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BOARD COMPOSITION, PROCESS, AND ACTIVISM: EVIDENCE WITHIN AMERICAN FIRMS

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Abstract. *This study provided an empirical test of the effects of compositional and process variables on board activism. The attributes examined were functional area knowledge, independence, duality, and effort norms. The findings from this study provided support for the positive relationships between both functional area knowledge and effort norms and board activism. The strong relationship between effort norms and activism indicates the importance of process variables in board research and the need for additional research using process variables in a board context giving further insight into board activism and governance. Additionally, the relationship between functional area knowledge and board activism highlights how boards ability to meet cognitive demands is critical in board performance. These results as well as future research directions are examined in the discussion.*

Keywords: board activism, board governance, board attributes, strategic management.

1. Introduction

Management researchers have made significant contributions to board research incorporating both agency and resource dependence perspectives (e.g., Daily & Schwenk, 1996; Forbes and Milliken, 1999; Rindova, 1999; Sonnenfeld, 2002). The premise behind agency theory is that there are two primary actors in every corporate activity, the principal and the agent (Eisenhardt, 1989). Because the agent does not always act in alignment with the interests of the principal, the principal must monitor the behaviors of the agent. Agency theory thus indicates the need for board governance because of the self-interested nature of management. Another perspective prevalent in the board literature is resource dependence theory. According to resource dependence theory, organizations are dependent upon resources and these dependencies influence organizational decisions (Pfeffer & Salancik, 1978). Under this perspective, outside members provide access to valuable resources needed by the firm indicating the importance of board independence (e.g., Stearns & Mizruchi, 1993). Both of these perspectives guided the development of various complex models of board governance, including constructs from the top management team (TMT) and group decision-making literatures and intermediate-stage causal links that mediate the relationship between directors' characteristics and firm performance (e.g., Daily & Schwenk, 1996; Forbes and Milliken, 1999; Rindova 1999; Sonnenfeld, 2002). Zahra and Pearce (1989) reviewed empirical research on board of directors and their effect on firm performance. The bulk of this research focused on relating factors such as board independence and duality to firm performance. Because their review produced

mixed results, they suggested that efforts to link board attributes and firm performance were misguided and urged future research to review intermediate links between these attributes and firm performance. Despite recent additions since their review, little attention has been paid to empirically testing these intermediate links, such as the link between board attributes and board activism. Board activism is the extent to which a board of directors is involved in the affairs of the organization (Zahra and Pearce, 1987); it is a measure of the scope of a board's activities. These activities include attending meetings, reading board reports, evaluating the CEO, discussing succession planning, monitoring strategic direction, ensuring ethical and legal conduct, directing audit activities, reviewing financial and operating performance, approving capital and operating budgets, and approving mergers and acquisitions (Baker, 1945; Blair, 1950; Conger et al., 1998; Copeland and Towl, 1947; Lorsch and MacIver, 1989; Salmon, 1993; Shultz, 2001).

This study examines both compositional (e.g., functional area knowledge, independence, and duality) and process (e.g., effort norms) variables in relation to board activism. A considerable body of research has highlighted the impact of board composition and performance (e.g., Daily et al., 2003; Dalton et al., 1998). However, less attention has been directed towards process variables. Daily et al. (2003) indicated the need for additional research utilizing process variables. Research has found a positive relationship between effort norms and board performance (Wan and Ong, 2005; Zona and Zattoni, 2007). However, the studies by Wan and Ong (2005) and Zona and Zattoni (2007) were implemented using Singapore and Italian firms respectively as their samples. Thus, this study adds to the literature by examining compositional and process variables leading to board activism in a U.S. sample. This study also responds to calls by Daily et al. (2003) for more multi-theoretical approaches in board research with our use of resource dependence theory, agency theory, cognition, and group norms in the development of the hypotheses.

