

Gender salience and recategorization of new directors: The role of political ideology

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INTRODUCTION

The selection of a board director is an important topic in corporate governance research. This is because directors have an important impact on firm performance through their monitoring and advising roles (Adams, Hermalin & Weisbach, 2010; Carpenter, Geletkanycz & Sanders, 2004; Kumar & Sivaramakrishnan, 2008). At the moment, however, many studies have documented an underrepresentation of female directors within boards (Daily, Certo & Dalton, 1999; Terjesen, Sealy & Singh, 2009) and also concurrent efforts to increase diversity (Kolev, Hughes-Morgan & Rehbein, 2021b; Terjesen et al., 2009). For example, recent regulatory initiatives to improve this include California's 2018 Women on Boards Bill to advance equitable gender representation on California corporate boards (Weber, 2018), as well as Nasdaq's Board Diversity rule approved by the SEC on August 6, 2021 (Gibson Dunn, 2021). Other than the argument that increasing board gender diversity would "put an end to a damaging and unjustified imbalance" (Isidro & Sobral, 2015, p. 1), the ostensible assumption behind such pressures is that such increased diversity would improve the quality of board decisions (Hillman, Cannella & Harris, 2002; Westphal & Milton, 2000) because demographic minorities are expected to bring diverse information and ideas into their boards (Adams & Ferreira, 2009; Miller & Del Carmen Triana, 2009).

The result of such pressures from stakeholders appears to be an observed increase in gender diversity on boards (Hillman et al., 2002; Zhu, Shen & Hillman, 2014). Nevertheless, such diversity goes against the well-accepted concept of demographic *homophily* within the board research literature, which is grounded in similarity-attraction and social identification theories (Terjesen et al., 2009). The few studies that have attempted to explain this paradox have reasoned that boards will accommodate demands for a demographically different new director by considering alternative shared demographic characteristics (Zhu et al., 2014; Zhu

& Westphal, 2014). However, the focus of such studies is still very much on how ‘high visibility’ dimensions of demographic characteristics provide the basis for homophilous preferences. At the same time, other studies find that increased board gender diversity may not unequivocally lead to better firm decisions (Adams & Ferreira, 2009), which does not sit well with the earlier assumption that demographic minorities bring diverse information to the board.

In this paper we advance an explanation for these inconsistencies in the literature by investigating the selection of a female new director, and ask, ‘are boards responding to pressure to recruit female directors by becoming more homogeneous on another dimension, *specifically, in terms of similar political ideology?*’ We focus on female new directors because female representation on the board has received significant attention due to the pressures discussed earlier (Terjesen et al., 2009), and therefore, it is important to understand whether recruiting a female director achieves the desired diversity. Specifically, we integrate symbolic management (Westphal & Zajac, 1994, 1998) and recategorization theories (Dovidio, Gaertner, Validzic, Matoka, Johnson & Frazier, 1997; Gaertner et al., 1999) to theorize that boards recategorize female new directors based on shared political ideology. Symbolic management theory posits that managers use symbolic actions to enhance organizational legitimacy by aligning the firm with the expectations of social actors (Pfeffer, 1981). For example, studies have shown that firms adopt policies and structures, such as executive incentive plans and board reforms that are aligned with institutional norms (Westphal & Park, 2020). However, in addition, the literature has demonstrated symbolic decoupling, where symbolic actions are often decoupled from actual practices in ways that preserve the discretion and power of firm leaders (Westphal & Graebner, 2010; Westphal & Zajac, 1998). Moreover, recategorization theory posits that the salience of the categorized boundary is reduced when members consciously process additional information about the individual’s similarities to them along another dimension (Gaertner, Mann, Murrell & Dovidio, 1989; Zhu et al., 2014). Thus, the cognitive and motivational

processes that initially brought in-group members closer could also be redirected toward the establishment of more positive relations with the former out-group members (Gaertner et al., 1989). Therefore, by appointing female new directors, we propose that boards are able to conform to prevailing regulatory/social prescriptions, and yet decouple this symbolic action from reality by recategorizing based on shared political ideology, which ensures commonality in views on important corporate matters.

Underpinning this idea is the fact that a growing body of research shows that political ideology is a particularly relevant criterion for candidate selection (Johnson & Roberto, 2018; Roth, Goldberg & Thatcher, 2017; Swigart, Anantharaman, Williamson & Grandey, 2020). This line of research shows that political ideology is an important means by which individuals identify with a social group (Swigart et al., 2020) and that managers are less likely to interview or hire applicants who hold political ideologies different from their own (Johnson & Roberto, 2018; Roth et al., 2017). Regarding new director selection, Kim, Pantzalis and Park (2013) have found that boards are more likely to hire a new director with a similar political ideology. Moreover, since political ideology provides an accurate but parsimonious gauge for the “value profile” of individuals (Jost, 2006; Jost, Nosek & Gosling, 2008), it should be more strongly correlated with corporate decision-making and governance approaches as compared to “surface level” demographic characteristics (Gupta, Nadkarni & Mariam, 2019). The implications, therefore, of recategorization on the basis of political ideology, as compared to surface level demographic characteristics, may be deeper with regard to entrenching a particular mindset within the board since ideological beliefs entail conviction in the truth of one’s own means-ends explanations, and impel proponents to oppose the inferiority of explanations derived from other ideologies (Semadeni, Chin & Krause, 2021). Assuming a baseline homophily relationship between board political ideology and the new director’s political ideology, the above arguments lead us to expect that when boards select a female out-group member, there

should be a stronger association between similar board ideology and new director ideology than when these boards appoint a new male director. Moreover, to elaborate on the proposed mechanism, we explore factors that increase/decrease the salience of gender. The factors we explore relate to characteristics of the actors who are involved in the new director selection process, namely, the CEO and the new director, and also, relate to the key recategorization constructs in this study. Specifically, we posit that, when a female CEO is present or when there is a new female director who is similar to the board on other salient demographic characteristics, this will further weaken the influence of a new female director on the association between the board's political ideology and the new director's political ideology. In the case of the former, because working with a female CEO should generalize to increased acceptance of other women who share the same out-group characteristic as the CEO (i.e., gender), and in the case of the latter, because the board may identify other important similarities with the new director and hence recategorize this individual based on *other* similarities.

We test these hypotheses on a sample of 13,483 new independent director appointments in 2,473 US firms. To confirm the findings, we ran supplemental analysis on the selection of *ethnic* minority new directors. In addition, we ran analysis at the board level since we expect that the increase in gender diversity or ethnic minority diversity of boards should be associated with more homogeneous boards in terms of political ideology.

