. Research in this area offers empirical support for this notion, demonstrating that when the different task perspectives are effectively integrated, it can result in both knowledge enrichment—such that both parties gain a better understanding of each other's position (Cronin and Weingart, 2019), and knowledge expansion—where both parties create new insights and explore decision options previously unthought of (De Dreu and West, 2001; Jehn and Mannix, 2001).

Forbes and Milliken (1999) already hinted at the potential for cognitive TMT-board conflict to stimulate TMTs to reflect more critically on strategic decisions, or, as they word it: "to modify their positions on important strategic issues and to entertain alternative perspectives and courses of action" (p. 494; see also Amason, 1996; Finkelstein and Mooney, 2003). However, the research findings at

[3] Dutch corporations have a two-tier structure in which the management board is separated from the supervisory board (comprising of outside directors). Supervisory board members have similar task and duties as outside directors in a one-tier structure (cf. Bezemer et al., 2014; Veltrop et al., 2017). For matters of parsimony, we refer to the management board as the TMT and the supervisory board as the board of directors (or board). We elaborate on the context of our research in the method section.

the interface have been more equivocal. Some studies show that the critical monitoring actions of boards can effectively enhance decision objectivity among top managers (Kosnik and Bettenhausen, 1992; Madison, 2014; Pitesa and Thau, 2013), and the number of investments TMTs make to increase organizational profit growth (Tosi et al., 2003). Yet other studies observed that these same board actions can make TMTs reluctant to serve organizational interests (Argyris, 1964; Corbetta and Salvato, 2004) and diminish their perceived decision-making discretion (Davis et al., 1997). Related, there is research showing that, more generally, TMTs tend to be skeptical about board independence and their critical attitude towards TMT functioning (Frey, 1993). Finally, a recent study suggests that cognitive conflicts at the TMT-board interface can harm decision making processes if left unmanaged (Veltrop et al., 2021). Together, this empirical evidence suggests that it is difficult to establish unequivocally that some degree of cognitive TMT-board conflict will directly enhance TMT reflexivity.

TMT-board conflict escalation

Conflict scholars recognize that cognitive conflict can be difficult to reconcile if not kept in check. Two meta-analytical studies on conflict dynamics demonstrate that, at all levels, cognitive conflict can increase relational tensions that escalate into affective conflict (De Dreu and Weingart, 2003; Greer et al., 2008; Simons and Peterson, 2000). Different task perceptions and opposing interests are not value free. Each party—in our case boards and TMTs—usually builds well-developed ways of working based on their successful cognitive dealings with prior decision dilemmas, so they both tend to believe in the superiority of their own knowledge base for making strategic decisions (Brewer, 2001; Cronin and Weingart, 2019; Robbins and Krueger, 2005). As it is challenging to overcome these beliefs, cognitive conflict can become unproductive and create perceptions that there are also personal, more principal incompatibilities between both parties (i.e., affective conflict; De Dreu, 2010; Simons and Peterson, 2000). When this happens, boards and TMTs are caught in a negative downward spiral where cognitive conflict increases relationship conflict, and their diverging task perspectives will not result in TMT reflexivity.

Governance research offers suggestive evidence that cognitive TMT-board conflict dynamics can indeed escalate into relational entrenchment. Studies have found, for example, that TMTs who strongly oppose intense board control tend to lower their efforts to engage in relationship building (Falk and Kosfeld, 2006), become more doubtful of monitoring practices (Dickinson and Villeval, 2008), and are more likely to perceive the board's view as outside criticism (Buchholtz et al., 2005). Moreover, empirical analyses of TMT audit reports demonstrate that they frequently contain the mentioning of interpersonal tensions with the board (Eddleston and Kellermanns, 2007; Menon et al., 1996). Therefore, our first Hypothesis is:

Hypothesis 1. There is a positive association between cognitive TMT-board conflict and affective TMT-board conflict.

Preventing escalating conflict dynamics: board membership influx

The likelihood that cognitive TMT-board conflict also feeds affective conflict raises the question whether such escalation can be mitigated. Conflict theorizing posits that there is an important distinction between *preemptive* conflict management measures that involve establishing conditions to prevent, control, or guide team conflict before it escalates, and *reactive* conflict management measures, which involves working through interpersonal disagreements among team members (Glinow et al., 2004). The preemptive management of cognitive conflict includes practices that encourage an open view towards unique opinions and, at the same time, highlights the importance of relational harmony (Cronin and Weingart, 2019; Jehn and Mannix, 2001). Governance scholars calibrate this postulation, emphasizing that boards should draw attention to the fact that they serve the same organization as TMTs and that both parties hereby ultimately share important overarching goals with each other (Boivie et al., 2011; Davis et al., 1997; Donaldson and Davis, 1991). Indeed, given that boards are purposefully installed to scrutinize TMT decision-making, they need to be conscious of how they are perceived by TMTs, and, hence, of the responsibility they have in defusing conflict-escalating dynamics.

Boards commonly attempt to structure decision-making processes and collaboration patterns with TMTs through their own membership composition. A few years ago, the Financial Times even coined such 'refreshment' as the new boardroom buzzword (Grene, 2015). The assumption underlying this practice is that a board's composition will greatly determine how boards and TMTs view one another's position, and how TMTs evaluate their boards' relational approach. For example, studies have found that boards composed of members with relatively high educational levels and a variety of functional backgrounds are generally well received by TMTs and, therefore, more likely to be successful in their monitoring activities (Hambrick et al., 2001). Building on these findings, scholars have argued that research should additionally examine how different tenure structures within boards influence the quality of TMT-board relations (Hollenbeck et al., 2004). Boards can indeed also change their composition through membership influx, or the entry of new, outside members (i.e., the 'refreshment'). In this way, the overall degree of board membership influx represents the relative duration of membership in a board, and hereby specifies how 'open' or closed the social dynamics are within a board. An open and outward oriented focus can presumably help the board in establishing positive relations with TMTs (see Gulati and Westphal, 1999).