2. Background and hypotheses

2.1. Functional area knowledge

Early research has stressed the importance of directors' abilities, judgments, knowledge, and experience to effective board governance (Baker, 1945; Bates, 1940; Blair, 1950; Copeland and Towl, 1947). A board's performance depends inevitably on the capabilities of its members. The first step in creating an actively governed organization is to ensure that the board has the requisite expertise needed to govern effectively (Lorsch, 1995; Pound, 1995). A well balanced board is one that represents all the points of view needed by a particular corporation to foster sound management and governance. Because organizations have varying demands made on them as specified by resource dependence theory (Pfeffer and Salancik, 1978), they are better equipped to react to these demands with a wider range of functional area knowledge than with a limited range. Also, organizations need board members with the

knowledge and skills that complement each other and are related to the mission of a particular organization (Salmon, 1993). Ideally, each board member satisfies more than one need for a particular knowledge area on the board (Conger et al., 1998) which, in turn, expands the scope and quality of strategic decisions (Ginsberg, 1994).

Directors' functional area knowledge is defined as the functional expertise of board members relevant to a firm's operations and competitive position. Functional knowledge domains pertain to the traditional domains of business, including accounting, finance, and marketing (Forbes and Milliken, 1999). This definition of knowledge is consistent with the managerial cognitions literature that defines knowledge domains as categories of functional area expertise (Stubbart, 1989). Expertise includes knowledge about a certain domain, awareness of its main problems, and general approaches to solving the problems (Sullivan, 1990). Each area has its own sets of computational rules that are the operating mechanisms for encoding, locating, using, and changing mental representations determining what individuals deem to be important (Stubbart, 1989). Diverse members notice different stimuli and bring to a group's attention different aspects of a complex reality (Rindova, 1999). Thus, boards with a wider range of functional area knowledge are comfortable with a broader range of issues and seek information about firm performance in these domains. This indicates that boards with a wide range of knowledge are able to meet the demands of the organization and are more involved in the affairs of the organization. Thus, a wide range of functional area knowledge amongst board members leads to more active board in its governance roles. This premise can be summarized in our first hypothesis.

Hypothesis 1: Directors' collective functional area knowledge has a positive effect on board activism.

2.2. Independence

An essential feature of an effective board is independence – members whose directorships constitute their only connection to the company (Shultz, 2001). Directors' independence has been a construct of prime interest in the extant empirical research on corporate boards of directors (Johnson et al., 1996). From an agency perspective, independence means members are free from unresolved conflicts of interests and are autonomous vis-à-vis management (Lorsch, 1995). Effective decision control depends on whether directors are independent of executive management (Fama, 1980; Young et al., 2000). Therefore, having a proportion of outside members on the board helps to alleviate the extent to which there are conflicts of interests. When these scenarios arise, a board's independence allows it to challenge management, thus promoting board activism. Additionally, the resource dependence perspective indicates the importance of board independence in activism. Resource dependence theorists view boards of directors as means to gain some level of control over critical resources in their external environment (Barringer and Harrison, 2000; Boeker and Goodstein, 1991; Pfeffer, 1972). Gaining control over critical resources is

an aspect of board governance and thus, independence promotes this form of activism as well. So, both agency and resource dependence perspectives indicate the importance of independence in board activism.

Furthermore, most empirical studies have used the proportion of outside directors on a board as a measure of directors' independence and linked it to performance. However, this area has received mixed results. For instance, there have been studies where a higher proportion of inside directors had a positive effect on performance (e.g., Cochran et al., 1985). Conversely, others have found that a higher proportion of outside directors had a positive effect on performance (e.g., Rechner and Dalton, 1991). Some studies have even found no significance for the relationship of independence to performance (e.g., Kesner, 1987; Zahra and Stanton, 1988). Still, Pfeffer (1972) found the extent to which a board achieves an ideal ratio of outsiders to insiders had a positive effect on performance.

Thus, we believe that boards of directors with conflicts of interests will not engage themselves broadly and exercise their legal authority if directors' personal interests are at odds with their fiduciary duty to stockholders. Having an independent board would alleviate these conflicts of interests by making board activism more likely. Because effective decision control is dependent on the independence of the board of directors from executive management, a board with outside members makes it more likely that the board is looking out for the interests of the stockholders. In addition, the independence of the board would allow organizations greater access to information and other critical resources, which promote the activism of the board. Stated differently, board activism increases as the proportion of outside board members increases, which is the premise behind board independence. This brings us to our second hypothesis:

Hypothesis 2: Directors' independence has a positive effect on board activism.