The study contributes to the literature on new female director selection and political ideology, and to recategorization theory. In addition, it has implications for board composition and diversity studies. Through this research, we reveal a less-than-ideal situation underlying female board appointment (Chang, Milkman, Chugh & Akinola, 2019; Knippen, Shen & Zhu, 2019). Recategorization in terms of similar political ideology may reflect a coping mechanism, and, ironically, *reinforce against* diversity. Therefore, by shifting the focus of selection from high visibility demographic characteristics to deep level facets we raise the question of how

meaningful such minority directorial appointments really are. In addition, to the extent that boards respond to pressures for diversity by selecting female new directors with similar political ideology, we contend that this should result in consistent and biased board decision-making. This is because previous studies have found that political ideology biases board decisions, for example, in terms of CEO dismissal and compensation (Gupta & Wowak, 2017; Park, Boeker & Gomulya, 2019).

Second, by integrating symbolic management with recategorization theory we develop new theory to explain the decoupling of symbolic action from substance in terms of board diversity. Westphal and Park (2020) note that group-level processes are a longstanding lacuna in the corporate governance literature, and that we know little about the micro-level behavioral processes at the group level that reinforce symbolic management (Hallett, 2010; Tilcsik, 2010). By theorizing about recategorization along the lines of shared political ideology, we show how social and psychological processes at the group level serve as a potent force for symbolic action. Additionally, by examining boundary conditions, we provide insights on *when* the board recategorizes a female candidate based on political ideology. In so doing, we advance a novel theoretical perspective on political ideology, that it satisfies the board's need for recategorization along similar dimensions when high visibility demographics are dissimilar. Therefore, we argue that regulatory mandates for diversity may be less effective if boards have already devised to get around them by reinforcing against different viewpoints through their appointment of similarly-minded others.

THEORETICAL BACKGROUND AND HYPOTHESES

New Director Selection and Female Representation on Boards

The typical director selection process involves candidates being identified, screened, nominated, and then appointed (Withers, Hillman & Cannella, 2012). Incumbent independent directors are supposed to ensure that director selection criteria reflect the priorities of

shareholders and other stakeholders rather than those of management, and hence they are supposed to play the deciding role in director selection (Westphal & Stern, 2007), even though in practice, researchers still find that the CEO exerts considerable influence over the choice (Domhoff, 2012; Seidel & Westphal, 2004).

Two main perspectives have been advanced by the literature on director selection: (i) the rational economic perspective, which posits that selection is driven by resource needs; and (ii) the socio-political perspective, which emphasizes the social processes and stakeholder preferences driving the selection (Withers et al., 2012). The socio-political perspective asserts that director selection may be based on personal biases or circumstances occasioned by bounded rationality. For example, research has shown that director selection processes can be driven by factors such as the desire of current directors to affiliate with those similar to themselves (Koenig, Gogel & Sonquist, 1979). There are powerful reasons for people to group together with similar others. Due to the similarity–attraction effect, people, including board members, are attracted to, like, and trust others like themselves (Byrne, 1971). The predominant focus of proponents of the socio-political perspective, however, has been to consider similarity on the basis of demographic variables (Johnson, Schnatterly & Hill, 2013; Tsui & Charles A. O'reilly, 1989). For example, similarities in demographic characteristics such as gender and race have been found to be highly salient bases upon which people build a connection with each other (McDonald & Westphal, 2013). Overall, research has found that new members are much more likely to be selected based on some shared characteristic with the board (Westphal & Zajac, 1995). As a result, Westphal and Milton (2000) argue that minority status as a woman leads to exclusion from boards.

Consequently, despite numerous calls to break the glass ceiling that women face (Knippen et al., 2019), progress in terms of female representation at the board level has been painfully slow. For example, despite nearly 40 years of equal opportunities policies, there has

been a very slow advancement of women onto corporate boards (Terjesen et al., 2009), with women holding fewer than 29% of all corporate board seats and only 7.5 % of the board chair positions in American companies (Catalyst, 2021; Kerber, 2020).

Nevertheless, beyond the fact that having a diverse workforce is a moral imperative for corporations, the many recent corporate governance scandals have drawn attention to the issue of board composition, and how ensuring demographic diversity in board composition may have prevented these. Other than moves by regulatory bodies such as the California legislature and SEC to facilitate more gender diversity on corporate boards (Kolev, Hughes-Morgan & Rehbein, 2021a), shareholder activists, such as large institutional investors like State Street Global Advisors, New York Pension Funds, and BlackRock, amongst others, have made it a priority to increase female board representation by filing shareholder resolutions and exercising their voting rights against members of underrepresented boards (Kolev et al., 2021b; Ross-Sorkin, 2018).

This heightened interest in female representation is because practitioners often assume that this should help with diverse perspectives, in fact, Hillman et al. (2002) note that gender (along with race) is often considered as *shorthand* for the different perspectives that individuals bring to organizations. Researchers concur, noting that female board representation should stimulate divergent thinking in group decision-making processes (Miller & Del Carmen Triana, 2009; Westphal & Milton, 2000). For example, Jeong and Harrison (2017) have asserted that women, as minority members, would encourage more information elaboration processes involving enhanced exchange and discussion, and this in turn should help with better team decision making. Other research also assumes that female board appointees bring different cognitions to the table. For example, because of sex-based differences in work and non-work experiences (Hillman et al., 2002) and in social networks (Ibarra, 1997), female directors may contribute different, and valuable, strategic perspectives from those of male appointees and

male incumbents (Post, Lokshin & Boone, 2020). However, attempts to quantify these benefits by examining the firm's financial performance have produced mixed results (Kolev et al., 2021b). Some reasons advanced for these conflicting results include the fact that women are often relegated to clean-up roles after failed organizational gambles (Ryan, Haslam, Morgenroth, Rink, Stoker & Peters, 2016) or because token female representation is used more cynically for instrumental reasons, for example, to help a firm avoid negative publicity and reduce external pressure from stakeholders (Knippen et al., 2019). At the same time, boards with one woman or a small minority of women may claim to be more diverse than others (Knippen et al., 2019; Torchia, Calabrò & Huse, 2011). This literature suggests that it is possible that boards select new female directors to demonstrate compliance. Nevertheless, studies have not examined how directors ensure that such demographic incongruence does not compromise the board's common mindset. Yet it is certainly conceivable that boards do select new female directors who are similar to them on some salient values-based characteristics important to them.

Political Ideology as a Value Dimension that Influences new Director Appointment

Other than demographic similarity, however, research on homophily in social networks also emphasizes that *value homophily* propagates social tie formation. This stream of literature acknowledges that whilst geographic propinquity, organizational foci, and isomorphic positions within social systems all create the opportunity, or selection within that opportunity framework for homophilous relations to form (McPherson, Smith-Lovin & Cook, 2001), these mechanisms may not be sufficient to account for the ultimate social network structures that we observe in real-life. This line of research acknowledges that whilst similarity in status attributes (such as gender and education) may facilitate relationships between people (McPherson et al., 2001), social distance can still occur between people with similar demographic characteristics, simply because differences across dimensions of value homophily (values, attitudes and

beliefs) may ultimately matter more to people, since values prescribe a wide variety of internal inclinations that shape our orientation toward others (McPherson et al., 2001). For example, Hipp and Perrin's (2009) study of an Urbanist neighborhood found that common socioeconomic class was not sufficient— common stage of life, as well as cultural attitudes and *values* may be more important for meaningful interactions, and thus for stronger social networks, to be formed.