Psychology research confirms that regular membership influx can influence how teams cope with task disagreements among their members, or with other parties. First, both Katz (1982) and Ziller (1965) show that teams can benefit from regular compositional change when they are highly task focused, and had been relatively stable in the past. Such teams otherwise start to overestimate their own established ways of working and develop strong collective values that are difficult to change. Follow up studies support these classic findings, showing that this inward focus makes teams more critical towards unique knowledge and unapproachable for outsiders (Hogg, 1992; Hornsey and Imani, 2004). In addition, an extensive review study in this area confirms that even though teams naturally resist change because it disrupts their work habit, it is exactly this disruption that forces them to become more cognizant towards their own task perspectives (Rink et al., 2013).

Studies have captured a cognitive response to membership influx through various ways, including increased attention for group processes (Arrow and McGrath, 1993) and team task allocations (Phillips et al., 2009). This work observed that such effects occur immediately and automatically after the influx, and regardless of whether it took place within the team itself, or within the team's direct social environment. Moreover, the response appears to become even stronger when the latest member influx is someone who clearly fulfils a distinct social or functional role (Phillips et al., 2009; Kane and Rink, 2016). A compositional change thus triggers cognitive attention when it is relevant for a team's work context and highlights task differences. This means that in the TMT-board interface, board membership influx can instantly increase cognitive attentiveness within TMTs (DeRue et al., 2012; Rink and Ellemers, 2015). Boards represent a relevant element of the work context in which TMTs operate and new board members are generally perceived to be socially and functionally distinct because of their unique monitoring duty. It is thus likely that TMTs will anticipate a different interaction pattern and become more conscious of their own practices. Membership influx should thus represent a particularly effective preemptive conflict management practice, through which boards can prevent cognitive conflict from increasing affective conflict. This practice should trigger both parties to adopt a more fluid value-belief system about their own cognitive perspectives, to remain tolerant towards outsider views, and to be perceived as such by the other party (Dunbar et al., 2000; Hambrick et al., 2001; Rockeach and Regan, 1980). Our second Hypothesis therefore states[4]:

Hypothesis 2. Board membership influx will moderate the association between the levels of cognitive TMT-board conflict and affective TMT-board conflict, such that this association becomes weaker with recent board membership influx.

The relationship between Affective Conflict and TMT Reflexivity, and the moderating role of External Monitoring.

As stated above, the literature suggests that board membership influx deescalates conflict dynamics when the TMT-board interface is still fairly task-focused. This practice may no longer work when relational tensions among both parties have already increased to a dysfunctional level. In this situation, it can be assumed that the affective conflict will lower TMT reflexivity. Conflict research consistently shows that affective entrenchment typically makes parties (even) more skeptical towards each other's unique standpoints (e.g., Balliet et al., 2014; Biernat et al., 1996). It motivates parties to engage in actions that bolster their own unique values (Stephan et al., 2009) and prompts parties to process their own knowledge base more favorably (Staw et al., 1981). Moreover, research suggests that an increase in affective conflict tends to trigger a myopic mindset in groups that are measured against strict standards and run the risk of receiving criticism in public, as is the case with TMTs (Golec and Federico, 2004). These defensive responses will harm the ability of TMTs to reflect on their decisions because it makes them less apt to recognize when strategic improvements are needed (Cronin and Weingart, 2019; Knapp et al., 2011). In conclusion, when affective TMT-board conflict does increase, it will negatively impact TMT reflexivity. Our third Hypothesis is therefore:

Hypothesis 3. Affective TMT-board conflict will be negatively associated to TMT reflexivity.

With this effect in mind, the TMT interface with the external supervisory authority becomes important. At the stage where affective conflict is significantly increased, reactive conflict management practices are needed to mitigate the negative consequences of relational tensions for TMT reflexivity. We argue that external supervisors are in a suitable position to engage in such practices. Unlike internal boards, external supervisors operate from a distance, and are therefore not frequently in direct contact with TMTs. Their key objectives are to maintain market stability by verifying compliance to regulations that govern sound business activities (Dal Bó, 2006). Consequently, many of their monitoring activities are geared towards the control of legal risks, finances and organizational structures (McPhilemy, 2013). Nonetheless, external supervisors also have the legal authority to influence TMTs decisions, through regulations that require transparency and proper behavioral conduct and through case interventions when TMT decisions carry too much risk (Jensen and Meckling, 1976; Walsh and Seward, 1990; Wouters and Van Kerckhoven, 2011). Through this latter monitoring activity, external supervisors can stimulate TMTs to engage in reflexive decision making (Aguilera et al., 2015) and, thus, effectively mitigate the negative impact of affective conflict dynamics on TMT reflexivity (Karambayya et al., 1992; Keashley & Newberry, 1995).

Our argument is based on conflict theorizing predicting that reactive conflict management measures should be installed by parties who have a unique, independent position relative to both conflict parties (Glinow et al., 2004; Peterson and Behfar, 2003; Widmer et al., 2009). A grounded premise in this literature is that escalated affective conflict can best be resolved by a nonpartisan arbiter who can facilitate dialogue, clarify misconceptions, reconcile perceived value differences and motivates parties to focus on their collective

[4] Consistent with board-governance research we see it as the board's duty to hire and fire top managers. Although our results are robust to controlling for TMT membership influx, we very much see this as an outcome of the board carrying out its fiduciary duties. TMT membership influx is essentially dependent on how (prior) TMT members operate and whether they have been fired by the board. However, we also obtained TMT membership influx from archival data, yet this variable was uncorrelated with affective TMT-board conflict and TMT reflexivity. Also, when included in the analyses TMT membership influx does not change the results for our conceptual model.