2.3. Duality

Duality is defined as the situation where the board chair and CEO is the same person, and, thus, holds both positions in the organization. Board research has pointed to the dominant CEO as the single biggest threat to board activism (Bates, 1940; Berle and Means, 1932; Koontz, 1967; Lorsch and MacIver, 1989; Patton and Baker, 1987; Mace, 1971; Smith, 1958). When a CEO serves both as board chair and CEO, it creates a climate in which a CEO can dominate the board (Patton and Baker, 1987). Duality, therefore, is seen as a structural condition that increases the ability of CEOs to dominate their boards and thereby hinder board activism. Consistent with agency theory, the concern is unitary leadership stifles board activism because many CEOs prefer passive boards that acquiesce to their leadership. Therefore, duality decreases board activism because directors are not free to probe, question, and debate corporate issues and, therefore, less likely to initiate action (Zahra and Pearce, 1989). Thus, our third hypothesis tests this premise.

Hypothesis 3: Duality has a negative effect on board activism.

2.4. Effort norms

Effort norms are directors' shared beliefs about the level of effort directors should expend on board work (Forbes and Milliken, 1999). A key element in creating an effective board is that directors should be required to devote a substantial portion of their professional time to the corporation (Pound, 1995). Directors must be able and willing to devote the necessary effort to the job to fulfill their responsibilities to stockholders, creditors, employees, and other stakeholders (Copeland and Towl, 1947). Pound (1995) argues that boards should commit to a minimum of 25 days in order to fulfill these responsibilities. Additionally, strong effort norms enhance the effort each director exerts as a member (Feldman, 1984; Steiner, 1972; Wageman, 1995). Conclusively, strong effort norms mean all directors are expected either to invest the personal resources necessary to become informed and active board members or to resign their positions from the board. Boards whose directors devote the requisite personal resources to their board duties seek out the information they need to apply their functional area knowledge to a broad range of issues relevant to a firm's success (Lorsch and MacIver, 1989). This brings us to our fourth hypothesis.

Hypothesis 4: Directors' effort norms have a positive effect on board activism.

3. Methods

3.1. Sample and procedures

We tested the hypotheses by surveying corporate secretaries who are members of the American Society of Corporate Secretaries (ASCS). Corporate secretaries were surveyed because they attend all board meetings and have extensive knowledge of the activities of the board of directors. Prior to administering the survey, it was reviewed by two faculty members active in corporate governance and pre-tested on a sample of ten corporate secretaries. Following a favorable review, the survey was emailed to 1,600 corporate secretaries from the ASCS database. The sample of 1,600 was obtained from secretaries listed on the ASCS database who worked for public organizations. Of those emailed, 135 secretaries completed the survey for a response rate of 8.4%.

3.2. Measures

3.2.1. Board activism

The survey included a 23-item measure of board activism. Respondents used a five-point Likert-type scale ranging from 1, „a low rating”, „to 5, „a high rating”, which reported the degree that the secretary agreed that the board was active in activities such as „Attend board meetings”, „Direct internal audit activities”, and „Regulatory compliance”.

3.2.2. *Functional area knowledge*

Forbes and Milliken (1999) suggested a Likert-type scale be used to measure the extent to which functional area knowledge are present on a board. The survey included a 23-item measure using a Likert-type scale ranging from 1, „a low rating”, to 5, „a high rating”, which reported the degree that the secretary believed the expertise was present on the board of directors and the importance of the expertise to the firm’s success. The items of functional area knowledge included expertise such as „Accounting”, „Corporate governance”, „Finance”, and „Labor relations”. Also, Forbes and Milliken (1999) suggested respondents rate the importance of individual domains so researchers can use an additive measure that weights important domains more heavily than less important domains. Thus, directors’ functional area knowledge was weighted based on the indicated importance of the directors’ functional expertise. A composite score comprised of the weighted average was used in the analysis.