We argue that political ideology is an important value dimension (Chin, Hambrick & Treviño, 2013; Chow, Louca, Petrou & Procopiou, 2021a) that should not be overlooked when determining the choice of a new director. At present, much research has shown that political ideology has been found to shape CEO and other corporate elites' decisions on a whole host of important issues, such as corporate social responsibility practices, diversity initiatives, pay differentials and resource re-allocation (Chin et al., 2013; Gupta, Briscoe & Hambrick, 2018; Gupta, Briscoe & Hambrick, 2017). With regard to the board, studies have found that the board's political ideology affects decisions about CEO dismissal and CEO compensation, since ideology influences performance attributions (Gupta & Wowak, 2017; Park et al., 2019). However, some other organizational studies have conceptualized ideology as identity and examined how (in)congruence influences individual or company decisions (Bermiss & McDonald, 2018; Chow, Louca, Petrou & Procopiou, 2021b; McDonnell & Cobb, 2020). Therefore, given that so much empirical research has shown how political ideology creeps into political elites' choices, it is conceivable that, far from being a personal schema with neutral impact on firm choices, political ideology is an important value dimension that can actually lead to substantive, material repercussions, such as with regard to the choice of a new director. In corroboration, Kim et al. (2013) have found that boards hire new directors with similar political ideologies. The association between the board's political ideology and the new director's political ideology can be explained by the literature on candidate selection which

supports that assessors construct merit in a way that validates their own strengths (Rivera, 2012; Zuckerman, 1999), therefore, similar political ideology should yield more positive perceptions of the new director's abilities to monitor and advise. This is because political ideology indicates social beliefs that influence attributions and decision-making (Gupta et al., 2018; Park et al., 2019), which affect to some extent the perceived competence of an individual in carrying out their duties (Jost, Federico & Napier, 2009; Park et al., 2019). As a result, given that they view *themselves* as models of merit, board directors may perceive that directorial competence relates to some extent to political ideology, and highly regard a candidate with similar political ideology to themselves. Consequently, board political ideology, when salient, should to some extent drive quality sorting of candidates. Besides cognitive bias, research on candidate selection has also found that assessors experience positive affect when they interact with candidates who validate their identity, and that this motivates them to overweight the strengths and underweight the weaknesses of candidates who are similar to them (García, Posthuma & Colella, 2008; Tsui & Charles A. O'reilly, 1989). For example, Rivera (2012) found that assessors consciously lower their technical bar for candidates with whom they had established shared common interests. Because people identify on the basis of political ideology (Johnson & Roberto, 2018; Roth et al., 2017), board directors should identify with a new director with similar ideology, and the positive feelings from this encounter should bias their choice, and motivate them, if necessary, to advocate for such a candidate during group deliberations (Collins, 2004).

Following from the above discussion, and assuming a baseline relationship between board political ideology and new director's political ideology, in the following sub-sections we develop hypotheses about factors that moderate this relationship.

Recategorization of a New Female Director Based on Similar Political Ideology

When assessing the candidacy of a female director, the board (assuming that the board is male-dominated) may initially notice the candidate's gender because of its minority status (Nelson & Miller, 1995). As mentioned, research supports that people tend to be attentive to high visibility demographic traits such as sex within a fraction of a second of their presentation (Bodenhausen, Kang & Peery, 2012). Therefore, it is reasonable that, through social categorization processes the incumbent board would naturally tend to spontaneously classify a female candidate as a less favorable out-group member (Westphal & Milton, 2000; Westphal & Zajac, 1995). As we have discussed, such a classification would result in poorer evaluations of the candidate in terms of competence and fit with the board (Bodenhausen et al., 2012). Consequently, this assessment may be in conflict with the board's obligation of having to appoint a female director to deal with stakeholder pressure (Chang et al., 2019; Finkelstein, Cannella & Hambrick, 2009).

To manage this conflict, we argue that the board will, for instrumental reasons, recruit a female director as an act of compliance, whilst ensuring that a "suitable" candidate is being recruited (by their definition, one with similar political ideology). Decoupling actions from reality is shown to be an effective method for maintaining compliance without compromising the inner workings of a company. For example, Boiral (2007) showed how Canadian organizations ceremonially adopted an ISO 14001 standard in order to gain social legitimacy, however, daily practices remained decoupled from the standard's prescriptions.

In this case, we argue that the board will recategorize a female director by redirecting its conscious attention to the female director's similarities to it along other shared dimensions (Zhu et al., 2014). However, this action may create a situation where a female candidate is categorized both as out-group, but also as in-group member when the candidate is similar to the board on some other characteristics. Due to these simultaneous conflicting perceptions, the board may experience cognitive dissonance (Festinger, 1957), which is an uncomfortable

psychological state caused by holding conflicting ideas in tandem (Festinger, 1957; Zhu et al., 2014). Such cognitive dissonance will motivate the board to quickly change conflicting perceptions by becoming more positive about the candidate as long as the candidate is similar to them on other shared dimensions (Gaertner & Dovidio, 2000; Zhu et al., 2014). When members of a particular group are motivated to recategorize former out-group members as in-group members because of similarities, attitudes and actions toward these former out-group members will become more positive through processes involving pro in-group bias (Dovidio et al., 1997; Mullen, Brown & Smith, 1992).

Consequently, we argue that the board will be motivated to recategorize the female candidate along the dimension of similar political ideology *as long as* this characteristic is salient to the board. In this case, salience is indicated by the extent to which the board shares similar political ideology (Zhu et al., 2014). This is in line with previous psychological studies which note that salient dimensions are usually context-dependent and relative to a frame of reference (Haslam & Turner, 1992; Oakes & Turner, 1990). Therefore, since in this case, shared political ideology is an overarching social identity that crosses initial gender categorizations and indicates similarity in mindsets, it may serve as the basis for a new, common in-group identity (Dovidio et al., 1997; Gaertner et al., 1999). The newly formed positivity bias due to recategorization is likely to further affect the positive evaluation of the candidate's suitability, which is a result of similar political ideology (Rivera, 2012) and hence further facilitate the recruitment of a female director who shares similar political ideology with the board. By contrast, the (majority male-dominated) board should, by default, view a male new director more positively, and have no need to recategorize the new male director because of gender, although, as we have discussed, the underlying positive bias towards the candidate due to political ideological homophily should hold. Therefore, all other things being equal, the positive association between the board's political ideology and the ideology of the new director

should be stronger when the board recruits a female new director than when they recruit a male new director. Accordingly, we posit that:

Hypothesis 1: The association between conservatism of the board and conservatism of a new director will be stronger when the new director is female than when the new director is male.