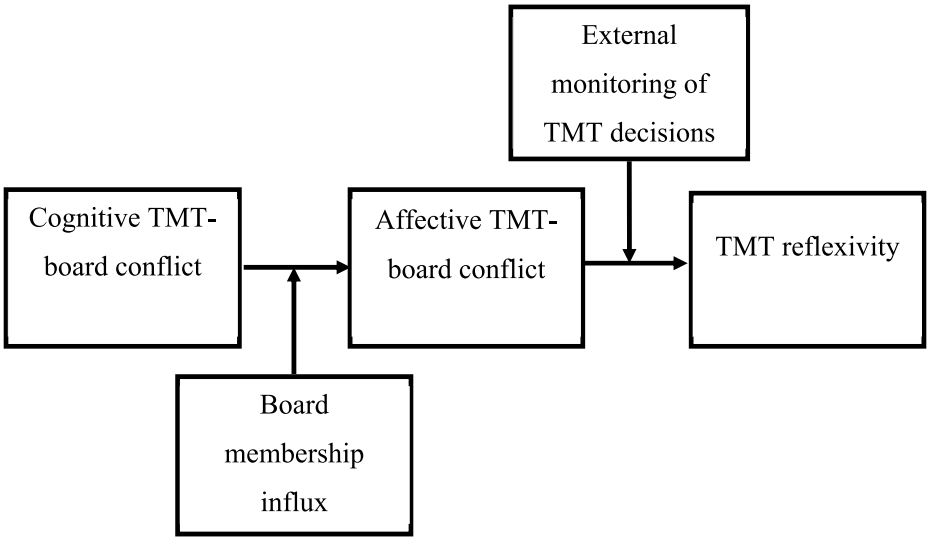

Fig. 1. Conceptual model.

goals (Dixon, 1996; Jehn and Bendersky, 2003; Tjosvold et al., 2003; Weinberg-Kurnik et al., 2015). Studies have even found that such arbiters not only settle affective conflict effectively, they also tend to (re)install a reflexive mindset among the parties (Gurtner et al., 2007; Gabelica et al., 2014; Konradt et al., 2015). To achieve these positive outcomes, it is crucial however, that arbiters remain independent while actively helping the parties to work through their disagreements. In this way, the final responsibility for common agreements continues to rest with the conflicting parties (Carnevale and Pruitt, 1992; Karambayya et al., 1992).

Hence, in cases where affective TMT-board conflict is amplified, we expect that boards and TMTs will more readily accept monitoring actions of external governance bodies that intervene in the decision-making process. These actions then help reconcile the conflict situation, and can hereby ensure that TMTs remain reflexive in their strategic decision-making. Accordingly, our final Hypothesis states:

Hypothesis 4A. Monitoring of TMT decisions by external supervisory authorities will moderate the negative association between the degree of affective TMT-board conflict and TMT reflexivity, such that this association becomes weaker as external monitoring increases.

In conclusion, our full conceptual model predicts that there is a positive association between the degree to which boards and TMTs experience cognitive conflict and affective conflict (Hypothesis 1). This relationship can in principle be mitigated by a sufficient level of board membership influx (Hypothesis 2). Yet, when boards have relatively little influx and affective TMT-board conflict escalation does occur, it will harm TMT reflexivity (Hypothesis 3). To mitigate this deleterious consequence, it becomes important that external supervisory authorities increase their TMT monitoring activities (Hypothesis 4A). Together, these predictions represent a two-stage moderated mediation pattern, which is reflected in our final hypothesis (see Fig. 1 for a full overview of our conceptual model):

Hypothesis 4B. The indirect association between cognitive TMT-board conflict and TMT reflexivity, through affective TMT-board conflict, is conditional upon board membership influx (first stage) and external supervision (second stage).

Method

Setting

Our research relies on data gathered from TMTs and boards of Dutch insurance companies. These companies, like most Dutch companies, have a two-tier structure in which the 'management board' (i.e., TMT) is formally separated from a 'supervisory board' (i.e., the board). The latter is composed out of outside directors. Boards of Dutch insurance companies have a fiduciary duty to supervise whether the decision making of TMTs is in the interest of the organization and its stakeholders (Art. 3:17; 3.8, Financial Supervision Act, Wft; Corporate governance code, 2016, Principle 1). The Dutch Central Bank (DNB, *De Nederlandsche Bank*) is the external supervisor responsible for the macro- and micro-prudential supervision of these companies, focusing on the stability in their sector and

their financial health. In particular, DNB has the legal authority to monitor whether the TMT actions of the insurance companies are compliant with Dutch law, such as the Financial supervision Act (Wft), as well as other regulations (Sijbrand and Rijsbergen, 2013).

Sample and procedure

We relied on well-established and recommended procedures to recruit our survey sample, such as personal communication and survey endorsement (i.e., from the Dutch Association of Insurance Companies, VVV,[5] see also Westphal and Stern, 2007). The research department of the Dutch Central Bank also supported the study, but emphasized that the data would solely be used for scientific purposes, and would therefore not be accessible for possible monitoring activities of the bank. Hence, complete anonymity and confidential, aggregated data treatment was guaranteed. In return for participation, each TMT and board received a benchmark report of their average scores relative to the total survey sample.

At the time of data collection, there were 290 insurance companies active in the Netherlands that operated under license of DNB, together holding 75 billion in gross premium income and employing 52.000 people. Of this total, we approached 100 insurance companies who fulfilled two key criteria[6]: (1) companies were either headquartered in the Netherlands, or, (2) represented independent, separate subunits of a larger insurance group holding with their own internal supervisory board. All TMT members (N = 245) and board members (N = 408) in these companies received our survey, of which 52% of the TMT members responded without substantial missing data (N = 128 members), yielding complete data on 65 TMTs at the aggregate level. The response rate of board members was 47% (N = 193), which yielded complete, aggregated data from 76 boards. Given, however, that our conceptual model requires matching TMT-board responses, we could only use data from 56 companies in which both parties participated. The final sample therefore consisted of 111 TMT members (M_{age} = 52.70, SD = 7.89, 7% female), and 152 board members (M_{age} = 58.86, SD = 8.15, 14.5% female) representing 56 TMTs and boards.

To check for sample representativeness, we conducted a Kolmogorov-Smirnov two-sample test to examine whether distributions of key TMT and board characteristics in our sample (i.e., their size, years in office, member age) were comparable with distributions of these same TMT and board characteristics in the excluded sample (Westphal and Bednar, 2005). Results confirmed that the TMTs and boards in the final sample did not differ significantly from the excluded boards and TMTs, in terms of size, member terms and age (*p*-values for TMTs: 0.74, 0.85, 0.39, respectively; *p*-values for boards: 0.86, 0.34, 0.43, respectively).