3.2.3. *Independence*

Most empirical studies have used the proportion of outside directors on a board as a measure of directors’ independence (Daily and Dalton 1995). Johnson et al. (1996) suggested director independence be measured using the SEC guidelines for determining director independence. The data source for this measure was archival data from the proxy materials of the companies surveyed.

3.2.4. *Duality*

The survey simply asked the secretaries if the CEO also serves as the board chair. Then, dummy codes were created where 1 was „Yes” and 0 was „No.”

3.2.5. *Effort norms*

Forbes and Milliken (1999) suggested effort norms be operationalized using Wageman’s (1995) example by asking board members to rate the board’s expectations and support for certain behaviors of all board members. The survey consisted of a 6-item measure ranging from 1, „a low rating”, to 5, „a high rating”, which reported the extent that the secretary perceived the board’s expectations and support with statements such as „carefully scrutinizing the information provided by the firm prior to the meetings”, „researching issues relevant to the company”, „taking notes during the meetings”, and „participating actively during meetings”. The directors’ effort norms were treated as an additive measure of the board’s expectations regarding the level of effort of the board as perceived by the corporate secretary. The Cronbach’s alpha was .90.

3.2.6. *Controls*

Industry, diversification, and firm size, were measured using archival data extracted from Compustat and used as control variables. A firm’s industry code was included in the data analysis as a control variable to account for variance in board

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activity that might be associated with firms in heavily regulated industries. For example, boards of directors of firms in the banking industry might engage themselves in a wider scope of board activities just to satisfy banking rules and regulations. The data source for this measure was the firm’s SIC code – if the firm was in a highly regulated industry (e.g., the banking industry), then the variable was coded „1”. Otherwise, the variable was coded „0”.

Whether a firm was diversified in its business operations was included in the data analysis as a control variable to account for the variance in board activity that might be associated with firms with highly diverse business operations. Boards of directors of firms with diversified operations might engage themselves in a wider scope of board activities just to keep track of business operations. The data source for this measure was a firm’s long business description in the Compustat database. If the long business description indicated a firm had highly diversified business operations (e.g., more than one unrelated product with sizable revenues), the variable was coded „1”. Otherwise, the variable was coded „0”.

Firm size was included in the data analysis as a control variable to account for the variance in board activity that might be associated with firms with large business volumes. For example, boards of directors of large firms might engage themselves in a wider scope of board activities just to comprehend the complexity of a large business operation with thousands of employees or multiple operating locations. The data source for this measure was total capitalization.

4. Results

Table 1 includes means, standard deviations, and correlations of our measures. Although some of the variables are correlated, none of the variance inflation factor statistics estimated with our model exceeded 1.73, which is well below 10, the value where multicollinearity is a concern.

Table 1

Means, standard deviations, and correlations

Variables	Mean	s.d.	1	2	3	4	5	6	7	8
1. Board activism	85.57	15.95	---							
2. Functional area knowledge	233.85	79.44	.46**	---						
3. Independence	.43	.25	-.06	.12	---					
4. Effort norms	22.09	5.77	.56**	.47**	.02	(.90)				
5. Duality	.30	.46	-.07	-.10	.01	-.04	---			
6. Industry	.58	5.16	.12	.13	-.02	.06	-.05	---		
7. Diversification	.03	.17	-.04	.01	-.02	.00	-.02	-.01	---	
8. Firm size	5574.86	22786.92	.12	.26**	.09	.24**	-.10	-.02	-.02	---
<i>Note.</i> n = 135; s.d. = standard deviation; Cronbach’s alphas appear on the diagonal in parentheses. ** p<.01										

We tested our hypotheses using a multiple regression model. The results of the F test of overall model fit indicate the model is significant. The results of the t-tests for each partial regression coefficients indicate that there are two significant independent variables, functional area knowledge and effort norms. Independence and duality were not statistically significant, and none of the control variables were statistically significant. The signs of the partial regression coefficients were positive for both significant variables. Refer to Table 2 for the Regression analysis. Thus, the regression showed support for both H1 and H4 but not for H2 and H3. While functional area knowledge and effort norms were both positively related to board activism, no relationship was found between independence and board activism or duality and board activism.

