CHAPTER 5

BOUNDING THE ROLE OF THE DIRECTOR

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Despite the rising importance of boards of directors to corporate life, there remains a dearth of advice on how, practically, directors can manage the multiple roles they generally take on. This is leading to a growing groundswell of support for limiting the number of directorships directors can hold. In the United States, for example, the Council of Institutional Investors (2004) suggested that directors with a full-time job should not sit on more than two other boards and current CEOs (chief executive officers) should only serve on one other board. In the United Kingdom, the *Combined Code* (Financial Reporting Council, 2003) recommends that full-time executive directors should not take on more than one nonexecutive directorship in a FTSE 100 company, while in Australia the Australian Shareholders' Association has issued a policy limiting the number of directorships to five (Galacho, 2004; Moullakis, 2004).

Au: *Nonexecutive* is one word in Webster's.

Au: In APA, spell out abbreviations /acronyms on first use. What does FTSE stand for?

We take a more theoretical approach to the problem and seek to understand the conflicts that may be caused by nonexecutive directors' part-time status. In particular, we establish how social identity theory can provide an insight into the conflicts that are central to good governance. The chapter begins by reviewing the academic and normative literature

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on the functions[1] of a board of directors (particularly nonexecutive directors), contrasting this with the significant legal emphasis on a director's *fiduciary duty* and *duty of care and diligence*. As part of this analysis, emphasis is placed on how the multiple roles that directors play (particularly nonexecutive directors) can lead to role conflict. Drawing on these dynamics, a set of guidelines is developed that seek to establish how boards can set boundaries for their directors to simultaneously maximize director input, while ensuring legal duties are met. The chapter concludes with a series of points for both practitioners and academics to consider, and reflections on the ramifications for the use of consultants at the board level.

CONCEPTUALIZING THE FUNCTIONS OF THE BOARD

The role and function of a board of director can be examined from a range of different perspectives—academic research, practice and the law —each of which has a different emphasis and orientation.

The Academic Perspective

Despite a long tradition of investigating whether boards have a significant impact on corporate performance (e.g., Andrews, 1981; Mace, 1971; Vance, 1983), different researchers still conceptualize the board's function set in different ways (e.g., Hung, 1998; Johnson, Daily, & Ellstrand, 1996; Lipton & Lorsch, 1992; Zahra & Pearce, 1989). Initially, investigators believed boards played a largely ceremonial function, as indicated by their description as "ornaments on the corporate Christmas tree" (Mace, 1971, p. 90) or as the "parsley on the fish" (Irving Olds, former chairman of Bethlehem Steel, quoted in Leblanc & Gillies, 2003, p. 1). More recently, however, there has been growing recognition that the board is a key decision-making group in the organization as they are entrusted with ultimate corporate power (Bainbridge, 2003). Furthermore, boards have become more active in using this power as their responsibilities to government, shareholders and the community have grown (Nadler, 2004b).

Despite the difficulty in developing a definitive set of functions for boards, there is general agreement as to how boards add value. This largely derives from one of the earliest categorizations of the board's function set provided by Eisenberg (1969), who envisaged four functions: (1) providing advice and counsel to the CEO, (2) authorizing major corporate actions, (3) representing corporate stakeholders other than management, and (4) selecting, evaluating, and removing the CEO. Since this early categorization, researchers have largely elaborated and extended these four functions. Conard (1976), for instance, argued that the board's function was to respond to the CEO (see 1 above), represent the views of stakeholders (see 3 above), and to distinguish the interests of managers, shareholders and stakeholders (an amalgam of 2, 3, and 4).

These two early definitions of board functions highlight a problem that has plagued corporate governance to the present time—different disciplines (and even people within the disciplines) conceptualize what boards do in different ways. As Figure 5.1 illustrates, different researchers have focused on different aspects of what boards do.