Data sources

To avoid common source bias, we assessed part of our measures through multiple sources (Podsakoff et al., 2003). The key independent variable (i.e., cognitive TMT-board conflict), as well as our mediating mechanism (i.e., affective TMT-board conflict) and the second-stage moderator (i.e., monitoring TMT decision activities by the external supervisory authority) were rated by board members. Yet the first-stage moderator (i.e., board membership influx) was obtained from archival data. Importantly, our dependent variable (i.e., TMT reflexivity) was rated by the TMT members. For an overview of the survey items and sources see Table 1.

As our conceptual model requires analyses at the team level, we also used a referent shift informant sampling approach, which means that all survey items were framed at the team level (cf. Van Der Vegt and Bunderson, 2005). For example, TMT members were asked to evaluate the overall degree of reflexivity within their TMT rather than their own personal reflexivity level. This approach thus qualified members of a particular TMT or board to provide ratings on TMT or board-level properties (cf. Simons et al., 1999). We further calculated the $r_{wg(j)}$ inter-agreement coefficient for each construct, and compared this coefficient to a uniform and a highly skewed distribution (see James et al., 1993; LeBreton and Senter, 2008). In addition, we calculated the intra-class correlation coefficient (ICC_1) to assess how strongly member scores within TMTs and boards resemble each other, and thus warrant that data aggregation to the team-level was accurate (Bliese, 2000). All survey items were assessed on a 7-point Likert scale (1 = *never/strongly disagree* to 7 = *very often/strongly agree*). The reliability of each measure, and their $r_{wg(j)}$ values and ICC_1 scores, are reported below.

Measures

Cognitive TMT-board conflict

Cognitive TMT-board conflict was assessed by presenting board members with an adapted version of the three cognitive conflict items developed by Jehn and Mannix (2001, e.g. "How much conflict of ideas is there between the top management team and the supervisory board?", α = .87). The $r_{wg(j)}$ and ICC_1 statistics warranted data aggregation (ICC_1 = .28, p < .001; compared to a uniform distribution, median $r_{wg(j)}$ = .92, mean = .88; compared to a highly skewed distribution, median $r_{wg(j)}$ = .77, mean = .60).

[5] The VVV represents the majority of Dutch insurance companies, with their total membership holding more than 95% of the Dutch market share.

[6] When the headquarters are located in the Netherlands, companies fall under direct supervision of DNB, they have a board in place, and TMTs (as well as their boards) hold discretionary power to make strategic company decisions. The participating companies thus all worked with an independent governance structure.

Table 1
Survey measures, references and rating sources.

Survey items construct	Reference	Rating source
Cognitive TMT-board conflict 1. How much do the top management team and the supervisory board have professional differences of view? 2. How much conflict of ideas is there between the top management team and the supervisory board? 3. How often do the top management team and the supervisory board have content related conflicting opinions?	Jehn and Mannix (2001)	Board members
Affective TMT-board conflict 1. How much relationship tension is there between the top management team and the supervisory board? 2. How often do the top management team and the supervisory board get angry during meetings? 3. How much emotional conflict is there between the top management team and the supervisory board?	Jehn and Mannix (2001)	Board members
External monitoring of TMT decisions 1. To what extent does DNB monitor the strategic decision making of the top management team? 2. [In the past twelve months:] how often did DNB insist on revisions of a proposed risk mitigating measures by the top management team? 3. To what extent does DNB request information to evaluate the risk assessment of the top management team?	McDonald and Westphal (2010)	Board members
TMT Reflexivity 1. We regularly discuss whether the top management team is working together effectively. 2. We regularly have critical discussions how the top management team operates. 3. The objectives of the top management team are regularly critically discussed. 4. In this top management team we adapt our objectives in light of changing circumstances. 5. The methods of the top management team are rarely changed. (R) 6. We discuss regularly the extent to which information is well shared within the top management team. 7. The way decisions are made in this team is rarely altered. (R) 8. We regularly reflect on the way in which decisions are made.	Schippers et al. (2008)	TMT members

Affective TMT-board conflict

Board members also rated an adapted version of the affective conflict scale developed by Jehn and Mannix (2001, e.g. "How much relational tension is there between the Top Management Team and the supervisory board?", $\alpha = .82$). The $r_{wg(j)}$ and ICC_1 statistics again warranted data aggregation ($ICC_1 = .58$, $p < .001$; compared to a uniform distribution, median $r_{wg(j)} = .97$, mean $= .91$; compared to a highly skewed distribution, median $r_{wg(j)} = 0.92$, mean $= .74$).

Board membership influx

In contrast to shared group-level phenomena that are averaged to the group level, board influx reflects the latest group member change that generates group disruption (cf. Hollenbeck et al., 2004). We captured board membership influx by measuring how long it has been since the newest member entered the board (see also Rollag, 2004). We gathered archival data from the Dutch Chamber of Commerce, and calculated how long ago boards appointed their latest board member. For instance, a score of 0.5 would indicate that it has been half a year since the newest board member on the board has been appointed. We inverted this score, such that higher scores reflect more recent appointments.

TMT reflexivity

Given that reflexive decision making represents an emerging, psychological process within TMTs that is difficult to observe from the outside (Schippers et al., 2003), we asked the TMT members to rate their TMT on this measure. For this purpose, we adapted the eight items of the reflexivity scale developed by Schippers and colleagues (Schippers et al., 2008, e.g. "We regularly discuss whether the top management team is working together effectively", $\alpha = .80$). The $r_{wg(j)}$ and ICC_1 statistics warranted data aggregation ($ICC_1 = .22$, $p < .001$; compared to a uniform distribution, median $r_{wg(j)} = .92$, mean $= .91$; compared to a highly skewed distribution, median $r_{wg(j)} = 0.89$, mean $= .54$).

