

TOO MANY PEAS IN A POD? HOW OVERLAPS IN DIRECTORS' LOCAL AND GLOBAL STATUS CHARACTERISTICS INFLUENCE BOARD TURNOVER IN NEWLY PUBLIC FIRMS

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Drawing on status characteristics theory, we explore how boards' social structures influence board turnover. We theorize that (a) understanding directors' relative standing and spheres of influence in the local status hierarchy creates deference structures that reduce conflict and enhance stability, thereby reducing board turnover; and (b) shared performance expectations and attraction based on homophily in the global status hierarchy can also reduce conflict and enhance stability and thus serve as another means of reducing board turnover. Using five years of post-initial public offering data on 218 firms that went public between 2001 and 2005, we find that overlaps in directors' local status characteristics captured by their shared tenure and expertise and directors' global status homogeneity increase the likelihood of board turnover. However, the directors' global status characteristics shape the relative salience of the positive or negative effects of boards' local status characteristics, leading to different effects on board turnover.

A vast body of research on corporate governance has studied boards of directors' roles and functioning (for extensive reviews, see Finkelstein, Hambrick, & Cannella, 2009; Westphal & Zajac, 2013). The bulk of this research has explored why directors choose to serve on certain boards (Acharya & Pollock, 2013; Chen, Hambrick, & Pollock, 2008), the functions directors perform (Hillman & Dalziel, 2003; Jensen & Meckling, 1976; Pfeffer & Salancik, 1978), and how they affect firm outcomes (Kroll, Walters, & Le, 2007).

Less attention has been given to developing a thorough understanding of why directors leave boards, or board turnover (e.g., Boivie, Graffin, & Pollock, 2012; Garg, Li, & Shaw, 2018). Early studies highlighted how negative events, such as bankruptcies or organizational wrongdoing, lead to board turnover (Arthaud-Day, Certo, Dalton, & Dalton, 2006; Cowen & Marcel, 2011; Srinivasan, 2005). More

recently, Boivie et al. (2012) showed how board turnover is affected by intrinsic and extrinsic motivations associated with the prestige derived from directors' appointment to the board, their time available to serve on boards, their identification with the director role, and their ability to influence firm outcomes. In a similar vein, Garg et al. (2018) considered how undervaluing directors, as reflected in the board's leadership structure (i.e., board chairmanship and committee chairmanships), creates procedural and distributive justice concerns that can increase board turnover.

Despite the advances made by these studies, they have largely focused on individual directors' motivations independent of the board social structure that shapes them. In so doing, they belied a key insight that boards are "large, elite, and episodic decision-making groups . . . and the effectiveness of boards is likely to heavily depend on social-psychological processes, particularly those pertaining to group participation and interaction, the exchange of information, and critical discussion" (Forbes & Milliken, 1999: 492). Governance scholars have called for research that recognizes these unique board features and examines the role social structures play in board functioning (e.g., Acharya & Pollock, 2013; Finkelstein & Mooney, 2003). In this study, we examine whether

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and how boards' social structures, reflected in their status hierarchies, affect board turnover.

Corporate boards are composed of busy professionals who often have full-time jobs elsewhere, meet episodically over the course of the year, and engage in tasks that are equifinal and highly complex. Thus, they are especially susceptible to "process losses" (Steiner, 1972), which are the "interaction difficulties that prevent groups from achieving their full potential" (Forbes & Milliken, 1999: 492). Governance scholars have increasingly focused on status hierarchies within boards as an important factor that can help mitigate process losses (Acharya & Pollock, 2013; Oehmichen, Braun, Wolff, & Yoshikawa, 2017).

Whenever individuals come together in groups, they form an implicit understanding of each other's relative competence and influence (Berger, Cohen, & Zelditch, 1972; Bunderson, 2003) that they can use to sort their members into social strata that vary in terms of power, rewards, expectations, and deference (Blau, 1977; Gould, 2002), creating informal, deference-based status hierarchies (Magee & Galinsky, 2008). These status hierarchies are based on observable status characteristics that the group identifies as important for achieving its goals (Bunderson, 2003). Moreover, prior research on hierarchies within groups, including status hierarchies, has shown that they can engender either coordination or conflict depending on the group's characteristics, resulting in positive and negative effects, respectively, on small groups' and project teams' emergent processes and effectiveness (Greer, de Jong, Schouten, & Dannals, 2018; Korsgaard, Jeong, Mahony, & Pitarui, 2008; Van der Vegt, Van de Vliert, & Huang, 2005; van Dijk, van Engen, & van Knippenberg, 2012). Yet, limited research has examined how status hierarchies influence group turnover (Greer et al., 2018).

While some corporate governance scholars have begun to examine how board status hierarchies can affect key outcomes, including director selection and firm performance (Acharya & Pollock, 2013; He & Huang, 2011; Pollock, Chen, Jackson, & Hambrick, 2010), they have paid little attention to their effects on board turnover. This omission is significant since the stability of the board's membership, particularly during periods of change, can enhance its functioning and effectiveness (Finkelstein et al., 2009; Fischer & Pollock, 2004). We argue that status characteristic heterogeneity is necessary to form local, board-level status hierarchies that can reduce board turnover, and that positions in more "global" status hierarchies

(Acharya & Pollock, 2013; Groysberg, Polzer, & Elfenbein, 2011) can also affect how these characteristics shape board turnover.

Specifically, we focus on how collective levels of three task-specific director characteristics—their board tenure, functional expertise, and global status—influence board turnover during a period of organizational transition. Prior status characteristics research has primarily focused on whether individuals in a single status hierarchy possess particular status characteristics and how these characteristics influence the individuals' positions within groups' status hierarchies (Bunderson, 2003). The existing literature has not considered whether the extent to which having group members who simultaneously occupy positions in multiple status hierarchies and collectively share particular status characteristics enhances or reduces the status hierarchy's stability. We argue that directors' board tenure and functional expertise can provide the basis for establishing local status hierarchies on the board to the extent that they indicate that some directors possess the required knowledge and experience that other board members do not have. We further argue that directors' relative standings among their peers in the director labor market—which reflects their global status (Acharya & Pollock, 2013; Groysberg et al., 2011)—can affect board stability and turnover.

We study the effects of directors' aggregate status characteristics on board turnover in the context of firms that have just completed their initial public offerings (IPOs). Finkelstein et al. (2009) argued that focusing on firms undergoing significant transitions can help us better understand how boards affect firm outcomes, and Garg et al. (2018) used this context to explore what happens when conventional formal leadership structures are first put in place. Since newly public firms' boards have been recently structured to help them survive the transition from a private to a public status (Certo, 2003), maintaining stability in the board's membership is important. The period immediately following an IPO is a time of great transition as newly public firms adjust to a variety of issues, including new reporting requirements; employee, leadership, and investor turnover; and increased scrutiny of the firm's operations and performance by analysts and others (e.g., Daily, McDougall, Covin, & Dalton, 2002; Fischer & Pollock, 2004). These firms face increased pressure to establish and retain their credibility and access to key resources (Daily & Dalton, 1995), and directors play a significant role in these processes (Certo, Daily, & Dalton, 2001; Kroll et al., 2007). We test our arguments using a

five-year, pooled cross-sectional sample of 218 firms that went public between 2001 and 2005.

Our study contributes to the corporate governance literature by theorizing how directors' shared status characteristics across local and global status hierarchies affect the stability of the board's status order and board turnover, thereby offering a more nuanced understanding of boards as groups. We also contribute to research on status characteristics theory more broadly, and status dynamics within groups specifically, by considering how collective levels of specific status characteristics influence status hierarchies' functioning, and by highlighting how local and global status hierarchies can have different effects on group turnover. We also contribute to the entrepreneurship literature by increasing our understanding of the longer-term consequences of stacking young firms' boards with globally high-status directors, especially during the crucial and tumultuous years following an IPO.

THEORY AND HYPOTHESES

Board Turnover

The boards of all firms listed on U.S. stock exchanges experience membership changes, where incumbent directors exit the board and new directors are recruited. Newly public firms' boards often only adopt the structures and membership typical of public company boards shortly before their IPOs (Chen et al., 2008; Lynall, Golden, & Hillman, 2003) and thus are even more susceptible to board turnover (e.g., Garg et al., 2018). Following the passage of the Sarbanes-Oxley Act (SOX) of 2002, which sought to improve the monitoring of executive actions by enforcing director independence and specifying guidelines for board subcommittees, boards have been under increasing scrutiny by various stakeholders—including the media, securities analysts, governance practitioners, and regulators—and changes to board membership are keenly observed and analyzed (Brown, Anderson, Salas, & Ward, 2017; Harrison, Boivie, Sharp, & Gentry, 2018; Westphal & Zajac, 2013). As boards are episodic decision-making groups, in that they only meet a few times during the year, and outside directors—who make up the majority of the board—are part-time members of the firm who are often employed full-time in other companies or professions (Hillman, Cannella, & Paetzold, 2000), any changes to board membership can have significant consequences for firm actions and performance.

Changes in board membership have both negative and positive consequences. Prior studies have labeled

changes in board membership “board turnover,” and focused on the costs imposed because turnover can negatively affect board functioning by disrupting the norms, work routines, and lines of communication established among directors, which can take considerable time to rebuild as new directors join the board (Finkelstein et al., 2009). However, governance practitioners have increasingly framed changes in board membership as “board refreshment” (Papadopoulos, 2018) that benefits firms by creating opportunities to reconfigure their boards with directors who possess skills, knowledge, and networks that are more closely aligned with the firms' changing needs and challenges. Indeed, failing to make such changes engenders concerns that “a stale board—one that has not added new members for many years—may become complacent, whereby a lack of independence, new perspectives, and diversity could pose significant risks in relation to long-term performance and effective oversight of management” (Papadopoulos, 2018). Board refreshment is also important for newly public firms, as early investors and directors with expertise in helping young firms navigate the start-up process leave and directors with more experience in navigating public markets and helping firms move to the next level join (Chen et al., 2008; Husick & Arrington, 1998).