What is instructive, however, is the commonality across these different perspectives. With the exception of Pfeffer and Salancik (1978), who concentrated on the function of the board in dealing with the external environment, all major integrative works on the role of the board recognize the control (including monitoring) function of the board (Boyd, 1994; Conard, 1976; Eisenberg, 1969; Hillman & Dalziel, 2003; Hung, 1998; Johnson et al., 1996; Pettigrew, 1992; Zahra & Pearce, 1989). The application of agency theory to boards (Fama & Jensen, 1983; Jensen & Meckling, 1976) has also helped to intensify focus on the monitoring function. Similarly, all major research streams (including Pfeffer & Salancik, 1978) recognize the function the board plays in providing service to the organization. While this function may also be classified as advice provision or counsel, there is unanimous support for the board as a resource on which management can draw.

A function that has near unanimous support in the academic literature is providing access to resources (by co-optation or just through access to

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Figure 5.1.

Au: Subcategory is one word in Webster's.

information). In fact, recent research sees access to resources as one of only two major functions of the board (Boyd, 1990)—the other being the control function. While some researchers view this function as a subcategory of the service function (e.g., Zahra & Pearce, 1989), others believe it so important that they provide a taxonomy for the access to resources function that has several different dimensions that fulfill the definition (Pfeffer & Salancik, 1978). Therefore, we contend it is generally accepted that providing access to resources is a key function of the board.

The final function, which has wide (though not unanimous) support in the academic community, is that of providing the company with strategic direction. While Eisenberg (1969) recognized the importance of the authorization function, it has not been until the last 15–20 years that a shifting locus of power from the CEO's office to the boardroom has highlighted boards as a serious contributor to the strategy function. Thus, in their integrative model, Zahra and Pearce (1989) explicitly recognize the strategy function, Pound (1995) identified the board as a key mechanism to improve decision making in the firm, and the strategy function of the board has become an increasing focus of empirical work (e.g., Golden & Zajac, 2001).

In summary, while there is still no consensus on the exact classification of the functions of the board, there is widespread academic support for the functions of: (1) control; (2) service; (3) access to resources; and (4) strategy.

The Practitioner Perspective

Ambiguity in the academic literature is replicated in the normative advice on the function(s) of the board. For instance, the U.S. Business Roundtable (1978) and American Bar Association (1978) produced a similar (but not identical) set of responsibilities, duties, functions and composition suggestions for boards of directors. Both documents recognized the importance of the profitability and economic viability of the corporation as well as the importance of ensuring that corporate decisions comply with the norms and standards of society. As to particular functions, they foresaw the board's role as selecting, evaluating and removing senior officers, assuring compliance with relevant laws and approving corporate financial plans.

More recently, a plethora of expert opinion on the function of the board has emerged from the practitioner community. A summary of some of the key documents appear in Table 5.1. As Table 5.1 indicates, there is a significant overlap between academic interest and practitioner recommendations on the functions of the board, but a significant divergence in emphasis. Whereas academics have emphasized the monitoring and evaluation function of the board and the access to resources function, practitioners often emphasize the board's function in setting strategic direction. In contrast, the service or advice function of the board and access to resources function have not been major foci of practitioners. A final point of note is that access to resources is rarely mentioned by practitioners, with the notable exception of the board's function in maintaining relationships with investors, particularly institutional investors.

The Legal Perspective

In contrast to both the academic and normative views on the role of the board, much of the focus of legal scholars concentrates on the individual, rather than the board as a group (e.g., see Baxt, 2002). For example, under Australian corporation law, the function of the board is stated as a replaceable rule which should be placed in the company's constitution. According to the Corporations Act 2001 (section 198A), "The business of a company is to be managed by or under the direction of the directors." Should the shareholders wish, this collective power statement of the board's function can be modified, bearing in mind other requirements in the Act pertaining to directors and the general law on the function of the board. As a result, it can be argued that legislation on boards is largely silent on the role of the board. Instead (with the obvious exceptions of specific legislative requirements) the law concentrates on elaborating *how* directors should go about their role, often by setting boundaries on what they must not do.