External monitoring of TMT decisions

Board members also had to answer three items capturing the degree to which the external supervisory authority monitored TMT decisions (McDonald and Westphal, 2010, e.g. "To what extent does DNB [the external supervisory authority] monitor the strategic decisions of the top management team"; $\alpha = .64$). The $r_{wg(j)}$ and ICC_1 statistics of this measure warranted data aggregation ($ICC_1 = .32$, $p < .001$; compared to a uniform distribution, median $r_{wg(j)} = .81$, mean $= .93$; compared to a highly skewed distribution, median $r_{wg(j)} = 0.90$, mean $= .61$).

Control variables

The size of our aggregated sample constrains the number of control variables we can simultaneously include in our Hypothesis testing analyses. Yet we considered it important to include TMT size and board size as potential control variables, because larger teams are more prone to experience communication problems which may hamper TMT reflexivity (Buchholtz et al., 2005; Haleblian and Finkelstein, 1993). In addition, we wanted to control for the proportion of female members in TMTs and boards, since gender diversity has impacted (both positively and negatively) the acceptance of dissenting opinions, affective conflict dynamics, and team reflexivity (Hillman et al., 2011; Li and Hambrick, 2005; Nijstad et al., 2014).[7]

Results

Table 2 presents the means, standard deviations, and zero-order correlations for all variables. To test Hypotheses 1–4A, we used ordinary least square (OLS) regressions with standardized variables and variable interaction terms (Aiken and West, 1991). To test Hypothesis 4B, we used Hayes' (2018) PROCESS bootstrapping analysis for conditional indirect effects that can test moderation effects at different stages of a conceptual model. The bootstrap 95% confidence intervals were estimated at higher (+1 *SD*), intermediate (*Mean*) and lower (−1 *SD*) levels of board membership influx and external monitoring of TMT decisions.

Hypotheses testing

Hypothesis 1 predicted that the level of cognitive TMT-board conflict is positively related to the level of affective TMT-board conflict. Our second hypothesis stated that this relationship can be mitigated by board membership influx, such that this relationship becomes less strong as board membership influx increases. Consistent with Hypothesis 1, Table 3 (Model 2) shows a significant and positive direct relationship between the degrees of cognitive TMT-board conflict and affective TMT-board conflict ($\beta = .61$, $p < .01$). Hence, Hypothesis 1 is supported. Consistent with Hypothesis 2, Table 3 (Model 3) also shows a significant and negative interaction effect of board membership influx and cognitive TMT-board conflict on affective conflict ($\beta = -.19$, $p < .05$). Simple slope analyses (Aiken and West, 1991) further confirmed that cognitive TMT-board conflict was more strongly related to affective TMT-board conflict at low levels of board membership influx (−1 *SD*: $\beta = .73$, $p < .001$), while the relationship became weaker at high levels of board membership influx (+1 *SD*: $\beta = .35$, $p < .05$). See Fig. 2.

Hypothesis 3 subsequently predicted that affective TMT-board conflict relates negatively to TMT reflexivity. Moreover, we also hypothesized (H4a) that this relationship could be mitigated by external monitoring of TMT decisions, such that this relationship becomes less strong when external monitor is increased. Table 4 (Model 2) shows no significant direct relationship between relationship conflict and TMT reflexivity ($\beta = -.13$, $p = ns$). Hence, we found no support for Hypothesis 3. Consistent with Hypothesis 4a, however, we did find a significant and positive interaction effect of external monitoring and affective TMT-board conflict on TMT reflexivity ($\beta = .37$, $p < .01$). The simple slope analyses confirmed that affective TMT-board conflict was negatively related to TMT reflexivity, when external monitoring was lower *(-1 SD: $\beta = -0.52$ $p < .01$),* while this relationship became non-significant and positive as external monitoring increased *(+ 1 SD: $\beta = .20$, $p = ns$.* We thus find support for Hypothesis 4a. See Fig. 3.

Table 5 presents the results of the moderated mediation bootstrap results to test our full conceptual model as presented in Hypothesis 4b. The results of these analyses show that at high levels of board membership influx—regardless of the level of external monitoring—cognitive TMT-board conflict does not negatively impact TMT reflexivity through affective TMT-board conflict. At mean or low levels of board membership influx, however, cognitive TMT-board conflict does negatively impact TMT reflexivity through

[7] We measured two additional control variables that, on the basis of our psychological theorizing, should not directly relate to our model, but could possibly still affect our proposed relations. The first variable, interaction frequency between boards and TMTs, allowed us to control for possible unique communication patterns due to the two-tier structure in which we examined the TMT-board interface. Specifically, the meeting frequency may be higher in a one-tier governance structure than in a two-tier structure because non-executive and executive directors reside within the same board and may therefore attend more joint meetings. We therefore checked the average TMT-board interaction frequency with a compilational construct consisting of two items asking boards to indicate the frequency of their formal and informal interactions with their respective TMTs (on 7-point Likert scales, 1 = not a lot to 7 = very often, (see Kozlowski and Klein, 2000). The interaction frequency turned out to be relatively high (M = 5.43, SD = 0.87), which is well above the midpoint of the scale. Yet interaction frequency did not predict TMT reflexivity directly, and when included as a control variable in our analyses, only affected the moderated mediation effect for reflexivity (this effect then became marginal significant which is likely to be a power issue). All other results remained intact. These findings largely support past governance research that found similar boardroom dynamics across one-tier and two-tier governance structures—at least in terms of cognitive conflict, social pressure from dominant CEO's and biased decision-making patterns (e.g., Bezemer et al., 2014; Conger & Lawler, 2009; Maassen and van den Bosch, 1999; Veltrop et al., 2021). Moreover, the finding is fully in line with the classic psychological assumption that group dynamics represent fundamental relational processes that occur in any social setting that is meaningful to people, either in psychological or in task-related ways (Tajfel and Turner, 1986; Cummings et al., 2016).The second variable is age dispersion within the TMTs, and was captured because it is generally seen as a diffuse status cue from which people infer the amount of work experience of others (Berger et al., 1977; Buengeler et al., 2016). Although not directly related to the predictor variables in our model, such perceived status differences may also impact TMT reflexivity. We calculated TMT age disparity with the coefficient of variation (cf. Harrison and Klein, 2007) by hand collecting information on the age of all TMT members in our sample. The results remain substantively unchanged when adding TMT age disparity as a control. However, inclusion of this variable reduced our sample size to 49 due to missing data. We therefore retain the larger sample in our analyses.