Thus, changes in board membership, whether positive or negative, can significantly affect how firms evaluate the strategic scenarios they encounter, the strategic actions they choose to pursue, and whether they maximize their performance. Consistent with the academic literature, we use the term board turnover in this study while recognizing that it can have both positive and negative consequences for firms.

Despite the ubiquity and importance of board turnover, research examining its antecedents and consequences is limited. Corporate governance research has largely focused on how structural factors affecting directors' abilities to monitor the firm's executives (Boeker & Goodstein, 1991; Finkelstein & D'Aveni, 1994; Goodstein, Gautam, & Boeker, 1994) or provide access to resources (Haynes & Hillman, 2010; Hillman & Dalziel, 2003) affect firm performance. Early studies examining board turnover focused on the negative events that firms encounter. They have argued that directors often exit the boards of firms filing for bankruptcy, facing lawsuits, or engaging in financial fraud because continued service on such stigmatized boards has the potential to harm directors' relative standing among their peers (Arthaud-Day et al., 2006; Cowen & Marcel, 2011; Srinivasan, 2005). Boivie et al. (2012) looked beyond

organizational crises and considered directors' intrinsic and extrinsic motivations as key board turnover antecedents. They showed that board turnover is a function of intrinsic and extrinsic motivations associated with the prestige derived from the board appointment, directors' time available to serve on boards, their identification with the director role, and their ability to influence firm outcomes. More recently, Garg et al. (2018) examined how formalizing the leadership of newly public firms' boards (i.e., the board's chairmanship and committee chairmanships) affected whether directors felt undervalued, leading to board turnover.

However, these studies have focused largely on individual directors' perceptions independent of the boards' social structures. Given that boards are episodic decision-making groups, we argue that the stability of the boards' informal, deference-based status hierarchy will also influence board turnover. We build on status characteristics theory (Bunderson, 2003; Ridgeway, 2006) to examine how directors' specific status characteristics affect board turnover. We argue that a board's social structure engenders two key mechanisms that influence board turnover: (a) understanding directors' relative standing and spheres of influence in the local status hierarchy, and (b) shared performance expectations and attraction based on homophily (Bunderson, 2003; McPherson, Smith-Lovin, & Cook, 2001; Van der Vegt et al., 2005). We further note that while the former mechanism is based on directors' local (i.e., board-specific) status characteristics, the latter mechanism is based on directors' global status characteristics. We discuss these mechanisms in detail in the following sections as we develop our hypotheses predicting board turnover.

Board Status Hierarchies

We define status as "a socially constructed, intersubjectively agreed-upon and accepted ordering or ranking of individuals, groups, organizations, or activities in a social system" (Washington & Zajac, 2005: 1147). Status issues permeate social and organizational life (Fiske, 2010; Pearce, 2011), and status hierarchies are one of the most pervasive and fundamental features of social relations (Magee & Galinsky, 2008). Whenever actors come together, a status hierarchy emerges wherein some actors are accorded more esteem and respect than others (Podolny, 2005; Washington & Zajac, 2005) if they possess characteristics that are valued highly within the hierarchy (Han & Pollock, 2021; Pollock, Lashley, Rindova, & Han, 2019).

Attaining high status is a universal motive (Frank, 1985; Loch, Huberman, & Stout, 2000), and high-status actors often enjoy a wide array of intrinsic and extrinsic benefits, including deference, decision-making privileges, greater choice in interaction partners, and greater credit for one's work (Castellucci & Ertug, 2010; Merton, 1968; Pettit, Yong, & Spataro, 2010). Thus, status considerations often play a significant role in actors' behaviors and expectations.

Status characteristics theory (Bunderson, 2003; Ridgeway, 2006) offers a robust theoretical grounding for understanding how individual characteristics are collectively agreed upon as markers of individuals' relative standings in a status hierarchy. Individual characteristics take on the role of status markers within local contexts where individuals' inherent differences create status beliefs (Ridgeway, 2000, 2006), defined as "cultural beliefs that people presume are widely held in the society that associate greater social esteem and competence with people in one category than another category of a group distinction" (Ridgeway, 2006: 316). Status characteristics can be either diffuse or specific (Bunderson, 2003). Diffuse status characteristics are general and non-task specific in nature—such as gender, race, or ethnicity—and expectations around them are often not context or situation specific. Specific status characteristics, on the other hand, are more precise and task-focused—such as expertise, context-specific experience, or standing among one's peers—and expectations around them are contingent on distinct contexts or situations. This distinction is especially important in considering specific status characteristics because whether they become the basis of a status hierarchy is contingent on the context and the group members' collective acknowledgment that the characteristics are valuable (Bunderson, 2003).

In our context, directors simultaneously occupy positions in two types of status orders: a *local* status order—that is, status hierarchies formed within smaller groups—composed of directors serving on a company's board; and a *global*¹ status order based on broader and more universally recognized status characteristics—such as past and current associations with prestigious institutions (i.e., universities and corporations)—that are not coupled with their service on the board (Acharya & Pollock, 2013; Groysberg

¹ To be clear, the term "global" does not mean that the actor is world-renowned; rather it means they are affiliated with organizations that are generally recognized as high status (e.g., Harvard, Stanford, or MIT for universities).

et al., 2011). While directors' standing in the global status hierarchy is likely to affect their standing in the board's local status hierarchy, the latter is often negotiated among the directors based on attributes they mutually agree are valuable (Gould, 2002). We first focus on directors' specific status characteristics that are likely to be locally valued and aid in establishing the local status hierarchy.

Defined as "vertical differences between members in their possession of socially valued resources" (Greer et al., 2018: 591), scholars have found that hierarchy has both positive and negative influences on group effectiveness (for a recent meta-analysis, see Greer et al., 2018). Scholars have demonstrated the positive effects of hierarchy by highlighting the coordination-enabling processes that hierarchies engender (Blau & Scott, 1962; Levine & Moreland, 1990; Willer, 2009) and argued that groups possessing "a steeper hierarchy—that is, those with larger asymmetries in members' power, status and influence—exhibit higher levels of performance, cohesion, intra-group coordination, and lower levels of intra-group conflict" (Anderson & Brown, 2010: 56). Lower-ranked individuals' deference to higher-ranked individuals enables better coordination among group members and aids in reconciling divergent opinions and perspectives (Bendersky & Hays, 2012; Groysberg et al., 2011).

Scholars studying the negative effects of hierarchy have emphasized the conflict-enabling processes that hierarchies can engender (Bloom, 1999; Greer, van Bunderen & Yu, 2017), and showed that hierarchies can lead to the concentration of control and power, resulting in perceptions of inequity (Adams, 1965; Pfeffer & Langton, 1993), heightened mistrust of those at the top (Kramer, 1998, 1999), and increased intragroup competition (Eisenhardt & Bourgeois, 1988), all of which can exacerbate conflict among group members. Greer et al.'s (2018) meta-analysis of these studies showed that hierarchy negatively affects team effectiveness and is mediated by conflict-enabling states. However, most of these studies were carried out in the context of project teams and focused on emergent group processes and group effectiveness, with relatively less attention paid to hierarchy's effects on "team viability" or turnover (Greer et al., 2018: 593).

We argue that the nature of the group and the content of the tasks performed by the group members have a profound impact on the relevance of and role played by hierarchy in groups, particularly with respect to turnover. Bunderson (2003: 562) noted that characteristics are likely to be more salient for

establishing status in a group when "(a) individuals differ on the characteristic in question, and (b) they are mindful of their differences on the characteristic in question." As such, in developing our theory and hypotheses, we focus on directors' board tenure, expertise, and global status in the director labor market because they are three key characteristics likely to serve as status markers for newly public firms' boards. Prior research has shown the importance of these director characteristics in affecting the degree to which directors can discharge their directorial responsibilities of monitoring and resource provision. Further, these three characteristics are easily determined, making them useful in assessing directors' and their peers' relative value on the focal board, and thus in establishing the local status hierarchy (Acharya & Pollock, 2013; Brown et al., 2017; Certo et al., 2001; Kroll et al., 2007; McDonald, Westphal, & Graebner, 2008; Pollock et al., 2010; Sundaramurthy, Pukthuanthong, & Kor, 2014).

We argue that these criteria are likely to be even more salient to boards because they are episodic and deal with complex and ambiguous issues, and because boards are comprised of individuals who have been successful in their respective walks of life. Thus, local status hierarchies should be particularly important for providing the kinds of coordination and other benefits that can reduce conflict and board turnover. We therefore propose that the extent to which directors vary in possessing characteristics that are valued within the board creates deference patterns among directors that will establish a local status hierarchy that reduces board turnover.

However, local status hierarchies are also situated within broader social systems that have their own status hierarchies and associated values, and individuals gain benefits in these external social systems when they affiliate with others of similar global status (Podolny, 2005; Pollock et al., 2019; Washington & Zajac, 2005). Further, these global status characteristics and considerations can supersede the influence of local status characteristics on board turnover. In the following sections, we develop our hypotheses by discussing how overlaps in directors' local- and global status characteristics affect board turnover.