The legal duties of directors in Western systems are largely common due to a shared philosophical basis—directors are there to serve the company and not their own interests. Thus, most jurisdictions provide for directors to owe a fiduciary duty to the company—they must act with "fidelity and trust" to another, the company (Baxt, 2002, p. 35). Although the precise understanding of what constitutes the company is highly technical (for example, in Australia it entails the current shareholders and sometimes future shareholders and creditors, but not employees), the key point is that directors are in a position of trust and must act accordingly. As a consequence, directors have a number of specific duties—generally to avoid a conflict of interest (including misusing their position and/or information) and to exercise due care and diligence. The conclusion is that the law is generally silent on what directors must do, concentrating instead on how they must do it.

The difference in focus of these streams of influence lead to an important potential conflict—the ability of a board to carry out its function effectively may lead its members to test the limits of their legal duties. To better explain how this conflict works, we turn to an emerging area of sociological research, social identity theory.

Social Identity Theory

Social identity theory (SIT) offers a social-psychological basis for the study of how people react to each other and various situations when they are members of groups or organizations. The area is a subfield of organizational identity, itself a topic that affects both the individual's satisfaction and an organization's effectiveness (Ashforth & Mael, 1989). SIT builds on the work of Tajfel and Turner (1985) and postulates that a person has multiple social identities derived from the membership of specific social groups such as a family, sporting club or, as we contend, a corporate board. These multiple roles that individuals play contribute to their overall sense of self (Hogg & Vaughan, 2002), including the searches for "meaning, connectedness, empowerment, and immortality" (Ashforth & Mael, 1989, p. 22).

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Role and Organizational Identification: Benefits and Conflicts

SIT identifies that people involved in multiple roles will structure or combine them in various ways (Thoits, 1992). In a business setting, employees will identify with the organizations for which they work and with the roles they play. Thus, SIT (in an organizational context) has been defined as "the extent to which an individual defines and identifies working in terms of various roles such as task role, organizational role, product or service role and occupational role" (Meaning of Working International Research Team, 1987, p. 57). Close association with an organization or work role is thought to have significant positive impacts on individual workplace behavior and workplace outcomes. The degree to which an individual identifies with an organization will affect their belief in the organization's goals, their willingness to exert themselves on behalf of the organization, and their desire to stay with the organization rather than seek membership of another organization (Mowday, Steers, & Porter, 1979).

Role identification (also called role embracement or intensity) "is the zeal with which one enacts a role" (Kossek, Noe, & DeMarr, 1999, p. 106). Role identification is dependent on the degree to which the individual defines him or herself by the role (Ashforth, 2001), such that greater role-identity will lead to a greater desire for expression of that role (Shamir, 1992). Therefore, those individuals who identify closely with an organization and/or role will perform better than those who are less committed and will have greater self esteem, since they will perceive membership in the organization as attractive (Dutton, Dukerich, & Harquail, 1994). It has also been suggested that this commitment may be an indicator of overall organizational effectiveness (Schein, 1970; Steers, 1975).

SIT is particularly important to the study of upper echelons, as executives and directors will identify much more closely with the organization than other workers (Tannenbaum, Kavcic, Rosner, Vianello, & Wieser, 1974). Since social identification is more likely to occur in directors and, further, that this is a key component of the individual's self esteem (Hogg & Turner, 1985), the application of SIT to directors is of special interest.

The concern, however, is that an individual's social identity may derive from other factors, such as the employee's work group, profession, age cohort and so on (see Albert & Whetten, 1985). Furthermore, identification with multiple roles will occur when the individual is a member of several organizations (such as for non-executive directors who sit on more than one board). This dynamic leads to the vexed issue of role conflict, because, while multiple roles may be rewarding for the individual (e.g., through increased status), they can lead to well documented problems such as role conflict, role strain, role ambiguity and role overload (e.g., Goode, 1960; Kahn, Wolfe, Quinn, Snoek, & Rosenthal 1964; Sieber, 1974).