Recategorization of a New Female Director in the Presence of a Female CEO

On the basis of gender, the male dominated board should perceive as out-group any females occupying positions within the upper echelons of the company. In addition, given that the female is occupying a male gender-type role (Dijk, Meyer, Engen & Loyd, 2017), it is more likely that the board's stereotypic cognitions would be triggered. Therefore, when a female CEO enters the company, it may be that initially the board members would view her as an out-group member and have biased perceptions of her. However, as the board gets to work with the female CEO and learns more about her, gender becomes less salient and other factors, such as her abilities and other personal attributes, may come to the fore. This is consistent with a substantial body of prior research in social psychology which indicates that if people increase their contact with individuals who differ on a salient attribute, they may have improved perceptions of these individuals (Zhu & Westphal, 2014; Allport, 1954; Gaertner & Dovidio, 2000; Hogg & Terry, 2000). In addition, greater contact with members of another group should enhance liking for *others* of that group (Pettigrew & Tropp, 2006) because such increased contact lowers intergroup anxiety from unfamiliarity and may instead promote more differentiated and personalized perceptions of these out-group members in general (Gaertner et al., 1999; Pettigrew & Tropp, 2006). For example, research has shown that, although initially, faces of other-race strangers are perceived as less likeable than those of own-race strangers (Zebrowitz, Bronstad & Lee, 2007; Zebrowitz & Montepare, 2008), repeated exposure to these increases the likeability of *other*, never-seen real faces from that racial category (Zebrowitz, White & Wieneke, 2008). Overall, research has shown that greater

contact with out-groups fosters uncertainty reduction, enhanced empathy, perspective-taking, as well as increased knowledge towards these (Pettigrew, Tropp, Wagner & Christ, 2011), all of which help with promoting out-group member acceptance and liking.

In the CEO-board working relationship context, working together results in the development of social relationships between the directors and the CEO, and should lead to strengthened trust, collaboration, and mutual knowledge on the basis of first-hand experience of each other's expertise (Barroso-Castro, Villegas-Periñan & Casillas-Bueno, 2016; Cramton, 2001; Tian, Haleblan & Rajagopalan, 2011). All these factors are helpful in overcoming the board's stereotypic, simplistic representations of the female CEO on account of gender. Moreover, we argue that the board's prior experience with a female CEO can reduce their tendency to rely on stereotypes about female leaders when evaluating another female candidate for a top corporate elite position such as board membership, since their prior contact experience will prompt them to recognize that such stereotypes are often invalid (Zhu & Westphal, 2014). In other words, we suggest that the board's biases toward another female candidate for a top corporate position could be reduced even before they meet and interact with that candidate (c.f. Zhu and Westphal (2014); Pettigrew and Tropp (2006)). Consequently, we postulate that, when there is a female CEO, attitudes toward a potential female board appointee may be less negative than when there is a male CEO, since the board is already more familiar with the idea of female executives in top appointments; thus, they may have less need to recategorize a new female director. As a result, in the presence of a female CEO the positive effect of a new female director on the relationship between the board's political ideology and the new director's political ideology should be less than when there is a male CEO.

Finally, as we have discussed, the selection of a male new director does not evoke incongruent categorization, and hence there is no need for any deeper cognitive engagement on the part of the male majority board to recategorize the candidate because of gender

difference. As a result, a male new director should have no effect on the underlying positive association between the board's political ideology and the new director's political ideology regardless of the gender of the CEO. Accordingly, we postulate that:

Hypothesis 2: The presence of a female CEO will weaken the positive effect of a new female director on the association between the board's political ideology and the new director's political ideology.

Recategorization of a New Female Director in the Presence of Demographic Similarities

As mentioned, when a female candidate is considered for the board position, this goes against the heavily gendered context of board appointments. Such a candidate choice should provoke a more extensive activation of the male majority board's schematic representations of the typical profile of board appointees. This is consistent with psychological research which notes that expectancy-inconsistent information elicits more effortful information seeking (Bargh & Thein, 1985; Roese & Sherman, 2007). In this case, in an effort to make sense of conflicting information and prevent out-group bias, the board will search for more potential explanations and elements that could match (Dahlén, Lange, Sjödin & Törn, 2005; Dahlén, Rosengren, Törn & Öhman, 2008). In their recategorization process, the board may seize upon other candidate demographic attributes if these are similar to them, such as educational background or industry experience (Zhu et al., 2014), and once they perceive a match on this basis, they are able to successfully recategorize the new female candidate. Therefore, if the female new director's salient demographic attributes are similar to existing members, then there is less need to focus attention on similar political ideology as a basis for recategorization (refer to Bodenhausen et al. (2012), for a review on the factors that establish the psychological salience of social categories).

Conversely, if a female new director, already dissimilar in terms of gender from the majority of the board, is *also* dissimilar from the majority of the board on a number of other

salient demographic attributes, then the board will be in an even more uncomfortable state of cognitive dissonance. This is also consistent with Zhu et al's (2014) argument that the more a person is different from the majority of members along dissimilar dimensions, the more salient these dissimilar dimensions will tend to be, making it more difficult for members to accept the person as part of the in-group. In such a situation, we argue that, compared to when the new female director is similar to the board in terms of other demographic characteristics, it becomes more important for the board to attend to the new female candidate's political ideology, thereby shifting to an alternate form of deep-level characterization of similarity of the candidate with themselves.

On the other hand, we note that a new *male* director, upon initial presentation, will be perceived as in-group by virtue of gender, and therefore, on this basis there will be no need for recategorization in favor of similar political ideology, and despite similarity/dissimilarity on other demographic characteristics, since gender in itself is a highly visible characteristic that suffices for in-group categorization (Westphal & Milton, 2000). In this situation the underlying homophilous preference of the board to select a new director with similar political ideology should hold, because, as we have discussed, to the extent that directors view themselves as models of merit, the board should perceive that directorial competence relates to some degree to political ideology. Accordingly, we posit that:

Hypothesis 3: Similar demographic background (between the board and new director) will weaken the positive effect of a new female director on the association between the board's political ideology and the new director's political ideology

METHODS

Sample

To construct the sample for testing our hypotheses, we first identified all new director appointments in public U.S based firms that are included in the BoardEx database, from the

period of 2000 to 2019. Next, we merged this data with: (i) data on top executive characteristics, such as age, gender and position from Standard and Poor's ExecuComp database; (ii) political donations data from the Database on Ideology, Money in Politics, and Elections (DIME) (Bonica, 2016b); and (iii) firm financials data from Standard and Poor's Compustat Annual database. After merging these databases, the sample consisted of 20,680 new independent director appointments. Finally, to include a new director in the sample we required that at least 5 political donations were identified in DIME, so that we could calculate a value for *new director conservative ideology* (the dependent variable) and make no assumptions about the directors' ideology in case they had not contributed. The final sample consisted of 13,483 new independent director appointments that involved 9,502 different directors in 2,473 different firms.