Table 2

Results of regression analysis

Independent variables	Board Activism
Functional area knowledge	.53*
Independence	-5.83
Effort norms	1.23*
Duality	-1.06
Industry	.16
Diversification	-4.41
Firm size	.00
<i>R</i> ²	.38
<i>F</i>	11.27*
<i>Note.</i> n = 135.	
* p<.05	

5. Discussion

Our research contributes to the management literature in several ways. First, prior empirical research has failed to find a consistent and practically significant relationship between board attributes and firm performance; this study opens the „black box” between board attributes and firm performance and empirically tests the antecedents of board activism, an intermediate link to effective board governance and firm performance. Prior empirical research has focused primarily on the effect of directors’ independence and duality on firm performance; results have been inconsistent and contradictory. Zahra and Pearce (1989) concluded the search for a direct link between board attributes was misguided and would continue to yield contradictory findings. They urged future researchers to study the intermediate links between board attributes and firm performance. This study tested an intermediate link and the results were fruitful additions to the literature.

Second, we found empirical support for the positive relationship between functional area knowledge and board activism which is consistent with current

findings (Zona and Zattoni, 2007). For many years, it has been persistently argued that strong boards are well-balanced boards in terms of varied backgrounds, experiences, and perspectives of directors (Blair, 1950; Copeland and Towl, 1947; Forbes and Milliken, 1999; Koontz, 1967; Norburn, 1986; Salmon, 1993). More recently, Rindova (1999) speculated directors' expertise is a more prevalent issue than corporate governance research has previously recognized. This study points towards Rindova's contention – director's expertise has a significant effect on board activism, a finding that focuses greater attention on the importance of directors' cognitions. This finding also suggests boards of directors should be viewed as intellectual assets of a corporation. The question corporate stakeholders must ask is whether this asset, like other corporate assets, is providing an appropriate return on investment or is it among the list of corporate assets that are underperforming. Boards of directors are potentially valuable assets because both outside and inside directors bring a variety of experiences, judgments, and functional area knowledge that are potentially applicable to the cognitive needs of the corporation. Complexity and uncertainty are staples of most organizations' operating environment. To cope with complexity and uncertainty, directors develop perceptual filters and dominant logics (Prahalad and Bettis, 1986) that correspond to their experiences as leaders of their own organizations and as directors of other organizations. A board of directors, however, is comprised of directors who bring multiple perceptual filters and dominant logics to the governance of a corporation. It is the diversity of these perspectives and the degree to which they match the cognitive demands of a particular corporation that increase board activism. Together, directors scan larger volumes of environmental and organizational data and view the data through multiple perspectives and logic. Directors' varied knowledge domains thereby reduce the risk of competitive blind spots (Zajac and Bazerman, 1991). Directors categorize information they receive and create links to preexisting knowledge areas and beliefs, and use these links to conceive actions and consequences. Directors with diverse functional area knowledge increase the overall cognitive capacity of a board. Thus, functional area knowledge is critical to both the scope and the ultimate quality of directors' decision-making. When cognitive capacity matches the cognitive demands of a corporation's business environment, board activism increases. In other words, as cognitive diversity is applied to the cognitive needs of a corporation's competitive environment, a board's involvement in the affairs of a corporation increases.

Third, this study indicates a strong link between effort norms and board activism. This finding reinforces Sonnenfeld's (2002) argument that the key to active and effective boards is to view boards as social systems, not structural elements. In fact, he argues some of the most effective boards of directors do not follow all structural rules-of-thumb. Instead, truly high-performing boards of directors are ones that act as robust, effective social systems. Effort norms are a fundamental element of a board's social system – they are shared beliefs about the level of effort directors should expend on board work. These shared beliefs create the environment in which directors summon the motivation to become active board members. Norms have been

shown to exert a strong influence on group behavior (Feldman, 1984; Latane et al., 1979; Steiner, 1972; Weldon and Gargano, 1985). A key element in creating an effective board of directors is the devotion of sufficient time, effort, and resources to the corporation (Pound, 1995). Strong effort norms directly and indirectly communicate to all directors what they are expected to invest personally to become informed and active board members.