Role conflict occurs when there are sets of expectations that are inconsistent with each other, leading to a conflict of loyalty or too little time to undertake the conflicting roles (Mui, 1992). In fact, role conflict (or the experience of competing or incompatible goals) is a well researched topic in areas as diverse as attempts by managers to satisfy competing stakeholders, balancing academic and sporting roles by student athletes, and the conflict of parents trying to meet both family and work commitments (Dumas, 2004).

Thus increased role identification has two outcomes. While it can lead to role conflict it can also lead to increased effort (Lobel & St. Clair, 1992), increased commitment, and increased time devoted to the role (Burke & Reitzes, 1991). Given these strong outcomes, it would seem reasonable that organizations would want strong identification between the director and the organization. Consequently, strong identification with an organization provides a dilemma for directors and the companies they serve. Strong identification is likely to lead to directors giving greater effort and commitment to their roles. Thus, strongly identifying directors will put greater effort into their specific functions of monitoring the company and overseeing the strategic direction of the company. Further, increased identification will lead to greater commitment, making it more likely that directors will use their networks (or social capital) to provide access to resources for the company, and provide advice to management. Finally, increased time commitment to the role is likely to improve the relationships between the director and management, leading to increased advice or counsel.

However, strong identification can also lead to increasing role conflict (e.g., see Greenhaus & Beutell, 1985 for a similar argument regarding the relationship between role salience and role conflict in work and family settings). This concern is exacerbated by the tendency for increased role identification to be associated with increased role integration. Given that this will lead directors to identify with their membership of the company at all times, it provides an obvious concern when they are, by law, required to separate out the directorial duties of the companies on which they serve.

Additionally, there is an issue of the relative level of role identification. Thompson and Bunderson (2001) contend that individuals will anchor their identity in a specific role that they undertake. This leads the individual to judge their actions (including desired outcomes) in terms of the anchored role, as this is a greater source of identity for that person. Consequently, when a non-anchor role leads to a discrepancy with the anchor-role, the individual will retreat to the anchor role.

This tendency is of particular concern to executive directors, who have two related but quite separate roles to play—a management role and a director's role. Given the management role will most likely be the culmination of a lifetime's effort, and the significant effort required of the management role and the part-time status of the directorial role, we would expect that most executive directors anchor themselves in their executive role rather than a directorial role. As a result, we would expect that when their directorial role requires them to act in a way that does not align with their executive role, they will tend to retreat from the directorial perspective and revert to the dominant managerial role identity. For instance, if as a senior manager they are seeking board approval for a substantial investment in their division, but as a board it is more appropriate to delay the investment, role-anchoring would predict that the executive director will find it difficult to cast off his or her managerial perspective.

Similarly, we would anticipate that directors who sit on multiple boards are more likely to anchor their identity in the board that provides greater meaning, influence or kudos. Thus, we would expect high-profile and influential boards would be the anchor point for nonexecutive directors. Possible negative consequences of an identity anchored in another board revolve around the idea that directors may favor action more suited to another organizational context. For instance, while policy and procedure may add great value to the governance of a large organization, a small start-up may benefit from a more culture-based governance system. Trying to impose the former on the latter may result in a significant disconnect.

Given the importance of avoiding conflicts of interest that are a focus of legislative intent, the potential impact of social identity and role conflict on directors can be profound. On the one hand, identification with the organization can lead to greater organizational loyalty and effort in fulfilling the board functions of a director. However, a director should leave his or her loyalty to other organizations at the boardroom door, as the decisions of directors should only account for the interests of the company the director serves. The view of the "perfect" nonexecutive director, then, is one who is committed to *an* organization, but does not identify with any other organizations on whose boards they sit. As such, the perfect executive director would not identify with their management position. Clearly, this is an impossible situation. The solution to overcoming this role conflict lies in role boundary management, an area of increasing interest to researchers addressing issues of multiple role enactment.