Dependent Variable

New director's conservative ideology. Following prior research, we measured directors' conservative ideology by examining their political contributions to Democratic and Republican parties in the U.S as disclosed to the Federal Elections Commission (FEC) (Chin et al., 2013; Christensen, Dhaliwal, Boivie & Graffin, 2015; Gupta & Wowak, 2017). FEC reports any political contribution of \$200 or more in each two-year election cycle dating back to 1979. Political science research indicates that the US political environment features a clear matching of political ideology to parties. Conservatives are mainly represented by the Republican party and liberals are mainly represented by the Democratic party (Poole & Rosenthal, 1984). This allows for the construction of measures for the political ideology of individuals based on their contributions. These measures have been validated by research in both political science and management (Bonica, 2016a; Christensen et al., 2015).

Therefore, to construct measurements of political ideology, we retrieved data on individuals' contributions to the Republican and Democratic parties, their candidates, and

associated political action committees (PACs) for the period of interest, from the Database on Ideology, Money in Politics, and Elections (DIME) (Bonica, 2016b). The DIME not only provides the same information as the FEC database, but also it provides unique contributor IDs that were constructed using a record linkage algorithm (Bonica, 2014). These contributor IDs ease the process of matching the name, employers and occupations of each director reported in Boardex and Execucomp with the corresponding contribution information as reported in the FEC database. The result of this matching process was the identification of 1,501,565 political contributions, in the period 1987 to 2018 from 17,753 independent directors in the sample period that corresponds to 59.31% of all independent directors. We use the timespan 1987 to 2018, because, as we describe below, we use information on political contributions up to 5 election cycles prior to the new director's appointment.

Next, we used this political contributions data to code an index measure of conservatism for each director by adopting the approach of Chin et al. (2013). We constructed a four-dimensional measure of directors' conservative ideology by using the contributions of each director in the ten-year period before the director was appointed to the board of the firm in question. The four dimensions are the following: (i) number of donations to the Republican party, divided by the number of donations to both parties; (ii) total dollar amount given to the Republican party divided by the total amount given to both parties; (iii) the number of years (over the 10-year window period) the director made donations to the Republican party divided by the number of years donations were made to either party; and (iv) the number of unique Republican donation recipients, divided by the number of all unique recipients. The final measure of the new director's conservative ideology was the simple average of these dimensions, ranging from 0 (more liberalism) to 1 (more conservatism). Finally, the 10-year window, which includes five congressional and two presidential elections, ensures meaningful interpretation of donation patterns (Chin et al., 2013). Specifically, measuring political

ideology over such a moving window allows us to: (i) minimize the effect of contributors trying to obtain some political benefits during an election cycle (i.e. not ideological contributors) (Chin et al., 2013; Christensen et al., 2015); and (ii) avoid distortion of the measures by temporary considerations, for example, a Republican making opportunistic contributions to a Democratic candidate in a particular election if the Democratic candidate is more likely to win (Kim et al., 2013). It is worth noting that the DIME also reports a measure of individual ideology, named the Campaign Finance score (CFscore), which is calculated using all individual political donations, for the period from 1979 to 2018, by assuming that individual donors tend to donate to candidates with whom they are in ideological agreement (Bonica, Chilton, Goldin, Rozema & Sen, 2017). We have chosen not to use this measure in our main analysis because it may use forward-looking information. Nevertheless, the findings remain qualitatively similar when we run the models using the CFscores of individual political ideology.

Independent Variables

Board's conservative ideology. To construct the board's conservative ideology measure, we first followed the above procedure to calculate the conservatism of each of the independent directors on the board prior to the year that the new director was appointed to the board. The final measure of the board's conservative ideology was the yearly average of the independent directors' conservatism.

Moderator Variables

Female new director. Female new director was defined as a binary variable that takes the value of one if the new director was female and zero otherwise.

Female CEO. Female CEO was defined as a binary variable that takes the value of one if the CEO was female and zero otherwise.

New Director's Background Similarity. To capture the demographic similarities of the new director with the incumbent independent directors, we followed Zhu et al. (2014) to construct a summary variable that considers similarities in five demographic characteristics between the new director and the independent directors: age, functional background, highest degree obtained, Ivy League education and industry background. Specifically, first, we constructed five binary variables, that indicate similarity in each demographic dimension for each pair which is comprised of the new director and each of the independent directors. The age similarity variable takes the value of one if the age difference of the pair is less than 10 years (that is the standard deviation of the age of all directors in Boardex) and zero otherwise. The functional background similarity variable takes the value of one if the two directors had their most experience in the same functional area. The three areas of functional background are (i) throughput functions which include production, operations, process engineering, and accounting; (ii) output functions which include sales, marketing and research and development; and (iii) peripheral functions which include labor relations, finance, law and human resource management (Hambrick & Mason, 1984; Zhu et al., 2014). The highest degree obtained similarity variable takes the value of one if their highest level of education (coded as PhD, master's, including MBA, bachelor's, or other) is the same, and zero otherwise. The Ivy League education similarity variable takes the value of one if the pair have obtained a degree from Ivy League universities, and zero otherwise. The industry background similarity variable takes the value of one if the two directors had most of their experience in the same industry (based on the one-digit SIC code), and zero otherwise. Then, we calculated the yearly average value of each of these binary variables for the incumbent board. Finally, similar to Zhu et al. (2014), to calculate the final measure, we sum only the dimensions for which the average value is above 0.5 (i.e. the new director was similar to at least half of the incumbent independent directors) (Nelson & Miller, 1995; Zhu et al., 2014). For example, if a new director appointed to a board

had average values of 0.86 for age similarity, 0.43 for functional background similarity, 0.71 for highest degree obtained similarity, 0.14 for Ivy League education similarity, and 0.57 for industry background similarity, the measure of new director's background similarity should take the value of 2.14 ($0.86 + 0.71 + 0.57$).

Control Variables

Following prior literature, we included controls for an array of factors that could directly or indirectly influence the selection of a new director with conservative or liberal ideology. First, we controlled for board characteristics that could influence the selection of a new director with conservative or liberal ideology, such as board size, the percentage of independent directors, the percentage of female directors, the average age of independent directors, the board's co-working experience, and the homogeneity of board ideology. The first two board characteristics are used as proxies of firm corporate governance quality (Chou, Hamill & Yeh, 2018). Existing female directors or young directors may have a preference for selecting a more liberal new director since young individuals and females are more likely to lean towards a liberal ideology (Abramowitz & Saunders, 1998; Feldman & Johnston, 2014). The board's co-working experience may influence the selection of a new director with conservative or liberal ideology because it may reduce the salience of political ideology in the board. The board's co-working experience was defined as the overlapping tenures of the independent directors on the board (Tian et al., 2011). The homogeneity of board ideology may also affect the selection of a new director with conservative or liberal ideology because homogeneity (heterogeneity) in ideology may indicate that ideology matters more (less) for directors. The homogeneity of board ideology was measured as the standard deviation of directors' conservative ideology multiplied by minus one (-1). Second, we controlled for potential links between the newly selected director and the board members that took the decision. The links could be formed through any of the three possible channels: educational, employment and social activities (El-Khatib, Fogel