Board Tenure Overlap

Directors' board tenure is an important specific status characteristic that affects boards' social structures, and the overlap in directors' tenures affects board turnover. We argue that directors are likely to collectively acknowledge that tenure on the focal board is

an important status marker, as tenure captures directors' firm-specific expertise, which is a highly valuable attribute (Sundaramurthy et al., 2014) and can influence their governance effectiveness (Brown et al., 2017). While directors bring a vast array of strategic experience to the board (Haynes & Hillman, 2010), its value will be limited if they do not have a good understanding of the firm's resource endowments, strategic legacy, and routines because they may try to push for strategic initiatives that are not a good fit with the firm's strengths and capabilities (Forbes & Milliken, 1999; Shropshire, 2010). The longer the directors have served on the firm's board, the greater their opportunities to learn about the firm; build stronger internal ties; develop a better understanding of others' competencies, values, and expertise (Chatman & Flynn, 2001; Harrison et al., 1998); and meet the newly public firm's resource needs (Sundaramurthy et al., 2014). As such, while prior research has thus far treated tenure in a group as a context that frames other status characteristics (e.g., Bunderson, 2003), we argue that directors' board tenure—which captures their knowledge about the firm's abilities, resources, and limitations, and thus facilitates their ability to make strategic contributions—is also an important specific status characteristic.

Start-ups' boards are usually comprised of the firm's founders, investors, and the CEO, if he or she is not one of the founders (Certo, 2003; Chen et al., 2008; Husick & Arrington, 1998). When start-ups prepare to go public, they begin to adopt the institutionalized and legitimated forms and structures expected of public companies; thus, they reduce the number of insiders on the board. Further, early investors may step down since their involvement with the company is ending and they will be harvesting the value of their investment at, or shortly after, the IPO, and individuals with the expertise necessary for the next stage of the firm's evolution are added (Chen et al., 2008). Depending on the company, who its existing board members are, and the circumstances, once the company goes public its board may be comprised of primarily longer-tenured directors, primarily shorter-tenured directors, or a mix of both.

We theorize that to the extent that directors vary in how long they have served on the board, a status hierarchy and deference norms will develop that reduce role ambiguity, conflict, and the rate of board turnover. Board tenure is an easily accessible metric and important director characteristic, especially given stakeholders' increasing focus on director tenure (Brown et al., 2017; Francis & Lublin, 2016). Longer board tenure is also likely to confer informal power

due to the directors' ties with the CEO and/or top executives and tacit knowledge of the board's norms (Finkelstein et al., 2009). Thus, director tenure serves as a basis for establishing directors' standing in the local status hierarchy, creating a deference structure where shorter-tenured directors may defer to long-tenured directors who have more firm-specific knowledge (He & Huang, 2011).²

Thus, whether board tenure helps structure the local status hierarchy depends on the extent to which directors vary in how long they have served on the board. When board tenure overlap is low—that is, when the board is composed of both long-tenured and short-tenured directors—director tenure can serve as the basis for sorting in the local status hierarchy. However, when the board's tenure overlap is high—that is, when the board is composed of directors with similar long or short tenures—directors differ little and director tenure will not serve as a meaningful distinguishing status characteristic. Thus, directors' tenure overlap is likely to affect whether the board can establish a stable status hierarchy and in turn reduce board turnover. We therefore hypothesize:

Hypothesis 1. Higher board tenure overlap is positively associated with board turnover.

Board Expertise Overlap

In addition to the local expertise gained from board tenure, we argue that directors' professional expertise is also an important status characteristic that affects boards' social structures, and that the overlap in directors' expertise affects board turnover. Directors bring varied expertise, knowledge, connections, and skills to the board. These are grounded in their education, professional training, prior experiences, and occupational backgrounds (Hillman & Dalziel, 2003; Kroll et al., 2007; McDonald et al., 2008) and can positively affect firm outcomes (Haynes & Hillman, 2010; Kroll et al., 2007). Thus, directors' expertise is likely to be collectively viewed by board members as a valued specific status characteristic. Hillman et al. (2000)

² It is important to acknowledge here that directors with long common board tenures can also enjoy the benefits of repeat interactions (Harrison et al., 1998). That is, when board tenure overlap is high due to directors having similarly long tenures, they are more likely to have had opportunities to gain a better understanding of each other's abilities and to improve their communication. However, it can also serve as the basis for long-standing disagreements and resentments while eliminating the availability of a deference structure that can help resolve conflicts or disagreements.

proposed a taxonomy of director expertise based on their underlying experience and training: (a) business experts, who are current or retired senior executives and directors at other firms; (b) support specialists, who are professionals such as auditors, bankers, doctors, and lawyers; and (c) community influentials, who represent community and social institutions such as non-profit organizations, universities, and government. Although these directors may share expertise on multiple fronts, their dominant professional identity is likely to be grounded in their primary professional experience (e.g., Golden-Biddle & Rao, 1997; Hillman et al., 2008).

Like tenure, directors' expertise is also easily accessible to board members in evaluating their peers' potential contributions, and expertise also aids in sorting directors across the board's local status hierarchy because task-based expertise acts as an important dimension along which group members differentiate themselves (Bunderson, 2003; Hillman et al., 2000; Owens & Sutton, 2002). Given the highly complex, ambiguous, and interdependent strategic tasks in which directors participate, boards often debate the relative relevance and salience of directors' expertise to offer solutions to pressing problems. This can especially be the case for newly public firms that are deciding how best to grow (Fischer & Pollock, 2004). Directors can use their expertise as a basis for differentiating themselves from their peers, establishing their spheres of expertise where other directors are more likely to defer to them, and negotiating their standing in the local status hierarchy.

However, as with tenure, boards differ in the degree to which their directors' expertise overlaps. When directors possess expertise in distinct domains—that is, they have low board expertise overlap—expertise acts a potent basis on which directors can differentiate themselves by establishing their positions in the status hierarchy and deferring to others whose expertise becomes relevant as different issues arise (Anderson & Brown, 2010; He & Huang, 2011), “signal[ing] that one individual in a hierarchy does not intend to challenge another” (Fragale, Sumanth, Tiedens, & Northcraft, 2012: 27) and avoiding “competing with or threatening one another's position in the status hierarchy” (Joshi & Knight, 2015: 63).

When directors possess similar expertise, however—that is, board expertise overlap is high—expertise ceases to be a differentiating factor (Bunderson, 2003). Further, directors with similar expertise may have conflicting recommendations, or one director may act as the “informal spokesperson” for all similar directors rather than each director of similar expertise

getting the opportunity to contribute their perspective. This can lead to more instability in the local status hierarchy because directors with relevant expertise who do not get an opportunity to contribute to board deliberations may perceive themselves as having little influence on the board (Black & Gregersen, 1997; Lichtenstein et al., 2004), thereby increasing the likelihood of board turnover. Thus, we hypothesize:

Hypothesis 2. Higher board expertise overlap is positively associated with board turnover.

Board Global Status Homogeneity

The two prior predictions focused on the effect of board level overlap in directors' local specific status characteristics on board turnover. However, as we noted earlier, directors also have a more global standing in the director labor market, which is reflected in their affiliations with high-status institutions, such as having degrees from prestigious universities and serving as executives or directors at high-status companies (Acharya & Pollock, 2013; Chen et al., 2008; Pfeffer & Salancik, 1978; Pollock et al., 2010). Thus, unlike directors' local status, which is contingent on variance in directors' specific status characteristics that are perceived as valuable in the local context only, directors' global status is based on their standing in a broader social order grounded in characteristics that are valued both globally and locally and which are still rare at the global level, even if they become more concentrated at the local level. We argue that the differences in the bases for determining local and global status will also lead to different effects on board turnover when there are high and low board-level overlaps in global status.

Status characteristics theory notes that sharing the same status characteristics leads individuals to also have similar expectations about each other's abilities (Ridgeway, 2006; Van der Vegt et al., 2005), which can affect their opportunities to participate in group decision-making and shape their perceived sense of influence and competence in the group (Bunderson, 2003; Ridgeway, 2006). To be clear, this does not just apply to individuals who possess high global status, and does not presume that individuals lacking high global status will perceive themselves as less capable. Indeed, given that status and quality can be loosely coupled (Lynn, Podolny, & Tao, 2009), those lacking high global status may not necessarily view globally high-status individuals as more capable.

We argue that since the value of global status does not depend on others in the local group failing to

possess the same characteristic, these shared performance expectations can result in more active engagement with and trust in the group, reducing process losses and making globally high-status directors less likely to leave the board when there is more global status homogeneity among directors (i.e., there is high global status overlap). Conversely, global status differences may lead to different expectations about ability and performance that can aggravate hierarchies' conflict-generating potential (Greer et al., 2018), which would increase the likelihood of board turnover when there is more global status heterogeneity (i.e., low global status overlap) (Wagner, Pfeffer, & O'Reilly, 1984).

Further, scholars have also found that homogeneity in directors' global status can result in status homophily (Chen et al., 2008), or the inclination to associate with others of similar status (Lazarsfeld & Merton, 1954; McPherson et al., 2001). Status homophily allows individuals to "share common life experiences and values, and may find interacting with each other easier, positively reinforcing, and more desirable" (Williams & O'Reilly, 1998: 85) because similarity positively reinforces individuals' attitudes and beliefs. Indeed, Chen et al. (2008) found that it was easier for firms about to go public to attract globally high-status directors and executives when they already had high-status affiliations, and that they paid high-status executives less of a premium to recruit them.