Role Boundary Management

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To overcome the potential role conflict caused by holding multiple directorships, directors need to be able to manage the boundaries of the roles they fulfill. Boundary theory (Michaelsen & Johnson, 1997) is the term given to attempts by individuals to simplify and order their environment by creating and maintaining boundaries (Ashforth, Kreiner, & Fugate, 2000). These "mental fences" (Zerubavel, 1991, p. 2) that individuals erect create "slices of reality—domains—that have particular meaning for the individual(s)" (Ashforth et al., 2000, p. 474).

In a board of directors, where the individual has to reconcile their duty to serve the company with either their role as an executive (in the case of an executive director) or their role in other companies (in the case of nonexecutive directors), this is an especially important point. It is only by separating out the various roles that an individual can fulfill his or her fiduciary duties. The key problem is that when "switching cognitive gears" (Louis & Sutton, 1991, p. 55) between the roles, the individual is subject to potential role conflict.

In order to manage these difficulties, individuals are faced with a dilemma—do they integrate the roles or do they try to segment them? Dumas (2004) conceptualizes boundary management as a continuum ranging from integration to separation. Under integration, the boundaries between different roles are blurred leading to the situation where behaviors, resources, contacts and artifacts from different roles are located in the same time and space (Dumas, 2004; Nippert-Eng, 1996b). At its most extreme, there is complete integration such there is only "one way of being" or one identity (Nippert-Eng, 1996a, p. 568).

Thus, in a board setting, a director employing an integration technique may take a resource (such as information) located in one firm and use it in another firm.[2] In fact, this is precisely the behavior that the access to resources function of the board seeks to enact. Role integration can, therefore, assist the board in carrying out its function, particularly where there is a co-optation of resources issue, because it provides a framework to enable the mutual exchange process necessary for the use of social capital (Adler & Kwan, 2002).

At the other end of the spectrum, individuals can choose to compartmentalize or segment the roles to resolve the conflict (e.g., Merton, 1957). In this situation the individual centers attention on keeping the roles separate; this has the advantage of engaging fully in the separate roles while avoiding conflict between them. For example, an engineer who is also a member of a local choir may work late as the engineer to keep his or her weekends free for the hobby (Dumas, 2004). However, the problem is that maintaining rigid distinctions between the roles can be less efficient and more difficult (Nippert-Eng, 1996b).

The key problem for boards is to define when directors need to draw the line between the various roles with which they identify. Role integration simplifies the transition process between roles, but blurs the line between roles; role segmentation has the opposite effect (Ashforth et al., 2000). In fact, even within the integration process there is a significant difference depending on the overlap between roles.

Given the significant overlap between directing and managing that is intrinsic in an executive director, we would anticipate it being harder to transition between these roles. Thus, executive directors may experience confusion and anxiety about which role identity is most salient, particularly if there are conflicting objectives for the roles (e.g., see Dorsey, 1994). Furthermore, executive directors are highly likely to experience interruption to their roles (Hall, 1990)—for instance, they may be asked to answer a question as an executive when taking part in a board meeting. Just as home-based workers carve out work-home boundaries (Ahrentzen, 1990; Mirchandani, 1998), so too executives could be encouraged to have specific markers that enable them to clearly delineate between the two roles. Without such boundaries, workers lacking clear spatial and temporal boundaries will often change their behavior (Ashforth et al., 2000) to contrive boundaries that result in suboptimal performance (e.g., nannies have been shown to disparage their employers; see Macdonald, 1996).

The key contextual factors that influence the integration or separation decision of the individual are thought to be: (1) the level of role identification; (2) the situation or social strength of the role; and (3) the culture within which the role operates (Ashforth et al., 2000). Thus, a key determinant of the role integration is the importance society and the culture puts on the role, and how much importance the individual puts on the role. The prestige with which directorships are held means that, in general, there will be a strong tendency to integrate directorial roles. The major contingency factor will be the importance that the individual places on the directorship in question. Directors who value their role on the board will be more likely to integrate this social identity with their other roles than directors who do not.