& Jandik, 2015). An educational link is formed when the two directors share overlapping time in the same university; an employment link is formed through working experience in both private and public firms; and a social link is formed when two directors have served together on boards of clubs or charities. The measure of average director connections was the ratio of the total number of such links to the number of independent directors. Third, since CEOs could influence the selection of a new director, we included controls related to the CEO. Specifically, we controlled for CEO's conservative ideology, CEO duality (an indicator of CEO power), age and background similarity to the new director. To calculate the CEO's conservative ideology, we followed the same procedure we used to calculate the new director's conservative ideology. CEO duality was defined as a binary variable that takes the value of one if the CEO is also the chairman of the board and zero otherwise. The background similarity of the new director and the CEO was calculated in a similar way as the Directors Background Similarity variable (Zhu et al., 2014). Fourth, we included controls related to firm characteristics, such as organizational political ideology, firm age and return on assets (ROA). These variables may influence the decision of the new director to accept the position (Gupta et al., 2017). For example, Gupta et al. (2017) found that the body politic of the firm at large (i.e., its employee body) may exhibit particular ideological inclination (i.e., as indicated by the organizational political ideology measure), and that this sort of ideological leaning serves as a magnet for other individuals who have similar inclinations. Therefore, organizational political ideology was calculated by employing the methodology used by Gupta et al. (2017). The firm's ROA was defined as the ratio of earnings before interest and tax to total assets at fiscal year-end, minus the median return on assets of the industry based on the Fama and French (1997) 48-industries classification system. Finally, to capture environmental influences, we controlled for the conservatism of the headquarters state as a proxy for the conservatism of the local population. State conservatism was defined as the percentage of votes to the Republican Party in the most

recent presidential election in the organization's headquarters state (Gupta et al., 2017). Finally, we included year and industry fixed effects, to control for unobserved year and time-invariant industry characteristics. To ensure that the focal board does not include the new director, all the variables were lagged by one year.

Analysis

In general, there are two approaches to empirically examine this relationship: a multivariate explanatory model using ex-post information or a predictive choice model (Wooldridge, 2008). The latter approach would require a meaningful set of alternative choices (McFadden, 1973). Such a set should be composed of individuals that have been considered for the appointment. Given that this information is not available, and there is no finite set of alternative individuals that can be used in a matching procedure (a popular method employed in selecting alternative firms, for example see Chen, Kale and Hoskisson (2018)), this approach cannot be used in this study. Thus, in this study, we based our empirical analysis on explanatory models. Specifically, knowing the selected director we model the association of his/her political ideology with the political ideology of the independent board members that had made the selection.

For our analysis, we estimated fractional response models (Papke & Wooldridge, 1996) because the dependent variable is bounded between zero and one. This regression methodology is appropriate because it overcomes many of the limitations of using linear estimation methods, e.g. expected values lie outside the unit interval, and the limitations of using nonlinear approaches, such as logit, which are inappropriate in cases where a portion of the observations is at the boundaries (Gallani, Wooldridge & Krishnan, 2015). Additionally, it makes more lenient assumptions about the conditional distribution of the dependent variable than Tobit regression models, another widely used regression methodology to handle proportional dependent variables (Wulff & Villadsen, 2020). Furthermore, we estimated robust standard errors adjusted for clustering at the firm-level to account for the repeated firm observations in

our sample. Also, to simplify interpretation of the coefficient estimates of the fractional regression we standardized all continuous variables except the Board's ideology variables that ranged from zero to one. To test the robustness of our analysis, we ran alternative models, namely, tobit and random-effects tobit. The latter accounts for both between and within firm variations. Results remained qualitatively similar.

RESULTS

Table 1 displays the descriptive statistics and pairwise correlations of our variables. Most variables correlate with the new director's conservative ideology and exhibit the expected sign. To test the impact of multicollinearity on the estimation process, we calculated the variance inflation factors (VIFs) values and the condition indices (Hair, 2009). None of these measures supported the existence of multicollinearity among the independent variables. Specifically, the highest VIF was 1.44, which is well below 10 (Menard, 2008). The highest value of the condition index was 12.11, which is well below 30.

Insert Table 1 here

Table 2 shows the results of the fractional regression models for testing the Hypotheses. Model 1 is a baseline model that includes all the control variables. Consistent with prior literature, many controls exhibit a significant association with the new director's conservative ideology. Moreover, the coefficient associated with the board's conservative ideology is positive and significant ($b=0.34$, $z=4.76$, $p<0.001$). This finding suggests that boards select directors with similar political ideologies which is in line with the findings of Kim et al. (2013). Hypothesis 1 predicts that the positive association between the new director's conservatism and the board's conservatism will be stronger for female new directors than for male new directors. To test this hypothesis, we included an interaction term of the board's conservative ideology and female new director. As shown in Model 2, the interaction term is positive and

statistically significant ($b=0.97$, $z=7.10$, $p<0.001$), which supports Hypothesis 1. For ease of interpretation, we plotted the findings in Figure 1 and we performed the corresponding marginal effects analysis. Figure 1 shows the moderating effect of female new director on the relationship between the new director's conservatism and the board's conservative ideology. Both the graph and the analysis of the marginal effects indicate that this moderating effect is substantial. Given that the model is non-linear, we computed the average marginal effects (Gallani et al., 2015; Papke & Wooldridge, 2008) so that the interpretation is similar to the linear model. The average marginal effect of the board's conservative ideology when the new director is female is 0.48 ($z=10.64$, $p<0.001$), whereas the average marginal effect when the new director is male is 0.11 ($z=3.52$, $p=0.001$). In addition, their difference is statistically significant ($z = 6.76$, $p<0.001$). In other words, an increase of 0.1 in the board's conservative ideology is associated with an average increase of 0.048 (0.011) in the female (male) new director's conservative ideology. Overall, in support of Hypothesis 1, the results show that there is a positive and statistically significant association between the new director's conservatism and the board's conservatism for both female and male new directors but this association is stronger (and statistically significant) for female directors.

 Insert Table 2 and Figure 1 here

Hypothesis 2 predicts that the presence of a female CEO will weaken the positive effect of a new female director on the association between the board's political ideology and the new director's political ideology. To test this hypothesis, we included in Model 3 a 3-way interaction of the board's conservative ideology, the gender of the new director and the CEO's gender. Contrary to our expectations, the 3-way interaction term is positive and statistically significant ($b=1.97$, $z=2.41$, $p=0.016$). Figure 2 plots the relationship of the new director's conservatism and the board's conservatism for female/male new directors when the CEO is

female or male. Figure 2 and the marginal effects analysis provide further support for this finding. Specifically, the average marginal effect of the board's conservative ideology when both the CEO and the new director are females is 1.20 ($z=4.64$, $p<0.001$) whereas the corresponding average marginal effect for male new director is 0.07 ($z=2.37$, $p=0.018$) with their difference being statistically significant ($b = 1.13$, $z = 3.59$, $p<0.001$). Furthermore, when the CEO is male, the average marginal effects of the board's conservative ideology are 0.50 ($z=10.17$, $p<0.001$) for a female new director and 0.11 ($z=3.36$, $p<0.001$) for a male new director, with their difference being statistically significant ($b = 0.38$, $z = 7.00$, $p < 0.001$). Finally, these two differences in average marginal effects of the board's conservative ideology are statistically significantly different from each other ($b = 0.75$, $z = 2.39$, $p = 0.017$). Below, we discuss a potential factor that could account for the unexpected finding.