Thus, global status homogeneity among directors—whether they are homogeneously high status or homogeneously non-high status—leads to a more trusting environment where directors' shared performance expectations of each other can usher in information exchange and collaborative work (McPherson et al., 2001; Ruef, Aldrich, & Carter, 2003), and directors enjoy affiliative benefits (Williams & O'Reilly, 1998). Directors are therefore more likely to view others of similar global status as partners rather than rivals, enhancing their identification with the group and engagement in board work, resulting in directors' continued service on the board (Boivie et al., 2012). Thus, we hypothesize:

Hypothesis 3. Higher board global status homogeneity is negatively associated with board turnover.

Combinations of local and global status characteristics. We have presented arguments about how overlaps in directors' specific local and global status characteristics directly affect the likelihood of board turnover. However, global status overlap can also influence how local tenure and expertise overlap affect board turnover.

In discussing the independent effect of directors' local status characteristics on the likelihood of board turnover, we posited that high board tenure overlap and high board expertise overlap exacerbate board turnover. We reasoned that a high degree of overlap in these status characteristics would minimize the board's ability to use them as bases for establishing a local status hierarchy and establishing a clear deference order. Conversely, we argued that similarity in directors' global status is likely to engender a preference for associating with others of similar status and would amplify directors' shared performance expectations of each other, which in turn reduces board turnover, even in the absence of a clear status hierarchy based on these characteristics.

While research on status characteristics theory has examined the independent and joint effects of specific and diffuse status characteristics (e.g., Bunderson, 2003; Prato, Kypraios, Ertug, & Lee, 2019), it has offered little guidance on how local and global status characteristics would combine to affect board turnover. We argue that when similarities across directors' global and local status combine, that is, when directors who have served together on the focal board for similar periods and those with similar expertise also happen to be of similar global status, the effect of status homophily engendered by the homogeneity in directors' global status creates a contextual feature (Greer et al., 2018) that at least partially attenuates the negative consequences resulting from the inability to establish a local status hierarchy based on the other characteristics. That is, homophily in directors' global status and the resulting shared performance expectations provide an alternative coordinating mechanism that reduces ambiguity, increases identification with the board, and facilitates performance (Boivie et al., 2012; McPherson et al., 2001; Ruef et al., 2003), thereby reducing the positive effects of high tenure and expertise overlap on board turnover.

Global status homogeneity and tenure overlap.

Global status homogeneity is likely to temper the potential detrimental effects of high tenure overlap. When directors of similar tenure on the focal board also happen to be of similar global status, tenure is less likely to be a salient factor in forming a local status hierarchy, which amplifies the potential beneficial effects of tenure overlap. In the case of long tenure overlap, directors are more likely to reap the benefits of repeated interactions resulting from having worked together because the longer the directors have worked together on the focal board, the more likely they are to have had opportunities to understand and come to terms with each director's position in the local status

hierarchy (Acharya & Pollock, 2013). When all directors have short tenures on the board, it mollifies the jockeying for position that often occurs and reduces the potential for divisive relationships based on status differences. As such, when directors are of similar global status, directors with overlapping tenure may create more stability in the local status order by enhancing coordination and minimizing conflict. Thus, we hypothesize:

Hypothesis 4a. The greater the board's global status homogeneity, the weaker the positive relationship between the board's tenure overlap and board turnover.

Global status homogeneity and expertise overlap.

Furthermore, global status homogeneity might even reverse the effects of high expertise overlap. When directors of similar global status also possess similar expertise, the benefits of cohesiveness due to expertise-based subgroups may become more salient. When competition for standing in the local status hierarchy becomes less relevant, expertise overlap could usher in transitory coalition building among directors with similar expertise. Indeed, prior research on fault lines (Lau & Murnighan, 1998), factional groups (Li & Hambrick, 2005), and coalition formation via subgroups (Carton & Cummings, 2012; O'Leary & Mortensen, 2008) has shown that activating dormant fault lines results in coalition formation (Jehn & Bezrukova, 2010). When they are of similar global status, directors with overlapping expertise may view each other as members of an internally cohesive subgroup (Thatcher & Patel, 2012). Thus, we hypothesize:

Hypothesis 4b. The greater the board's global status homogeneity, the weaker the positive relationship between the board's expertise overlap and board turnover.

DATA AND METHODS

Sample

We tested our hypotheses using data from various sources. We generated a list of all start-ups that conducted IPOs in the United States between 2001 and 2005 from SDC Platinum's equity new issues database and company filings accessed via Edgar Online. Data on firm CEOs and directors were hand-collected and coded from SEC filings, including prospectuses, proxy statements, and annual reports, and supplemented by searches of corporate websites and online repositories including Bloomberg, Crunchbase, and the *Financial Times*. Data on venture capital (VC)

firms were obtained from the VentureXpert database. Data on firms' media coverage were gathered from the Factiva and Bloomberg databases. Firms' financial and accounting data were collected from Compustat and the Center for Research in Security Prices.

Consistent with prior research (Acharya & Pollock, 2013; Ritter, 1991), we excluded unit offerings, closed-end mutual funds, demutualization of savings banks and insurance companies, corporate spin-offs, REITs, and leveraged buyouts from the sample. We also only included firms that were 10 years old or younger at the time of IPO to ensure that they were at similar stages of development. For each firm in the sample, we collected data for the five years following its IPO or until the firm was delisted from trading, whichever was earlier. We used this time frame because studies have shown that firms are generally considered "newly public" during the five years following their IPOs and "seasoned" public entities thereafter (Fischer & Pollock, 2004; Kroll et al., 2007). Our final sample consisted of 218 firms and 828 firm-year observations.

Dependent Variable: Board Turnover

Because we focused on the effects of board social structure on board turnover, our dependent variable was operationalized as a board-level outcome. As such, we measured board turnover as the count of the total number of outside directors who exited the board in a given year (Garg et al., 2018).

Consistent with research on turnover in general (e.g., Hambrick & Cannella, 1993; Zhu & Shen, 2016) and recent research on board turnover in particular (e.g., Boivie et al., 2012; Garg et al., 2018), our board turnover measure did not distinguish between voluntary and involuntary director exits. Information detailing the various reasons for board turnover is generally limited, and is even scarcer for newly public firms during the initial years following their IPOs. As such, we could not consistently code this distinction. Further, our theorizing focused on mechanisms that were more likely to lead to voluntary director exit. Involuntary exits thus made it more difficult for us to find significant relationships, making our analysis a more conservative test of our hypotheses.

Independent Variables

Tenure overlap. We followed prior research (Barkema & Shvyrkov, 2007; Tsui, Egan, & O'Reilly, 1992) to measure directors' tenure overlap and operationalized the amount of time directors had worked

together using tenure overlap (TLAP), a measure of common historical experience (Carroll & Harrison, 1998). This measure equals the average of the pair-wise overlaps in board service among each director (e.g., Barkema & Shvyrkov, 2007) and is operationalized using the following formula:

$$TLAP = 1/N \sum \min(u_i, u_j)_{i \neq j},$$

where N is the total number of pair-wise comparisons, u_i is the board tenure of the i th director, and u_j is the board tenure of the j th director. As our sample included private ventures that were less than 10 years old at IPO and were then observed for up to five years following the IPO, individual directors' tenures ranged from 0 years (directors who joined the firm in the year of IPO) to 15 years (directors who joined the firm upon founding and continued serving on the board for the five years following the IPO). TLAP ranged from 0 to nine years.

Expertise overlap. We adapted Hillman et al.'s (2000) taxonomy and classified directors into one of five occupational categories based on their primary expertise: business experts (current or retired senior executives or directors of other for-profit companies), support specialists (professionals such as attorneys, auditors, or bankers), community influentials (politicians, leaders of social organizations, or academics), private equity managers, and VCs. We added the last two categories because they are frequently represented on newly public firms' boards. We assigned each director to one of these categories using their job titles and career descriptions from the company's prospectuses, proxy statements, annual reports, and web and database searches.³ If a director had more than one type of experience, he or she was coded as being in the category for which their experience was greatest (based on the number of years).

The first author initially assigned all the directors to these categories. The data were then randomly divided into two groups and coded by two research assistants who were given clear descriptions of each of the five categories. A sixth category, titled "unsure," was used when the research assistants were unsure to which category the directors' expertise belonged. Inter-rater reliability was high (ICC1 = .94), suggesting

strong agreement between the coding performed by independent raters. The first author and research assistants discussed and resolved the mismatches and decided how to categorize the 27 directors coded under the unsure category.

We measured expertise overlap (ELAP) using the same formula employed to measure TLAP, calculating the average of the pair-wise comparisons of directors' expertise. Since we were creating binary measures with each comparison (i.e., if they had the same expertise, the value was 1, if not, the value was 0), ELAP could range from 0 to 1, with 0 representing no overlap at all and 1 representing a complete overlap in the directors' expertise.

Global status homogeneity. Consistent with prior research (e.g., Acharya & Pollock, 2013; Chen et al., 2008; Pollock et al., 2010), we treated a director as globally high status if he or she possessed at least one of the following credentials: a degree from an elite educational institution listed in Finkelstein's (1992)⁴ list of prestigious institutions (educational prestige), experience as an executive at the level of vice-president or above at an S&P 500 company (employment prestige), or experience as an outside director for an S&P 500 firm (directorial prestige). When determining the status of directors' prior employers and boards, we constructed a lagged year list of S&P 500 firms for each year of the study. Prior research has established that possessing any one of these three indicators can be used to designate an executive or director as globally high status, and that possessing more than one indicator does not affect outcomes (e.g., Acharya & Pollock, 2013; Pollock et al., 2010).⁵

To test our hypotheses, we calculated global status homogeneity for each firm-year. We measured directors' global status homogeneity using the Blau index (1977), one of the most commonly used measures to calculate diversity (Harrison & Klein, 2007).