Fourth, from a methodological standpoint, this is the first time that corporate secretaries have been used as key informants in board research. Currently, this is a tough environment in which to do board research, especially survey research. Corporate directors are fearful of shareholder lawsuits, and understandably, they do not want to create a discoverable document that can be used against their company in the event of a shareholder lawsuit. Corporate secretaries are arguably the most knowledgeable and objective sources of information about board activities because they generally attend all board and committee meetings, coordinate director search and evaluation processes, supervise the preparation and distribution of board materials, and communicate with directors regularly to plan schedules and answer questions that may arise. In many cases, corporate secretaries are attorneys; they are highly educated and understand director responsibilities and legal liability. Corporate secretaries should be regarded as a more accessible and objective source of data for board research.

Finally, the absence of support for independence and duality warrants some discussion. Directors' independence was not found to have a link with board activism, at least as operationalized and tested in this study. Independence as a construct of true theoretical significance is a director's ability to block-out self-interest and make decisions only in the best interests of shareholders and other stakeholders to whom a director has a fiduciary responsibility. Efforts to operationalize this construct, however, as the proportion of outside directors or the proportion of independent directors as defined by SEC guidelines may fail to tap its true theoretical significance. On the other hand, it could be directors' independence is simply not related to board activism. It may only relate to the quality of a board's decisions, which was outside the scope of this study. It could be the preponderance of boards is, in fact, truly independent, and the variance is too small to relate the variance in board activities. Still, the lack of support for this construct calls into question the validity of independence as an antecedent of board activism. Of course, meta-analytic results have indicated no relationship of board independence with firm performance (Dalton et al. 2003). The results found here may extend our knowledge of why independence is not typically found to relate to firm performance. It may be that board independence does not by itself initiate board activism; thus, it would not relate to firm performance.

Duality also does not appear to have an effect on board activism. Duality has been the most studied structural element in board research. Like other studies of board attributes, the results of empirical studies of duality have yielded mixed results. Rechner and Dalton (1991) found duality was positively related to firm performance. Whereas, Chaganti et al., (1985) found duality was not related to firm performance as measured by firm bankruptcy. Berg and Smith (1978) found duality had a positive

effect on only one of four measures of firm performance. The results of this study add to a growing list of contradictory findings. Duality is less important when outside directors collectively decide to exercise board authority, regardless of who occupies the board chair position. In the current corporate environment, duality may be less important because current SEC guidelines police passive governance policies. Therefore, when environmental conditions override a CEO's ability to dictate board activities, duality as a predictor variable diminishes in importance. A related construct of greater theoretical significance is an open and constructive board culture that is conducive to free and vibrant discussions of issues pertinent to the long-term success of a corporation. Such an environment is conducive to cognitive conflict, which has been linked to decision quality. Jehn (1995) defines cognitive conflict as disagreements about the content concerning the tasks being performed. It involves the use of processes involving critical and investigative interaction (Amason, 1996). Critical investigation has the potential of discovering flawed assumptions in management's plans. Cognitive conflict has been found to increase the number of alternative and creative solutions considered by small groups (Eisenhardt et al., 1997; Jackson, 1992; Milliken and Vollrath, 1991). Board culture has the potential to influence decision quality by promoting cognitive conflict in the boardroom. Thus, duality as a structural construct of continuing significance in board research is suspect. It may be time to advance a more sophisticated view of factors that impact a board's decision scope and quality, such as board culture and cognitive conflict.

5.1. Limitations of the study

The findings of this study should be viewed in light of its limitations. One limitation of this study is it is cross-sectional, so it does not establish temporal precedence for inferring causation. Despite this fact, the strength of the proposed theory and the incorporation of control variables aid the reader in making their own judgments as to whether empirically supported associations sustain causal inferences.