Female CEOs are still very much a rarity in the highly gendered world of the corporate elite, for example, only 5% of CEO roles in S&P 1500 companies were occupied by women (Papadopoulos et al., 2018). Having an out-group female CEO may be perceived as a threat by the board since the CEO does not fit their preconceptions of the 'gendered executive stereotype' (Corwin et al., 2021, p. 2). This identity threat may be further enhanced when confronted with the necessity of having to add another minority member in the form of a new female director. Therefore, given the obvious *tension* between board's need to recruit a female new director to ensure diversity coupled with the board's proclivity toward homogeneity, in such a context the board could be more motivated to recategorize the new female director along the lines of other shared dimensions. In so doing, their perception of the candidate will become more positive through the processes involving pro-ingroup bias (Gaertner & Dovidio, 2000; Zhu et al., 2014). Therefore, to the extent that a new female director with similar political ideology to the board may be perceived to be more competent and have a better fit because of shared mindsets and similarities in decision-making, the presence of a female CEO may

ironically strengthen the importance of similar ideology between the new director and the board, as compared to when there is a male CEO.

Insert Figure 2 here

Hypothesis 3 predicts that the more similar the demographic background between the board and the new director, the weaker will be the positive effect of a new female director on the association between the board's political ideology and the new director's political ideology. To test this hypothesis, we included in Model 4 a 3-way interaction of the board's conservative ideology, the gender of the new director and new director's background similarity. As shown in Model 4 this 3-way interaction term is negative and statistically significant ($b=-0.48$, $z=-3.55$, $p<0.001$), which provides support for Hypothesis 3. Figure 3 plots the relationship of the new director's conservatism and the board's conservatism for female and male new directors for high (+1 S.D.) and low (-1 S.D) values of the new director's background similarity variable. The marginal effects analysis indicates that the average marginal effect of the board's conservative ideology for low background similarity with the board and a female new director is 0.65 ($z=9.97$, $p<0.001$) whereas the corresponding average marginal effect for male new director is 0.09 ($z=2.02$, $p=0.044$) with their difference being statistically significant ($b =0.56$, $z=7.34$, $p<0.001$). Additionally, for high values of background similarity the average marginal effects of the board's conservative ideology are 0.32 ($z=4.76$, $p<0.001$) for a female new director and 0.14 ($z=3.54$, $p<0.001$) for male new director, with their difference being statistically significant ($b = 0.18$, $z = 2.38$, $p = 0.017$). In support of Hypothesis 3, these two differences in average marginal effects of the board's conservative ideology are statistically significantly different from each other ($b = 0.38$, $z = 3.56$, $p<0.001$). Therefore, both Figure 3 and the marginal effects analysis provide further support to Hypothesis 3.

Insert Figure 3 here

Supplemental Analyses

Given that ethnicity is also a highly salient characteristic that can influence categorization, our theoretical arguments should hold when recruiting ethnic minority directors (Zhu et al., 2014). To empirically test this, we need to identify the ethnicity of board directors and CEOs. To achieve this, first, we followed interdisciplinary literature on classifying ethnicity based on names (Chidambaran, Liu & Prabhala, 2021; Pan, Siegel & Yue Wang, 2020) and we inferred the ethnicity of directors using machine learning algorithms applied to the first and the last names of directors. Specifically, we used two such algorithms: the rethnicity (Xie, 2021) and the ethnicolr (Sood & Laohaprapanon, 2018). In the cases where the two algorithms produced different classifications, we manually collected information on the ethnicity of directors from sources like Marquis Who's Who, Notable Names Database (NNDB), and Google and we employed the algorithm in Han and Jain (2014) to identify ethnicity based on the pictures. We excluded from the sample cases with no available information. We then constructed the variables ethnic minority new director, ethnic minority CEO, and the percentage of ethnic minority independent directors on the board. Finally, we re-ran the analysis, and as shown in Table 3 the results are in line with those presented in Table 2, which indicates that there is empirical evidence to support hypotheses 1 and 3. The finding that the presence of an ethnic minority CEO strengthens the positive effect of a new ethnic minority director on the association between the board's political ideology and the new director's political ideology, is in line with the finding with regard to the presence of a female CEO, and against Hypothesis 2. This finding provides additional support for the idea that the presence of a female/ethnic minority CEO may be perceived as an identity threat by the board, which increases the salience of the female/ethnic minority out-group characteristic when the board assesses a candidate and raises the need to recategorize on the basis of political ideology.

Insert Table 3 here

A key implication of our theoretical arguments is that the homogeneity of the board's ideology should increase when the proportion of female directors or the proportion of ethnic minority directors increases. To empirically test this argument, we constructed a panel data sample from all the firms in the original dataset that includes information on the board's conservative ideology for the period from 2000 to 2019. The sample consisted of 29,618 firm-year observations. We employed dynamic panel modelling because it accounts for possible dynamic endogeneity that may occur since the current changes in the board's seats may be affected by the previous values of the homogeneity of board ideology, which can lead to biased estimates (Li, Ding, Hu & Wan, 2021). Then we ran a dynamic panel regression, using the generalized method of moments estimator (Li et al., 2021), with the dependent variable being the homogeneity of board ideology, and the main explanatory variables being i) the change from the previous fiscal year-end of the proportion of female directors, and ii) the change from the previous fiscal year-end of the proportion of ethnic minority directors. In addition, we controlled for board conservative ideology, board size, the percentage of independent directors, CEO's conservative ideology, organizational political ideology, firm age, ROA and the conservatism of the headquarters state. As shown in Model 2 of Table 4, the coefficients of both changes in the percentages of the proportion of female directors and ethnic minority directors are positive and statistically significant ($b=0.32$, $z=3.11$, $p = 0.002$; $b=0.34$, $z=3.71$, $p < 0.001$ respectively), which provides empirical support for the above argument.

Insert Table 4 here

DISCUSSION AND CONCLUSION

This study seeks to answer the research question ‘are boards responding to pressure to recruit female directors by becoming more homogeneous in terms of similar political ideology?’ By integrating symbolic management and recategorization theories, we have theorized, and found, that the appointment of a new female director strengthens the association between the board’s and the new director’s political ideology. In addition, this relationship is strengthened when there is a female CEO, or when the new female director has a less similar demographic background. Our supplemental analysis shows similar findings when the selection of an ethnic minority new director is considered. In addition, supplemental analysis indicates that increase in the gender or ethnic minority diversity of boards is associated with more homogeneous boards in terms of political ideology, which shows that our theory applies at the aggregate board level as well, thus providing additional validation. Overall, the findings provide support to all hypotheses except Hypothesis 2. Regarding Hypothesis 2, the findings seem to support the idea that the presence of a female/ethnic minority CEO may be perceived as an identity threat by the board, increasing in this way the need to recategorize the new female/ethnic minority new director. By contrast, the competing argument that the presence of a female/ethnic minority CEO may reduce the salience of gender/ethnic minority as an out-group characteristic when selecting a new director, has not received empirical support.