Table 2
Means, standard deviations, and correlations for study variables.

Variables		Mean	SD	1	2	3	4	5	6	7	8
1	Board size	4.09	1.61								
2	TMT size	2.41	1.04	0.08							
3	Prop. females in boards	0.13	0.17	0.33*	−0.03						
4	Prop. females in TMTs	0.08	0.20	−0.11	0.09	−0.16					
5	Cognitive TMT-board conflict	2.82	0.83	0.08	0.34**	−0.09	−0.11				
6	Board membership influx (years)	2.29	1.83	0.21	−0.24	0.27*	−0.05	−0.14			
7	Affective TMT-board conflict	1.73	0.65	−0.01	0.17	−0.16	−0.06	0.61**	−0.29*		
8	External monitoring TMT decisions	4.16	1.07	0.28*	0.04	0.21	−0.04	0.41**	0.32*	0.15	
9	TMT reflexivity	4.92	0.74	−0.13	0.01	0.24	0.06	−0.02	0.01	−0.10	0.13

n = 56. †p < .10, *p < .05, **p < .01.

Table 3
Regression Results for Affective TMT-Board Conflict, stage 1.

Variables	Model 1	Model 2	Model 3
Board size	0.02	0.01	0.06
TMT size	0.18	−0.09	−0.09
Prop. females in boards	−0.18	−0.05	−0.13
Prop. females in TMTs	−0.11	−0.01	−0.04
Cognitive TMT-board conflict		0.61**	0.54**
Board membership influx		−0.21	−0.18†
Cognitive TMT-board conflict x Board membership influx			−0.19*
R2	0.07	0.43	0.47
Delta R2		0.36**	0.04*

n = 56 organizations. †p < .10 *p < .05. **p < .01 (based on Huber-White robust standard errors). Standardized regression coefficients are reported.

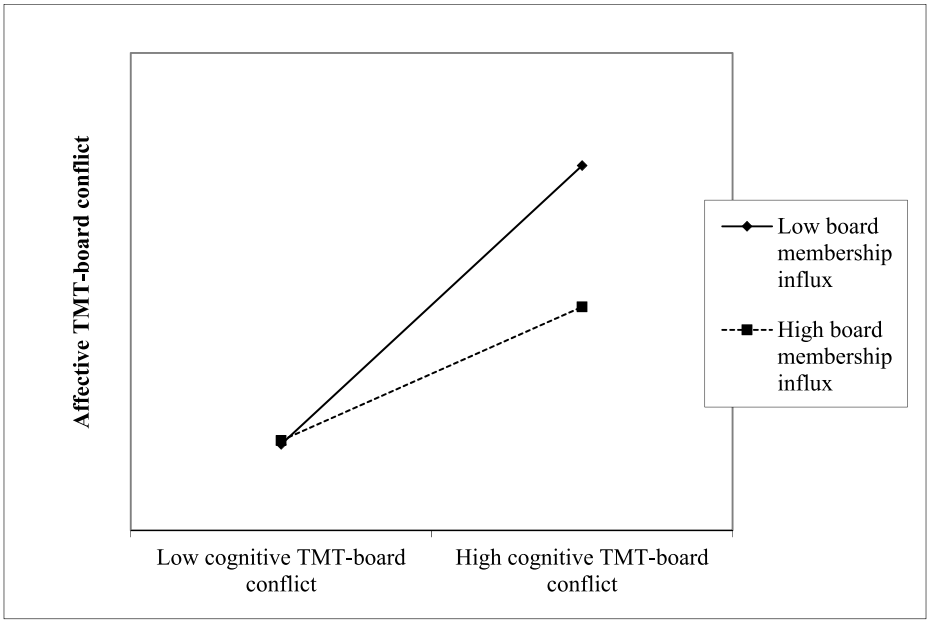

Fig. 2. Stage 1 moderation of board membership influx in the link between cognitive and affective TMT-Board conflict.

affective TMT-board conflict when external monitoring is low. Specifically, the 95% confidence interval of the indirect effect excludes zero when board membership influx is at the mean [-0.58, −0.02] or low [-0.78, −0,02] at low levels of external monitoring, but not when external monitoring is at the mean or high. Hence, we find general support for Hypothesis 4b that captured our overarching model for the (stage 1) moderating effect of board membership influx and (stage 2) external monitoring.

Table 4
Regression Results for TMT Reflexivity, stage 2.

Variables	Model 1	Model 2	Model 3
Board size	−0.22	−0.26	−0.27
TMT size	0.02	0.00	−0.10
Prop. females in boards	0.33**	0.31*	0.28*
Prop. Females in TMTs	0.09	0.09	0.06
Cognitive TMT-board conflict		0.10	0.10
Affective TMT-board conflict		−0.13	−0.16
External Monitoring TMT decisions		0.09	0.20†
Affective TMT-board conflict x External Monitoring TMT decisions			0.37**
R2	0.11	0.13	0.19
Delta R2		0.02	0.06*

n = 56 organizations. †p < .10 *p < .05. **p < .01 (based on Huber-White robust standard errors). Standardized regression coefficients are reported.