A second limitation of this study is findings are generalizable only to publicly traded companies because the sample was limited to companies listed on the NYSE, the NASDAQ, and the American Stock Exchange. Furthermore, the sample was limited to publicly traded U.S. companies whose corporate secretaries were members of the American Society of Corporate Secretaries. This may imply results are generalizable only to US public companies with more sophisticated commitments to board governance, as evidenced by their commitment to membership in an organization dedicated to improving board governance.

A final limitation is common source bias. The use of corporate secretaries as the only source of data may have inflated the results found here. Future research should attempt to overcome this limitation and the others discussed here by implementing this study in a new sample.

5.2. Areas for future research

This study points to a new direction in the management research with the findings of the relationships of board activism with both functional area knowledge and effort norms. Future board researchers should build upon this study's findings on directors' functional area knowledge and plunge deeper into the realms of managerial cognitions as it applies to boards of directors. They should explore antecedents of board decision quality including functional area knowledge, cognitive conflict, and information quality. The relationships between board culture, directors' cohesion, and cognitive conflict should also be explored. Much of the normative literature points to the importance of board activities that build group cohesion as being vitally important to healthy board relationships. Board trips to visit plant sites and board dinners prior to meetings are seen by directors as building group cohesion, which in turn, sustains cognitive conflict and positively influences decision quality. A related question, however, is do such activities impair independence? Without group cohesion, cognitive conflict can slip into the realm of affective conflict with all its dysfunctional consequences.

Information quality is one construct that has received surprisingly little attention in the literature on boards of directors. As directors spend both limited and intermittent time preparing for board meetings, the quality of information provided to board members should have a significant impact on decision quality. What are the attributes of quality information provided to board members? Are there individual differences that affect information quality and decision outcomes? What types of information are most important in a board's decision making process? Does it matter whether board information is externally or internally focused, operational, or financial in nature, risk-based, or market-based, forward or backward looking, textual or visual, etc? How timely is timely as it relates to making board decisions? How much information is too much? These research questions are rich opportunities for future board research.

Likewise, future board researchers should build on this study's findings regarding directors' effort norms and explore the salient antecedents of directors' motivation. Does higher board compensation attract and retain more highly motivated board members? Do director stock options motivate board members to dedicate more time to board service? Are retired executives more motivated than current executives? What are the antecedents to strong board effort norms? Besides effort norms, are there other elements of board culture that are essential? Each of these research questions is an opportunity to explore and push the bounds of current board research.

5.3. Practical implications

In reviewing the practical implications for this study, we focused on effort norms, which provided the strongest behavioral link to board activism. From a practical standpoint, boards of directors must think in terms of what they can do to

establish and maintain appropriate effort norms. Director recruitment is an ideal opportunity to communicate expectations and performance standards that reinforce effort norms or push them to higher levels. Directors should be able to sense the level of commitment and due diligence that is expected of them before they accept a position on a board of directors. Likewise, existing directors should get a sense of whether a director nominee is likely to schedule the time necessary to become an informed and active board member before committing to a director nominee.

New director orientation is another opportunity to reinforce or enhance existing effort norms. At these orientation sessions, issues such as definitions of conflicts of interests, and the manner in which potential conflicts are disclosed are important topics. Further, reviewing the standard board book and highlighting key operational and financial drivers are important topics at new director orientation sessions. An active board member evaluation process can also serve to reinforce or strengthen effort norms. An evaluation system provides constructive feedback about whether a director's level of effort and contribution to board governance is acceptable, or it can serve as the basis for a decision not to reelect a director. In short, there are several ways boards can establish or enhance effort norms, and this study finds that strengthening effort norms increases board activism.

6. Conclusion

Because board governance is such an important part of organizational performance, the need for a better understanding of intermediate links to performance, such as board attributes and board activism, continues to grow. This study provides an important contribution to board research by highlighting the importance of two attributes, functional area knowledge and effort norms, as positive antecedents of board activism. Finally, this study should serve as a foundation for future research concerning these intermediate links and encourage other researchers to explore other possible intermediate links to firm performance.

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