BOUNDING THE ROLE OF THE BOARD: A PATH FORWARD

In order to provide an environment that encourages directors to be the best they can, there are a number of steps that companies can take in order to minimize the negative effects of role conflict on the board. Nippert-Eng (1996b) has shown that boundary management can be influenced by the structural characteristics of the role in question. Thus, the physical environment, the organizational policies and procedures, the group norms, and so forth can all act to aid individuals to better manage their multiple roles. In this section we provide a number of practical steps that boards and individual directors can take to bound their roles so as to take advantages of strong role identification while also minimizing role conflict.

The key problem in managing role boundaries is that "the cost of segmentation (high role contrast) is the benefit of integration (low role contrast), and the benefit of segmentation (low role blurring) is the cost of integration (high blurring)" (Ashforth et al., 2000, p. 482). Consequently there is a constant tension between where boards and directors should draw the boundary lines.

We argue that the most important step in board role delineation is establishing a support system that ensures directors assume the correct role at the correct decision point. This tactic recognizes that there is no one best strategy for boundary management (Bailyn, 1993; Kossek et al., 1999). Thus, at some times and in some functions (such as when drawing on directorial experience to advise management or when networking to secure resources) integration will be more advantageous. However, at other times, such as when undertaking the monitoring management and controlling the organization function, directors need to distance themselves from their other directorial or management roles. In these latter instances, segmentation will be more appropriate.

Steps the Organization (or Board) Can Take

The first step the organization can take to minimize role conflict is to clearly delineate the expectations of directors. Establishing a policy framework that makes it clear what the organization believes is the role of a director (as opposed to the role that may apply in another organization or the role of an executive) will focus individuals on what they need to do in this context. Thus, it will be a starting point for a board to better manage the transition between the various roles its directors undertake outside the boardroom and their role on the board.

Second, the board needs to encourage group norms that support loyalty to the organization and have a policy that delimits the expectations of directors. While having a policy that delineates the role of the director is a good first step, this role then needs to be enacted. An excellent method for building these norms is to have the board work on a problem that is of particular concern to the particular organization (Herb, Leslie, & Price, 2001). A very useful initiative, for example, is to have the board work on a board charter (or policy manual)—by systematically working through the key items of how the board works, there is the dual positive effect of both clarifying the stated position on issues (such as what constitutes a conflict of interest), while also developing a board norm on these items.

The third area where boards may be in a position to dissipate the role conflict of directors occurs when establishing the corporate governance processes for the company. Governance processes should aim to separate out the work of this board/role and keep it separate from the individual's other activities. These processes can range from simple steps (such as scheduling meetings well in advance to minimize timing conflicts for the individuals fulfilling multiple roles) through to more subtle and complex initiatives (such as presenting of information (e.g., using letterhead and pro-formas) to reinforce the task at hand). Ideally these formats (such as a generic structure of a board paper) will have been agreed by the board so that it reinforces the previous point about addressing board norms.

As well as taking steps to encourage appropriate role segmentation, boards can work at ways to encourage loyalty and commitment to the organization. Key techniques that encourage buy-in include involving the board in the company's strategy process (an area where directors relish the challenge of thinking about the company's future) (Nadler, 2004b) and ensuring there is an appropriate induction process that connects directors to the organization and its key members. Providing these types of activities enables directors to build a more complete picture of the organization they govern, while also building social bonds that encourage loyalty and commitment (Nadler, 2004a).

Finally, it is important for the board to establish a regular review process. Since "[b]ehavioral psychologists and organizational learning experts agree that people and organizations cannot learn without feedback. No matter how good a board is, it's bound to get better if it's reviewed intelligently" (Sonnenfeld, 2002, p. 113), a key priority in maintaining ongoing role segmentation is a recognition of the importance of this area in the governance process.