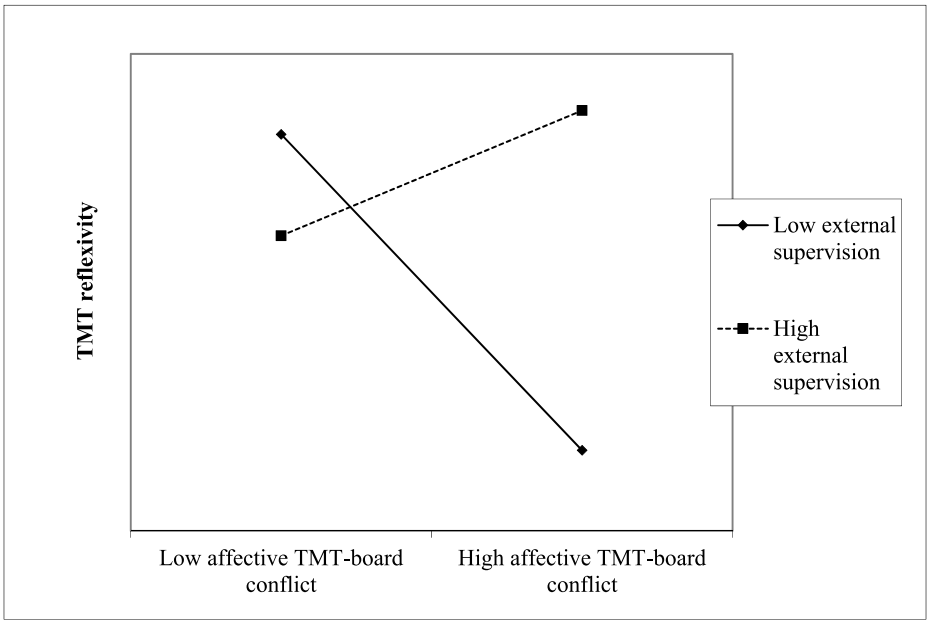

Fig. 3. Stage 2 moderation of external monitoring on the link between affective TMT-Board conflict and TMT reflexivity.

Table 5
Results for Conditional Indirect Effects of Cognitive TMT-board conflict on TMT Reflexivity through Affective TMT-board Conflict.

Conditional Indirect Effects of Board Membership Influx (stage 1) and External Monitoring of TMT Decisions (stage 2) at Mean ± 1 SD				
Board Membership Influx	External Monitoring of TMT Decisions	Boot indirect effect	Bootstrap 95% confidence interval	
			lower bound	upper bound
Low	Low	**−0.39**	**−0.78**	**−0.02**
Low	Mean	−0.12	−0.40	0.11
Low	High	0.15	−0.30	0.48
Mean	Low	**−0.29**	**−0.58**	**−0.02**
Mean	Mean	−0.09	−0.31	0.09
Mean	High	0.11	−0.23	0.36
High	Low	−0.19	−0.48	0.02
High	Mean	−0.06	−0.26	0.06
High	High	0.07	−0.17	0.29

N = 56 TMTs and Boards of 56 Companies. Bootstrap sample size is 5.000.

Discussion

In a field study conducted among TMTs and boards of Dutch insurance companies we found support for our central proposition that conflict dynamics in the internal TMT-board interface influence TMT reflexivity. The results confirm our full contingency model predicting how internal and external governance bodies can mitigate these dynamics and thus have a clear role in ensuring that TMTs remain reflexive on their own actions. Specifically, we observed that the relationship between the levels of cognitive TMT-board conflict and affective TMT-board conflict hinged on board membership influx. In boards with high membership influx, cognitive TMT-board conflict is unlikely to increase affective conflict, whereas this is more likely in boards where the influx was lower. Moreover, we observed that the subsequent impact of increased levels of affective conflict on TMT reflexivity is very much attenuated by the degree to which the external supervisor monitored TMT decisions. Together, the findings showed that cognitive TMT-board conflict can pose a challenge to TMT reflexivity by increasing TMT-board affective conflict, but this path is conditional on both board membership influx and on the monitoring by the external supervisor.

Theoretical implications

TMTs reflecting critically on their own functioning and strategic decision making is essential because it stimulates sound TMT decision-making (Amason, 1996; Forbes and Milliken, 1999; Laureiro-Martínez and Brusoni, 2018; Samba et al., 2018). It is thus important to gather knowledge on the unique roles that internal and external governance bodies may have in shaping this outcome. Our examination provides an interdisciplinary, micro-level view on this topic, which takes into account that TMT reflexivity is an evolving, psychological process. Drawing from the conflict, psychological and governance literatures, we built a conceptual model that predicts the relational dynamics between TMTs and boards, and the subjective TMT responses to external monitoring activities (Hambrick, 2007).

Our unique micro-level research approach yields several key theoretical implications for the governance literature. Foremost, governance scholars generally assume that the diverging task perspective of boards, and their challenging role towards TMTs, will alert TMTs to take all stakeholder interests into account and engage in proper business strategies (e.g., Ward et al., 2009). Our results demonstrate, however, that a certain degree of cognitive TMT-board conflict may not always yield such positive effects. In line with conflict theory, we observed that within the TMT-board interface, cognitive disagreements can readily increase more fundamental interpersonal tensions, which in turn, reduces TMTs' ability to reflect on their own behaviors (Kellermanns and Eddleston, 2004; Jehn, 1995). Our study thus suggests that TMT-board relations require both preemptive and reactive management practices before they will positively affect TMT reflexivity.

We find that one effective way to structure the TMT-board interface, and hereby halt a possible cognitive-to-affective conflict spiral, is through board membership influx. This finding resonates well with the governance literature showing that board compositional characteristics have an important role in influencing TMT-board relations (Johnson et al., 2013). Moreover, while scholars have warned that board 'refreshments' may limit boards' ability to get access to relevant firm knowledge (e.g., Fischer and Pollock, 2004; Kor and Sundaramurthy, 2009), our study indicates that TMTs tend to evaluate 'flux' boards more positively than 'static' boards, and supports evidence that positive affective relations may actually breed a willingness to share sensitive information (Golden and Zajac, 2001; Vafeas, 2003).

Another implication of our work is that TMT reflexivity is clearly not shaped by the TMT-board interface alone—the activities of an external supervisor become crucial when cognitive conflict does fuel affective conflict. Hence, the interplay between TMTs, boards and external supervisors may be more nuanced than generally assumed (Aguilera et al., 2015). We find that both internal and external TMT-interfaces positively influence TMT reflexivity, but do so at different conflict stages and through different means. Whereas board membership influx has a unique role in *preventing* conflict escalation, monitoring by an external supervisory authority can ensure that such conflict can be *resolved* once it occurs, so that TMTs maintain engaged in reflexive decision making. These results suggest that both governance bodies may benefit from aligning their actions accordingly (Frink and Klimoski, 2004; Pennington and Schlenker, 1999). In this way, internal and external governance bodies complement each other's monitoring actions (e.g., Walsh and Seward, 1990; Tosi et al., 1997), rather than acting as mutually exclusive substitutes (e.g., Dalton et al., 2007).