⁴ In analyses not reported here, we included additional schools used in other studies (Gomulya & Boeker, 2014; Long, Bowers, Barnett, & White, 1998; Moll, 1985), and our results remained unchanged.

⁵ In analyses not reported here, we reran our models using a weighted measure of status wherein we weighted each credential based on the frequency with which it occurred, treating the rarest source of status as the most valuable and the most common source of status as the least valuable (Acharya & Pollock, 2013). Using this alternate status measure, our results were the same as reported here using the unweighted status measure. These findings are consistent with prior research (Acharya & Pollock, 2013; Pollock et al., 2010) that has used similar status measures.

³ We also ran our models using both the TLAP formula and the Blau index by collapsing the five expertise categories into (a) four categories, by combining the VC and private equity (PE) categories; and (b) into the original three categories, by combining the VC and PE categories into the support specialists category. Our results remain robust to these alternate operationalizations.

The Blau index equals $1 - \sum p_k^2$, where p is the proportion of unit members in the k th category (Harrison & Klein, 2007: 1211). Since there were two director categories, high status and non-high status, the index ranged from 0 to .5, with 0 representing complete status homogeneity and 0.5 representing complete status heterogeneity. As we theorized about the effects of global status homogeneity as a board becomes more homogeneous, to match our theorizing, we reversed the Blau measure by deducting the values from .5 so that 0 represented complete status heterogeneity and .5 represented complete status homogeneity.

Control Variables

Consistent with prior research, we controlled for several firm-level characteristics that could affect board turnover (Boivie et al., 2012).⁶

VC backing. This measure captured whether a firm had VC backing. This was a dummy variable coded as 1 if a firm received financial backing from VC prior to IPO and 0 otherwise. VC backing can significantly affect firms' prospects at IPO and beyond (Jain & Kini, 2000). In addition, firms with VC backing are likely to have VCs on their boards, and these directors are more likely to exit in the years following the firm's IPO.

Offer size. This measure equaled the product of the total number of shares offered during an IPO and its offering price. Offer size can signal to the market about a firm's relative quality and stability. Prior IPO research has frequently used this measure as a control (e.g., Fischer & Pollock, 2004; Ibbotson & Ritter, 1995). Directors may be less likely to leave the boards of firms that acquire more capital via their IPOs or are viewed positively by investors. To reduce the effect of extreme values, we transformed this variable into its natural logarithm.

Firm age at IPO equaled the difference between the firm's founding year and the current year. All the firms in the sample were less than 10 years old at the time of IPO. Older firms are more likely to have directors with greater tenure overlaps. They may also be more likely

to experience director exits, because directors who have been with the firm for longer periods may decide to step down, particularly if they are angel investors or others who focus primarily on working with early-stage start-ups.

Firm size equaled the natural logarithm of annual sales. We log transformed this measure to reduce the effects of extreme values. As some of the firms had no sales in some years, we added a 1 to the sales of each company before log transforming the values.

Founder-CEO. In the start-up context, founder-CEOs have the greatest knowledge and understanding of the firm, its people, its technology, the strategic choices that were made, and the reasons behind them (Nelson, 2003; Wasserman, 2006). As such, they have the legitimacy and support necessary to make major strategic shifts, if necessary (Horowitz, 2014). Thus, directors are more likely to defer to founder-CEOs in their decision-making, including their continued board service. Founder-CEO was a dummy variable coded as 1 when the firm's CEO in a given year was also its founder and 0 otherwise.

Board size equaled the total number of directors on the firm's board. Prior research has used board size to signify the extent to which resources are available (Pfeffer, 1972) and affect firms' abilities to signal quality via prestigious outside directors (Certo et al., 2001). Further, all else being equal, larger boards are more likely to experience director exits since there are more directors who can potentially leave the board.

Staggered board was a dummy variable coded 1 if the firm's board had staggered elections and 0 otherwise. Staggered elections could affect the number of directors who could leave the board because only a portion of the board is up for reelection in a given year.

Firm performance was operationalized using total stockholder return (TSR) for a given year. TSR is a commonly used stock market indicator of firm performance (e.g., Sanders & Hambrick, 2007). We calculated TSR as year-end stock price minus year-start stock price, plus dividends paid, divided by year-start stock price. Our results were robust when we used alternate firm performance measures, including Tobin's Q (measured as the ratio of the firm's total market value to its book value), which encompasses firms' expected future profits divided by their market value (Chung & Pruitt, 1994), and return on assets, measured as the ratio of the firm's net income (or loss) to its total assets for each year.

Media coverage. Prior research has found that media visibility can mitigate directors' likelihood of exiting the firm (Boivie et al., 2012). We measured

⁶ In addition to the variables listed here, we also considered three other controls used in prior research to predict other post-IPO performance outcomes: underwriter prestige, VC prestige, and underpricing. None of these variables were significant in any of our models, and our results were largely the same when they were included. Thus, to reduce the inclusion of unnecessary control variables (Spector & Brannick, 2011), they were not included in our final models.

media visibility using a count of media articles featuring the firm in a given year. We collected this data by searching each firm's name and/or its ticker symbol in the Factiva and Bloomberg databases. We excluded firms' press releases, stock reports and forecasts, and any other firm-generated content. Given our focus on newly public firms, we chose to expand our search beyond large, mainstream sources such as the *New York Times* and the *Wall Street Journal* by searching all business and general media outlets. Many of our sample companies had no media visibility, yielding zero media articles. As such, we added 1 to all observations and log transformed the measure to minimize the skewness.

Cumulative hires. This measure captured the total number of directors a firm recruited in a year. We measured it by both counting only the outside directors recruited and also counting all the directors recruited.⁷

Industry dummies were included because systematic differences could exist between companies in different industries for both the independent and dependent variables. Consistent with prior research (Pollock, Rindova, & Maggitti, 2008), we included five industry dummy variables in the analysis of business services, chemical and allied products, instruments and related products, electronic and other electric products, and retail. These categories parsimoniously captured the variety of industries represented in the IPO market in 2001–2005. Firms were assigned to these categories based on their SIC classifications.

Year of issue and years since IPO dummies. We coded dummy variables for the year of issue as 1 if companies went public in 2002, 2003, 2004, or 2005 (2001 was the omitted year). We also created dummy variables for each of the years since IPO, coded as 1 if companies were in their second, third, fourth, or fifth years following their IPO year (year one was the omitted year). We controlled for both year of issue and years since IPO because there can be a variety of factors associated with when a company goes public and how far beyond its IPO the firm has moved that could affect status homogeneity (Acharya & Pollock, 2013).

⁷ We also controlled for the exit of non-independent (i.e., inside) directors from the board. This variable was not significant in any of the models, and its inclusion yielded identical results. Thus, we have not included it in our final models (e.g., Spector & Brannick, 2011).

Method of Analysis

Our dependent variable, board turnover, is a count variable; thus, we employed a mixed effects negative binomial regression (using the *menbreg* command in Stata 16.0). As our sample included repeated observations for each firm, the observations were not independent across time, making data analysis techniques such as simple negative binomial regression inappropriate. We used mixed effects rather than fixed effects negative binomial regression because our main interest was in inter-firm differences, and several predictor variables are time invariant. Mixed effects models help control for within-firm variance, facilitate between-firm comparisons (Petersen, 1993), and limit large observation losses that can create model convergence problems (Rao, Davis, & Ward, 2000). As fixed effects models would drop the time-invariant measures from the analysis⁸ and do not account for between-firm variance, they use less information in computing the estimates and are thus less efficient than mixed effect models (Certo, Withers, & Semadeni, 2017).

RESULTS

Table 1 presents the descriptive statistics and correlations for the variables we used in our analyses. While we included year of IPO, year post-IPO, and industry dummies in all the models, for brevity and clarity we do not include them in the regression tables. Table 2 presents the results of the mixed negative binomial regression models predicting board turnover. Model 1 presents a baseline model that includes only the control variables. Model 2 adds the independent variables—tenure overlap, expertise overlap, and status homogeneity—to test Hypotheses 1, 2, and 3, respectively. Models 3 and 4 add the interactions between status homogeneity and tenure and expertise overlap, respectively, to test Hypotheses 4a and 4b. Model 5 presents the fully saturated model. Collinearity diagnostics showed that collinearity was not a problem in any of the models; condition index values ranged from 13.41 to 19.32, which are below the maximum cutoff of 30 (Belsey, Kuhn, & Welch, 2013), and variance inflation factor (VIF) values ranged from 1.02 to 1.91 (mean VIF of 1.27), well below the cutoff of 10 (Hair, Black, Babin & Anderson, 2009).

⁸ We also ran our models using random effects regression (*nbrreg* command in Stata) and obtained results that were identical to the results reported here.