Steps the Individual Director Can Take

Thus far, we have been concentrating on the role that the organization can play in minimizing role conflict. There are also a number of steps that individual directors can take as they seek to manage potential role conflict, namely establishing transition routines to minimize role conflict and establishing processes that ensure they apply themselves equally to their roles.

There is a well established literature documenting the role that transition routines play in assisting individuals move between different roles. Transitions are commonly referred to as rites of passage (Ashforth et al., 2000; Richter, 1990) and involve elements that assist individuals move from one role to another (Van Gennep, 1960) by signaling to the individual and others the passage across roles. Although normally associated with a change in macro-role, such as a promotion or termination (see Ashforth et al., 2000; Trice & Morand, 1989), they are also useful seeking to transition between microroles, such as between directorships or between executive and directorial roles (Ashforth et al., 2000).

Au: The prefix micro does not require hyphen in APA.

Generally, these role transitions act as a cue for the individual to signal that they are about to engage in a different activity. Thus, someone preparing to transition from a home to work role will generally follow a daily routine of showering, dressing in suitable attire, and perhaps reading the business section of the paper over breakfast (Ashforth et al., 2000). These actions help to ready the individual for the change in role. It is also interesting that institutions (such as organizations) do not generally support the transition process and so much of the structuring task falls to the individual (Kossek et al., 1999).

In much the same way, directors at risk of role conflict can construct a routine that encourages them to change over to the correct role. In particular, directors can adopt rituals that include reviewing the company's Web site, board papers, and other materials prior to a board meeting. As well as physically preparing them for the role, the routinized approach to activities can lead to a greater focus and role separation for the individual. Thus, we would expect that a managing director who moves from an operational activity straight into the boardroom will experience greater role conflict than one that has a clear set of procedures that they follow. These procedures allow the individual to adopt an appropriate cognitive framework (e.g., they are a director of company A, not company B) and an appropriate level of arousal. Interestingly, changing time and space (such as through a commute) appears to provide a valued method of buffering role identity (Hall, 1990; Kluger, 1998). As a result, boards seeking to improve role separation may benefit from holding board meetings outside traditional domains if they have a significant number of executive directors.

Similarly, ritualistic mechanisms can be put in place to facilitate role entry. Just as entering a bar and exchanging greetings with other patrons can signify entry to the leisure role (Oldenburg, 1997), having a brief, ritualistic social cup of coffee or meal prior to a board meeting can be used to signify entry to the board role. These activities also have the advantage of building social ties between directors and building the norms of the group.

CONCLUSIONS

This chapter focused on the impact of role identity on a director's role execution. Each director has multiple identities (often as an executive with the company or as the director of another organization). These identities can act as a positive force on a director's key function (e.g., a director can draw on experience in one role when carrying out the service function in another company) or they can be a negative force on a role (e.g., the role of executive is widely believed to impact negatively on the individual's ability to monitor the organization).

To overcome this difficulty, we have argued that boards and individual directors need to establish routines, policies and procedures that better allow them to manage their role identities and transition from one role to another. In particular, we outlined the benefits and costs of role integration (where there is low distinction between roles and permeable boundaries between them) and role segmentation (where there is a significant distinction between roles and clear boundaries between them) and detailed a number of strategies for boards and individuals to better manage the transition between their roles.

In short, if a successful board requires the execution of a number of different functions, we anticipate there will be a constant tension between the various roles with which directors identify. It is important, therefore, for us to recognize this fact and develop a series of routines and support mechanisms that allow directors to do the best jobs they can.

NOTES

1. To avoid confusion over the use of the term "role" as it applies in social identity theory, we use "function" to describe the roles a board of directors must fulfill, such as the monitoring role.
2. We should clearly point out that we do not envisage this to necessarily be a conflict of interest nor breach of a director's confidentiality requirements. Instead, there may be general or nonsensitive information that the individual discovers on one board that can be applied to another. Similarly, facilitating a partnering or financing deal may be to the mutual benefit of two companies that a director serves.

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