Limitations and future research

We acknowledge several limitations of this study. First, although we were able to gain access to unique, primary field data on confidential board dynamics and the monitoring activities of the external supervisor (Leblanc and Schwartz, 2007), our organizational sample size is relatively small and we cannot rule out potential selection bias. Moreover, the cross-sectional nature of our study makes it difficult to make strong inferences about the causal direction of our study variables. We employed a number of effective procedural remedies to avoid inflated or spurious correlations, and as explained in the introduction, the direction of our proposed conflict and reflexivity effects is well theorized and empirically supported in the respective literatures. For example, research demonstrates that conflict generally precedes TMT reflexivity rather than vice versa because the positive decision outcomes generated by TMT reflexivity tend to boost positive relations within a team (Schippers et al., 2013; Jehn and Mannix, 2001). Moreover, the cognitive-to-affective conflict spiral hardly ever presents itself in a reversed order. Scholars reason that teams suffering from poor interpersonal processes are so emotionally preoccupied with this type of conflict, that task conflicts no longer attract attention (Hackman and Wageman, 2005; Peterson and Behfar, 2003; Simons and Peterson, 2000). So, the findings cannot exclude the possibility of reversed causality, but the literature does suggest that this possibility is relatively small. Nonetheless, we do think it is important that future research starts using

longitudinal survey designs in which repeated measurements are incorporated.

Secondly, many governance papers studied boards that operate in a one-tier system, where executive directors and non-executive directors are part of the same board (Bezemer et al., 2014; Talaulicar and Judge, 2017). Our sample, however, consists of insurance companies that operate under a two-tier governance structure, where executive directors and the CEO form the Top Management Team (TMT) and non-executive directors form a separate supervisory board (Jungmann, 2006; Millet-Reyes and Zhao, 2010). Even though there are clear structural differences in how supervisory boards are organized in each system, governance scholars argue that they need to tackle similar governance problems with the same aims. For example, the non-executive directors in supervisory boards generally have the same roles, task and duties as outside directors in a one-tier structure (Veltrop et al., 2017; Dutch Corporate Governance Code, 2016, Principle 1). Under both systems, the non-executive directors have the duty to monitor and provide management with advice (Bezemer et al., 2007). Nevertheless, some caution should be applied when generalizing our findings to other governance structures, as contextual factors can create differences across TMT-board interfaces in how they handle their conflict dynamics. It would therefore also be worthwhile if future research would systematically compare this potential structural impact on our conceptual model.

Future research on the TMT-board interface could also examine what other strategies boards can use to ensure that their relations with TMTs are sufficiently independent and harmonious at the same time. Conflict and governance scholars have argued that the key representatives of conflicting parties (i.e., the most prototypical members or leaders) have a crucial role in preventing conflict escalation because they can set the right example and adequately lead front-line discussions (Jehn and Mannix, 2001). This argument suggests that it is worthwhile to investigate which chair behaviors are key for handling TMT-board conflict dynamics. For example, one could further examine how particular leadership styles of a chair, such as whether s/he is dominant (forceful, assertive) or participative (egalitarian, collaborative), influences TMT-board relations (Anderson and Kilduff, 2009; Veltrop et al., 2021). While a dominant chair will likely manage conflict through forced compliance, a participating chair may generate more trust, and hereby establish more stable positive affective relations with TMTs in the long run.

Related, we only focused on monitoring activity from the external supervisory authority. This tailored approach fitted the scope of the study, and we relied on a validated measure that is frequently used in the governance literature (McDonald and Westphal, 2010). Even so, we acknowledge that a more detailed monitoring measure might have allowed us to present a more fine-grained analysis of how the external supervisor impacted TMT reflexivity. We in fact believe that such an analysis represents an important avenue for future research. More generally, we believe that more knowledge is needed on the best possible ways in which external supervisors can intervene when TMT-board conflict escalation occurs. For example, it is yet to be examined whether external authorities should primarily remain process focused, and devote their attention to re-opening a dialogue between the two parties (e.g., Karambayya et al., 1992), or, whether they are most influential when they clearly stipulate boundaries to conflict escalation and emphasize that the inability to resolve conflicts is considered a sign of poor performance (e.g., Gurtner et al., 2007).

Finally, in addition to the board of directors and external supervisory authorities, shareholders also constitute an important governance mechanism for monitoring TMT actions (Connelly et al., 2010). In their seminal work, Walsh and Seward (1990) explicitly highlight that shareholders and the market for corporate control represent important external governance mechanisms. Our sample of Dutch insurance companies, however, mostly consists of non-stock-listed companies. We want to underscore the importance of including data on influential shareholders and the market for corporate control in future research to extend our understanding of TMT interface dynamics.

Practical implications

Our findings offer several concrete internal and external governance tools to realize healthy boardroom dynamics and enhance TMT reflexivity. First, our results imply that boards could adopt a dynamic board succession plan that ensures a timely and frequent appointment of new board members to boards (Vafeas, 2003). Second, external supervisors will benefit from learning how they can best recognize first signs of affective TMT-board tensions. For example, they can invest in new monitoring activities that include a risk-assessment of TMT-board relationships and the development of a concrete communication plan for cases that have escalated.

CRediT authorship contribution statement

Floor Rink: Conceptualization, Methodology, Writing – original draft, Writing – review & editing, Supervision, Resources. **Melanie de Waal:** Conceptualization, Methodology, Data curation, Formal analysis, Writing – original draft. **Dennis B. Veltrop:** Conceptualization, Methodology, Data curation, Formal analysis, Writing – review & editing, Validation. **Janka I. Stoker:** Conceptualization, Methodology, Writing – review & editing, Supervision, Resources.

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