TABLE 1
Means, Standard Deviations, and Correlations of Key Variables

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Board Turnover	0.61	0.97	1.00													
2 Venture Capital Backing	0.49	0.50	0.00	1.00												
3 Offer Size ^a	18.00	0.87	-0.01	0.12*	1.00											
4 Firm Age	8.16	2.83	0.17*	0.02	-0.01	1.00										
5 Firm Size ^a	4.25	2.03	0.01	0.05	0.72*	0.09*	1.00									
6 Founder-CEO	0.41	0.49	-0.12*	-0.07*	-0.12*	-0.06	-0.08*	1.00								
7 Board Size	7.37	1.63	-0.01	0.05	0.23*	0.10*	0.22*	-0.17*	1.00							
8 Staggered Board	0.64	0.48	0.04	0.01	-0.06	0.00	-0.06	0.00	0.03	1.00						
9 Firm Performance	3.00	17.36	-0.03	-0.04	-0.02	-0.02	-0.01	0.01	-0.01	-0.04	1.00					
10 Media Coverage	0.39	0.49	-0.02	-0.03	0.12*	0.04	0.05	0.16*	0.09*	-0.05	0.07*	1.00				
11 Cumulative Hires	0.68	0.97	0.56*	-0.01	0.00	0.13*	0.03	-0.10*	0.22*	0.05	-0.04	-0.01	1.00			
12 Tenure Overlap	3.02	1.63	0.34*	0.06	-0.05	0.43*	0.05	0.03	-0.05	0.00	-0.06	0.05	-0.08*	1.00		
13 Expertise Overlap	0.48	0.22	0.00	-0.23*	-0.06*	-0.01	-0.06*	-0.04	-0.27*	0.05	0.04	-0.07*	0.00	-0.19*	1.00	
14 Status Homogeneity	0.14	0.15	-0.06*	-0.04	0.21*	0.04	0.17*	-0.03	0.01	-0.04	0.09*	0.05	-0.05	0.01	0.06	1.00

Note: ^a Logarithm

* $p < .05$

TABLE 2
Results of Negative Binomial Regression Models Predicting Board Turnover

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Venture Capital Backing	-0.02 (0.08)	0.03 (0.08)	-0.00 (0.08)	0.03 (0.08)	0.01 (0.09)
Offer Size	0.15** (0.07)	0.20*** (0.07)	0.17** (0.07)	0.19*** (0.07)	0.17** (0.07)
Firm Age	0.03 [†] (0.02)	-0.02 (0.02)	-0.02 (0.02)	-0.02 (0.02)	-0.01 (0.02)
Firm Size	-0.03 (0.03)	-0.02 (0.03)	-0.02 (0.03)	-0.02 (0.03)	-0.02 (0.03)
Founder-CEO	-0.30*** (0.09)	-0.29*** (0.10)	-0.27*** (0.09)	-0.29*** (0.10)	-0.27*** (0.09)
Board Size	-0.21*** (0.03)	-0.15*** (0.03)	-0.14*** (0.03)	-0.15*** (0.03)	-0.14*** (0.03)
Staggered Board	-0.01 (0.09)	-0.02 (0.09)	-0.10 (0.09)	-0.02 (0.09)	-0.10 (0.09)
Firm Performance	-0.03 (0.02)	-0.01 (0.02)	-0.01 (0.01)	-0.01 (0.02)	-0.01 (0.01)
Media Coverage	0.03 (0.09)	0.01 (0.09)	-0.05 (0.09)	0.01 (0.09)	-0.04 (0.09)
Cumulative Hires	0.49*** (0.03)	0.58*** (0.03)	0.60*** (0.03)	0.58*** (0.03)	0.60*** (0.03)
Tenure Overlap		0.30*** (0.02)	0.35*** (0.03)	0.30*** (0.02)	0.35*** (0.03)
Expertise Overlap		0.40* (0.14)	0.45** (0.17)	0.51** (0.20)	0.59** (0.20)
Status Homogeneity (SH)		-0.34* (0.12)	2.03*** (0.49)	0.10 (0.65)	2.63*** (0.79)
Tenure Overlap × SH			-0.80*** (0.15)		-0.82*** (0.15)
Expertise Overlap × SH				-0.91 (1.23)	-1.19 (1.21)
Constant	-1.88 (1.15)	-4.24*** (1.26)	-4.10*** (1.25)	-4.14*** (1.27)	-4.02*** (1.26)
Likelihood	-854.41	-783.53	-767.83	-783.25	-768.39

Note: $N = 828$ for all models; ^b Logarithm.

[†] $p < .10$

* $p < .05$

** $p < .01$

*** $p < .001$

Hypothesis 1 predicted that directors' tenure overlap would be positively associated with board turnover. We can see from Model 2 that, as predicted, tenure overlap has a positive and significant ($p < .001$) relationship with the likelihood of board turnover, and this result remained positive and significant at $p < .01$ or better in all the models in Table 2. Thus, Hypothesis 1 is supported. If the board's tenure overlap were to increase by 1, then board turnover would increase by a factor of 1.35, holding all other variables in the model constant. This relationship remains the same in Models 3–5.

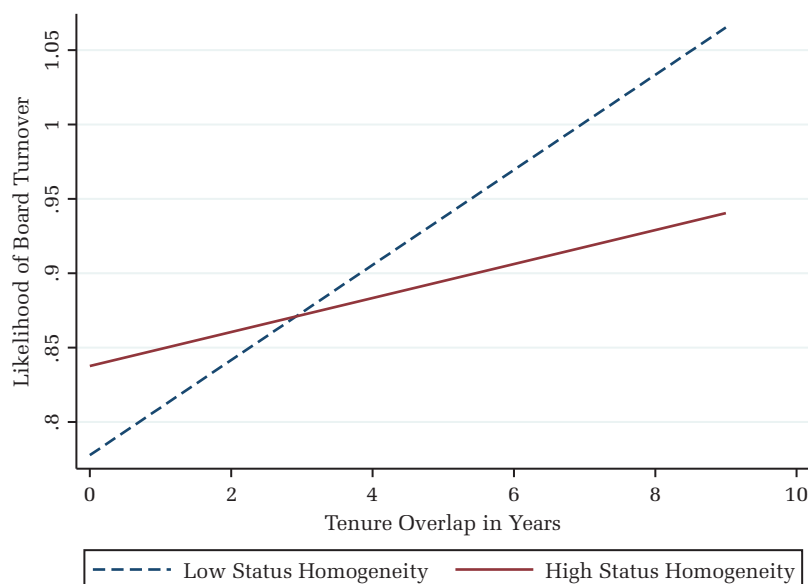
Hypothesis 2 predicted that directors' expertise overlap would be positively associated with board turnover. We can see from Model 2 that, as expected, expertise overlap has a positive and significant ($p < .001$) relationship with board turnover, and this result remains positive and significant at $p < .01$ or better in all the models in Table 2. Thus, Hypothesis 2 is supported. If the board's expertise overlap were to increase by 1, then board turnover would increase by a factor of 1.50, holding all other variables in the model constant.

Hypothesis 3 predicted that directors' global status homogeneity would be negatively associated with board turnover. Consistent with Hypothesis 3, Model 2 shows that the coefficient of global status homogeneity is negative and significant ($p < .05$). If the board's tenure overlap were to increase by .1, then board

turnover would decrease by a factor of 0.71, holding all other variables in the model constant. The status homogeneity coefficient is negative and not significant in Model 4 when the interaction with expertise overlap is included; however, it becomes *positive* and significant at $p < .001$ in Model 3 when the interaction with tenure overlap is included and in the fully specified Model 5 when both interactions are included. This pattern of findings suggests that the negative significant relationship observed in the main effects model was likely picking up the negative moderating effect of global status homogeneity on tenure overlap. Thus, when considered in conjunction with other local status characteristics, higher levels of global status homogeneity increase the rate of board turnover, and Hypothesis 3 is thus not supported.

Hypothesis 4a proposed that a board's global status homogeneity would weaken the positive relationship between its tenure overlap and the likelihood of board turnover. Model 3 adds the interaction between tenure overlap and status homogeneity. Consistent with Hypothesis 4a, the coefficient for the interaction term is negative and significant at $p < .001$, and the main effect of tenure overlap remains positive and significant. To fully consider the nature of this relationship, we graphed the results from Model 3 in Figure 1 using status homogeneity and tenure overlap measures one standard deviation above and below their means (Boivie et al., 2012; Hoetker, 2007). Figure 1

FIGURE 1
Interaction Between Tenure Overlap and Status Homogeneity Predicting Board Turnover



shows that tenure overlap is positively and significantly associated with board turnover when status homogeneity is both high and low (the slopes of both lines are significantly different from zero), and high status homogeneity increases the effect of tenure overlap on board turnover when tenure overlap is low but weakens the effects of tenure overlap on board turnover when it exceeds its mean value of approximately three. Because we expected that status homogeneity would partially attenuate the main effect of tenure overlap, our results support Hypothesis 4a; however, as we elaborate on in the Discussion section, the theoretical mechanism at work may be different than we hypothesized.

Hypothesis 4b proposed that a board's global status homogeneity would weaken the positive relationship between its expertise overlap and the likelihood of board turnover. Model 4 shows that the coefficient for the interaction between expertise overlap and status homogeneity is negative and not significant. Thus, Hypothesis 4b is not supported.

Robustness Checks

Our sample consisted of start-ups that went public between 2001 and 2005, and we observed them for five years post-IPO. As such, the first year of the sample was 2001 and the last year was 2010. In 2002, SOX mandated that public firms should have independent outside directors and that the key board subcommittees be constituted solely of independent outside directors (e.g., Linck, Netter, & Yang, 2009). While SOX could have influenced director exit, we argue that such a possibility is unlikely.

First, SOX did not mandate any changes with respect to directors' status, tenure, or expertise. Further, the distinction between affiliated outside directors (pre-SOX) and independent outside directors (post-SOX) is less likely to affect the status, tenure, and expertise of the directors, and in turn, the stability of the focal board's status order. More importantly, the likelihood of private ventures replacing their directors following their IPO due to SOX requirements is low. SOX mandated that firms going public conform to its changes at the time of IPO; thus, from 2002 on, firms were likely to have made any necessary changes to their board composition prior to their IPOs. Director exit during the years following the year of IPO is therefore unlikely to be solely driven by SOX mandates.

Nonetheless, in a supplemental analysis, we considered whether SOX affected the likelihood of board turnover. As SOX was passed in 2002 and our data begins in 2001, we re-ran our models excluding the

33 firms that filed their IPOs in 2001, as they were technically pre-SOX. Our results remained robust. Further, since it may have taken a few years for SOX's policies to become institutionalized,⁹ we also included a SOX dummy variable that took the value of 0 for the years 2001–2005 and 1 for the years beyond 2005. This variable was not significant in any of our models, and our results did not change. As such, the mere timing of our sample does not appear to be a significant concern in interpreting our results.

Since we have cross-sectional time series data, we also re-ran our analyses using generalized estimating equations (GEE), as they are well-suited to this kind of data (Liang & Zeger, 1986). As GEE allows us to specify the family, link function, and correlation structure, given the nature of our data distribution, it makes no assumption about the random distribution of unit effects, does not include any group-level disturbance (unlike other panel approaches), and yields results substantively similar to those of random-effects and mixed models (Ballinger, 2004; Certo et al., 2017). We ran the analyses using the *xtgee* command in Stata 16.0 with robust variance estimators (White, 1980). Given the nature of our data, we ran the GEE models to fit a Poisson distribution by specifying a Poisson family with a log link function and an exchangeable correlation structure for all the models. The results were identical to our original analyses presented in Table 2.

We also conducted several checks to address potential endogeneity concerns. We directly controlled for VC backing and firm performance because they can both affect the emergence of status hierarchies within boards and board turnover. Furthermore, following recent research (e.g., Busenbark, Lange, & Certo, 2017; Harrison et al., 2018), we also conducted an impact threshold of confounding variable analysis (Frank, 2000) for both our main and interaction effects. As this method is intended for linear models, and we employed mixed negative binomial models, we focused on the correlations among the variables of interest. We carried out this analysis using KonFoundit! (Frank, 2014), an Excel spreadsheet that calculates the correlations between the confounding variable and the independent and dependent variables.

For the main effects, our analyses suggested that an omitted variable would have to be correlated with both tenure overlap and board turnover at 0.66, correlated with both expertise overlap and board turnover

⁹ We thank one of our reviewers for highlighting this possibility.

at 0.15, or correlated with both status homogeneity and board turnover at 0.17 to invalidate our inferences. Regarding the significant interaction effect between tenure overlap and status homogeneity, for an omitted variable to confound our inference, it would have to be correlated with both board turnover and the interaction term for tenure overlap and status homogeneity at 0.36. In our data, no variable correlated at a level greater than 0.34 with both tenure overlap and board turnover; tenure overlap correlated at more than 0.15 with both expertise overlap and board turnover, and no variable correlated at a level greater than 0.17 with both status homogeneity and board turnover. Moreover, no variable correlated at a level greater than 0.36 with both board turnover and the interaction terms for tenure overlap and status homogeneity. Overall, these values suggest that for a correlated omitted variable to invalidate our results, it must have a stronger effect than our control variables. While our inference seems to be robust with respect to tenure overlap, status homogeneity, and the interaction between those two variables, it is less robust to potential omitted variable bias with respect to expertise overlap.

DISCUSSION

Much corporate governance research has focused on how boards' formal structural features—including board size, board composition, and board leadership structure—affect firm outcomes (Davis, 2005; Finkelstein et al., 2009). These studies' inconsistent results (Dalton, Daily, Johnson, & Ellstrand, 1999; Rhoades et al., 2000) have led to calls for researchers to explicitly recognize the heterogeneity in director characteristics and enhance our understanding of the underlying mechanisms affecting boardroom interactions and board turnover (Boivie et al., 2012; Finkelstein & Mooney, 2003; Forbes & Milliken, 1999; Garg et al., 2018). In this study, we argued that the clarity and stability of the board's status hierarchy affects board turnover. Using status characteristics data on directors of newly public firms, we found that homogeneity in directors' shared, locally valued, and specific status characteristics—reflected in their tenure and expertise overlaps—was positively associated with the likelihood of board turnover.

We also considered how status characteristics considered valuable in broader, global status hierarchies affected local status hierarchies and board turnover. The direct relationship between global status homogeneity and board turnover was more complex than we anticipated; although global status homogeneity

appeared to be negatively associated with board turnover in the main effects model, its influence flipped and became positively associated with board turnover when the interaction between global status homogeneity and tenure overlap was included in the model. Moreover, we found that directors' global status homogeneity partially attenuated the relationship between directors' tenure overlap and board turnover when global status homogeneity was high, but it did not affect the relationship between expertise overlap and board turnover. These findings have implications for furthering our theoretical understanding of board functioning and turnover, the relative importance of different status characteristics, and the benefits and costs of status homophily.

Theoretical Implications

Collective effects of specific status characteristics. Part of a director's value lays in his or her ability to help the firm address its environmental demands by providing advice and access to resources (Hillman et al., 2000; Kor & Misangyi, 2008; Pfeffer & Salancik, 1978). Newly public firms undergo transformational changes in transitioning from being privately held to publicly traded companies that require addressing a variety of demands they have not encountered previously (Fischer & Pollock, 2004); thus, in preparing to go public, they add directors to their boards who can help them address these challenges, and other directors who were more helpful in dealing with past challenges leave. At the same time, institutional knowledge of the company's history, culture, and strengths and weaknesses are important for addressing these new challenges effectively, and thus become an important source of value. Directors' functional backgrounds and experience also act as important sources of knowledge, expertise, and resource access that can benefit the firm.

Research on status characteristics and conflict suggests that firm-specific knowledge and task-based expertise are important dimensions along which group members differentiate themselves (Owens & Sutton, 2002). These different sources of knowledge and experience can thus serve as specific status characteristics that form the bases for establishing patterns of deference and the board's status hierarchy (Bunderston, 2003; He & Huang, 2011; Ridgeway, 2006), because individuals with unique and valuable experience and expertise are generally deferred to by those who possess different expertise (Brown, Lawrence, & Robinson, 2005; Frank, 1985). However, status characteristics theory has primarily focused on the value

of possessing specific status characteristics to the individual within a group; it has not considered what happens when multiple group members share the same characteristic.

We argued that aggregate similarity in expertise reduces its differentiating potential; thus, directors with similar expertise based on tenure and occupational background will be less distinctive and also less likely to be deferred to by others who have similar expertise, but may have different opinions about dealing with the complex and equifinal issues boards face. Our findings support these arguments and contribute to status characteristics theory by highlighting that the value of specific status characteristics and their ability to serve as the basis for creating a local status hierarchy are thus contingent on the extent to which other group members possess them. They also have significant implications for corporate governance because they suggest that when firms are going through transitions where board stability is paramount, both failing to add directors who can help deal with the changes and making wholesale changes that result in the loss of institutional knowledge can be damaging, since it is likely to increase conflict among directors. Loading a board with directors who all have similar functional backgrounds and expertise can also lead to more conflict and board turnover, as the lack of differentiation makes it difficult for them to establish distinct spheres of influence where others will defer to them.

The relationship between local and global status hierarchies. Scholars have long recognized that actors can simultaneously hold positions in multiple status hierarchies based on different values (e.g., Benoit-Smullyan, 1944; Han & Pollock, 2021; Lenski, 1954), and that different units within an organization can be members of different hierarchies (e.g., Jensen & Wang, 2018; Wang & Jensen, 2019). Our study contributes to research on multiple status hierarchies by highlighting that status hierarchies can also be nested, with narrower, local status hierarchies existing within broader, global status hierarchies. We argue that these global and local status hierarchies can have partially overlapping value systems, such that some status characteristics are valuable only within the local hierarchy but do not affect an actor's standing in the global status hierarchy, while others are valuable in both the global and local status hierarchies.

We proposed that board tenure and functional expertise would only be valuable within the local hierarchy, and only to the extent that there was variation among directors within each status characteristic. We also argued that directors' global status homogeneity would likely function differently because it was

rare at the global level, even if it became concentrated at the local level; thus, it could affect expectations (Bunderson, 2003; Van der Vegt et al., 2005) and generate homophily benefits (McPherson, et al., 2001) that would reduce board turnover. Finally, we argued that the overlap in directors' global status shapes the relationship between the overlaps in directors' local status characteristics and board turnover, suggesting that the dynamics associated with directors' similarity in global status creates a contextual factor that limits the conflict-creating potential of higher tenure and expertise overlap (Greer et al., 2018).

We found that global status homogeneity had the expected moderating relationship with respect to tenure overlap, but also increased board turnover. This surprising finding for the main effect of global status homogeneity suggests that more directors of similar status are not necessarily better. This is consistent with Groysberg et al.'s (2011) finding that teams with too many high-status actors performed more poorly, and Acharya and Pollock's (2013) finding that when a board was composed of primarily globally high status directors it was less likely to replace departing directors with additional high-status individuals.¹⁰ However, in addition to extending this insight to a new outcome—board turnover—our finding also suggests that this dynamic is not tied exclusively to high status, since we treated high status homogeneity and low status homogeneity equivalently. Most research on status homogeneity has focused implicitly or explicitly on *high* status homogeneity; our findings, while preliminary, suggest that scholars need to pay more attention to these dynamics among groups that are not globally high status, as well.

Our findings further suggest another intriguing theoretical possibility—that global status homogeneity can both enhance and attenuate conflict in groups. Like other specific status characteristics, conflict can increase when global status homogeneity is too similar and thus does not provide the basis for establishing a local status hierarchy. At the same time, global status homogeneity can also yield homophily benefits that provide an alternative mechanism for reducing conflict. Indeed, the results in Figure 1 suggest that when tenure overlap was low, and thus could serve as the basis for a status hierarchy, high global status homogeneity reduced its utility in reducing board turnover; however, at higher levels of tenure overlap,

¹⁰ These studies both found curvilinear effects of the proportion of high-status actors on the board or team; in analyses not reported here, we also explored this possibility but did not find any curvilinear effects in our study.

when tenure overlap is more likely to enhance conflict, the homophily benefits of global status homogeneity partially attenuated this tendency. Future research should continue to explore these dual effects of global status homogeneity and tease out the contextual factors that influence when each mechanism's influence is likely to dominate.

Research on status characteristics theory has devoted limited attention to examining the consequences of the combined effects of local and global status characteristics on group and firm outcomes. Specifically, when members of a group simultaneously hold positions in two different status hierarchies, we know little about the dynamics underlying the interplay between the distinct hierarchies on group outcomes. Our findings provide two important insights about how status characteristics combine. First, substantial overlaps in status characteristics among directors, regardless of whether they are local or global, can limit the ability to form status hierarchies and enhance board turnover. Second, status characteristics can vary in their importance in establishing the local status hierarchy and influencing board turnover. In our study, global status and expertise appeared to receive greater consideration than tenure as status characteristics.¹¹ Further, scholars need to consider multiple status characteristics when assessing whether and how local status hierarchies form. Even though heterogeneity in global status can reduce board turnover, conflict across other dimensions can increase it. Research in other contexts where nested hierarchies based on multiple status characteristics exist should continue to explore and extend these issues.

Our results also raise important theoretical questions about the stability of status beliefs in the face of changing contextual conditions. While prior research on status characteristics and status construction has focused on the emergence of status beliefs (e.g., Berger, Ridgeway, & Zelditch, 2002; Ridgeway, 2006) shaping the status hierarchy's underlying values (Pollock et al., 2019), it offers limited guidance about these status beliefs' durability when the status characteristics' salience changes. Future research in other contexts where environmental conditions are stable should continue to explore these dynamics.

Implications for corporate governance. Taken together, our findings suggest that focusing on the formal structural characteristics of boards while ignoring

their informal social structure leads scholars to overlook important complexities of board functioning. These findings also corroborate the dominant discourse in the diversity literature arguing for the importance of examining pertinent contingencies that make either the positive or negative effects of diversity more salient (Joshi, 2014; Joshi & Roh, 2009; Williams & O'Reilly, 1998). Further, by focusing on directors' shared specific status characteristics, these findings help build theory that considers factors other than the unalterable demographic characteristics of group members, which have been the dominant focus of prior research on small groups (Harrison & Klein, 2007; Williams & O'Reilly, 1998). Moreover, our study demonstrates that researchers must pay more careful attention to the social and empirical context in which the relationship between boards' group characteristics and board turnover is examined. Our results also highlight the importance of high-status affiliations to entrepreneurial firms during the tumultuous period following their IPO. At the same time, they show that stacking the board with too many high-status directors (Certo, 2003; Pollock et al., 2010), particularly if they are hired at the same time and share similar expertise, can be problematic.

Even beyond entrepreneurial ventures or newly public firms, our results highlight the importance of board social structures' stability as firms encounter key events that can engender considerable uncertainty, such as CEO succession, mergers and acquisitions, or board refreshment following organizational wrongdoing. As firms attempt to reconfigure their boards, either in response to pressure from external stakeholders (e.g., Cowen & Marcel, 2011; Marcel & Cowen, 2014) or in response to internal firm resource requirements (e.g., Hillman et al., 2000; Lester, Hillman, Zardkoohi, & Cannella, 2008), our findings suggest that firms would benefit to the extent that the changes reinforce the deference structure by maintaining the board's local status order, rather than just attempting to add high-status directors, which can exacerbate board turnover. Understanding how boards' informal social structures affect board functioning and board turnover can open up new and interesting avenues of building a more comprehensive theory of how boards work.

Future Research Directions

As with any study, ours has limitations that provide opportunities for future research. The first opportunity lies in our focus on how group-level relationships affect board turnover. Because we focused on the

¹¹In analyses not reported here, we also looked at whether expertise overlap moderated the effect of tenure overlap, but the interaction was not significant.

board's social structure, we did not focus on other drivers at the individual director level. For example, future research could examine whether certain types of directors are more prone to exiting the board due to the prevailing board status hierarchy. Boivie et al. (2012) found that being the board chair or chair of the audit committee reduced the likelihood of director exit, while being the chair of the compensation committee increased the likelihood of director exit. Does a director's structural power as the chairperson of a committee or of the board affect their relative standing in the local status order, and the resulting sorting associated with status homogeneity? Do these effects vary as a function of the committee led? Garg et al. (2018) found that qualified directors who felt undervalued when they were passed over for chairmanships were also more likely to exit boards, and that this relationship was exacerbated the more frequently the board met. Another possibility is to examine whether skill differentiation (Greer et al., 2018)—that is, whether some directors possess specialized skills that make them more difficult to replace—affects how directors react to board hierarchies established based on different status characteristics.

There may also be individual-level characteristics that affect how the group-level factors we considered are experienced and reacted to, suggesting more complex combinations of group- and individual-level traits than can be studied using regression analyses, and for which we do not have data. Studying nuances such as these—perhaps using alternative methods such as qualitative comparative analysis, which can accommodate more complex combinations of characteristics and identify multiple feasible combinations (e.g., Bell, Filatotchev, & Aguilera, 2014; Misangyi & Acharya, 2014)—can offer additional theoretical insights about board dynamics.

A second opportunity arises from examining the consequences of board turnover and board refreshment. While our study, along with other recent studies (e.g., Boivie et al., 2012; Garg et al., 2018), examines the antecedents of board turnover, research on the consequences of changes in board membership remains limited. Acknowledging that changes in board membership can have both positive (i.e., refreshment) and negative consequences opens fruitful avenues for further research. By developing a greater understanding of the antecedents of board turnover, future research has a theoretical basis for developing additional theory about whether the turnover is likely to damage boards' functioning or refresh and enhance it. Similarly, studies can also build novel theory by examining whether and how firms' life cycle

stages—as they transition from private ventures to newly public firms to seasoned public firms—positively or negatively affect the reactions of firms and their stakeholders to changes in board membership.

A third opportunity arises from examining how the potential interactions between directors' diffuse and specific status characteristics shape the formation of status hierarchies. Given the relative lack of variance in directors' diffuse status characteristics (e.g., race, gender, and nationality) in our sample, we chose to focus on their specific status characteristics. However, the number of female and racially diverse directors on the boards of large, public firms has been on the rise. Further, as we focused on newly public firms that were no more than 10 years old at IPO, thus limiting director tenure to a 0–15-year range, it is also possible that the dynamics might shift, or have boundaries beyond which director tenure does not matter, in older firms. Building on the idea that boards are unique decision-making groups, and more thoroughly examining the different director characteristics that may act as diffuse or specific status characteristics in establishing a local status order across different organizational settings, offers a promising avenue for future research.

A fourth opportunity for future research is to use the characteristics along which directors vary to develop richer theory on both the creation and activation of fault lines on boards. Empirical research on fault lines has largely focused on demographic characteristics and limited numbers of subgroups (Thatcher & Patel, 2012). For example, recent studies have shown that social affinity can be a salient alternate pathway via which group members recognize and acknowledge each other's status in a group (Joshi & Knight, 2015). As such, we know little about generating and activating fault lines in contexts such as boards, where directors may not perceive the same individual characteristics as bases for creating subgroups (e.g., Withers et al., 2012). Future research can study how the nature of the group is likely to affect the creating and activating of fault lines and in turn affect group outcomes.

A fifth opportunity for future research arises from broadening the contextual conditions for examining the effects of boards' social structures. First, future studies can examine and extend our predictions during different time periods that avoid policy changes such as SOX in 2002, or the 2008 global financial crisis. Second, future studies can expand our current understanding of the effect that boards' social structures have on outcomes beyond board turnover by focusing on important strategic actions like

innovation, diversification, and international expansion. A third option arises from the consistently negative and significant effect of founder-CEO presence in our analyses, which we included as a control variable. Exploring how founder-CEOs, who possess a unique status within start-ups, influence board dynamics could provide valuable insights on the costs of replacing founders as CEOs (Pollock, Fund, & Baker, 2009; Wasserman, 2003). Such studies can highlight not only the relevance of boards' social structure across various contingencies but also when different shared characteristics are likely to become more or less salient.

A final opportunity arises from our use of archival data. Because we could not directly assess the dynamics of the local status hierarchies and how they affected directors' decision making, we had to infer them based on our theoretical arguments and the observed relationships between our independent measures and our outcome. Future research using other methods, such as experiments, ethnographic research that directly observes board functioning, surveys, and policy capturing, could be used to triangulate and extend our theory and findings. Such methods could allow future studies to answer important questions regarding how the implicit bargaining between the CEO and the board not only affects the board's agenda, but also its functioning.

Conclusion

We examined how directors' shared local and global specific status characteristics collectively affect board turnover by shaping the clarity and stability of the board's local status hierarchy. Boards are complex and interesting groups; their ability to form status hierarchies can stabilize boards during difficult, transformational periods, but their ability to form status hierarchies requires heterogeneity in valued status characteristics. Managing boards' informal social structures is thus important for companies to survive and thrive during transformational periods.

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