Our study makes important contributions toward the literatures on female new director selection, recategorization and political ideology. First, we shed some light on why research is ambivalent regarding the benefits of gender diversity. We find that gender diversity is associated with more homogeneity in the political ideology of the board, which may suggest that gender diversity, and even ethnic minority diversity, may not necessarily lead to idea diversity on the board. Researchers have argued that gender heterogeneity is positively associated with cognitive conflict, which should improve decision making outcomes (Amason, 1996; Amason & Sapienza, 1997), and, in a board context, link to better organizational

performance (Bear, Rahman & Post, 2010; Cook & Glass, 2018). However, our findings reveal that *in specific contexts*, heterogeneity along demographic variables does not necessarily equate to heterogeneity in values and attitudes (Kilduff, Angelmar & Mehra, 2000; Wiersema & Bantel, 1992). By ostensibly appointing female board directors to fulfil a societal preference, boards may be able to leverage the norms and assumptions within the broader culture to shape external stakeholder perceptions in their favor (Westphal & Park, 2020). In this, we connect with research such as that by Knippen et al. (2019), who show that pressures for greater board gender diversity have a limited effect to counter gender-based intergroup bias. However, unlike these authors, we argue that intergroup bias between in-group and out-group members *can* be overcome through recategorization on the basis of political ideology. Additionally, the corporate governance literature is scant with regard to research on the micro-level behavioral processes at the group level that reinforce symbolic decoupling (Hallett, 2010; Tilcsik, 2010; Westphal & Park, 2020). By theorizing about when boards recategorize according to shared political ideology, we have elucidated how social and psychological processes at the group level can serve as a potent force for the board's symbolic action.

Our second contribution pertains to recategorization theory. Whilst recategorization with a few exceptions is generally thought of as being *beneficial* because it signals attitude change toward out-group members (Dovidio et al., 1997; Gaertner et al., 1999), we theorize that it can be used more cynically in the service of symbolic management to decouple impressions from substance. In addition, we add to recategorization research in the organizational context by considering the board's deep-level value orientation (i.e., its political ideology) as a basis for recategorization. Zhu et al. (2014) contributed to recategorization literature by showing that increased board diversity in terms of high visibility demographic characteristics is due to recategorization along other demographic dimensions. However, rather than limit ourselves to visible demographic characteristics which may be imprecise indicators

of deep-level attitudes (Christensen et al., 2015) we go further by showing that shared political ideology can serve a key basis for overarching social identity that overcomes initial gender categorizations (Dovidio et al., 1997; Gaertner et al., 1999). Therefore, recategorization may be responsible for pushing board diversity toward a particular similarity–dissimilarity configuration over time (Zhu et al., 2014), and, more consequentially, push boards toward particular board decisions, for example, with respect to important issues of corporate tax avoidance, M&A decisions, and CEO pay-performance sensitivity, amongst others.

Third, this study contributes to the literature on political ideology in organizations by adopting an identity perspective (Swigart et al., 2020) to theorize regarding the impact on new female director choice. Currently, most organization studies have focused on the values perspective to explain how political ideology influences corporate decision-making (Chin et al., 2013; Gupta et al., 2018). Nevertheless, to study director selection decisions, an identity perspective must be incorporated into theory to account for the fact that political ideology forms part of the self-concept, and therefore, that directors may draw on ideology to identify with other directors, and that this biases their perceptions of candidates. In so doing, this study extends recent literature which links political ideology with board decisions relating to their monitoring function (Gupta & Wowak, 2017; Park et al., 2019). The finding that new female directors are recategorized based on political ideological similarity, when viewed together with previous findings that ideology biases board decisions on CEO dismissal and compensation, may suggest that political ideology results in sustained and consistently biased decision-making.

Our study also has implications for practitioners. The findings suggest that if the “right” kind of female or minority director (as defined by the board, one with similar political ideology and hence similar value orientation) keeps being appointed, then, ironically, diversity initiatives could lead to boards becoming ‘ideological echo chambers’ (Bermiss & McDonald, 2018).

Such ideological homophily has direct implications on board decisions, as opposed to demographic characteristics which may be more distal in terms of impact. In support, much research on group processes and team decision-making (Harrison, Price & Bell, 1998; Harrison, Price, Gavin & Florey, 2002) has also shown that, over time, deep level characteristics such as attitudes and beliefs matter more for group decision-making rather than surface level demographic variables such as same sex and age. Therefore, our results provide more evidence that check-the-box initiatives on demographic diversity are not good enough. If increasing demographic diversity in director selection opens the door for candidates with homophily in values and ideology, then this means that boards have already learned how to get around diversity mandates, and policies must keep up with such development. Importantly, diversity really needs to be pursued with intentionality, and boards need to think more deeply about the strategic goals they wish to achieve (Stein, 2021). Our study thus joins more recent ones (Post et al., 2020) that question the assumed link between demographic diversity and cognitive diversity (Hambrick & Mason, 1984; Pfeffer, 1983). The broader implication of our study is that further scrutiny of how gender diversity affects more proximal outcomes such as board cognition, dynamics, and decision making is needed (Johnson et al., 2013), since these proximal outcomes may ultimately make a difference to firm performance.

Like others, our study has limitations that signpost the way forward for future studies. The archival data used in our study does not provide information on the actual cognitive processes that underlie the board's decision-making process as to whom to appoint. Still, our approach is consistent with a considerable amount of research which relies on archival data to predict board decisions (Gupta & Wowak, 2017; Withers et al., 2012). For future studies, we advocate the use of surveys and experiments to test the cognitive mechanisms behind our hypotheses. Also, similar to prior research, we have regarded the board's decision on appointment as being reflective of the aggregate ideological composition of its members, and

this also reflects our assumptions on group behavior, similar to the approach taken by other studies such as that by Gupta and Wowak (2017). However, there is of course the possibility that some directors may be more influential than others in affecting board decisions (Gupta & Wowak, 2017). Therefore, we encourage future studies to examine how the distribution of influence in the board affects the selection of a new director.

Other than this, we contend that future research should pursue a number of lines of inquiry. First, we note that strong male-dominance on boards stimulates high perceptual salience of gender that engenders the recategorization process when a female new director is considered in an effort to meet expectations for gender diversity. Given this behavior, we encourage more studies that scrutinize how such symbolic adherence to gender diversity affects proximal outcomes such as board cognition, dynamics, and decision making (Johnson et al., 2013), since these proximal outcomes will certainly make a difference to firm performance. Second, we have shown that gender and ethnicity may serve as an initial means for social categorization, and we have looked at conditions such as female CEO incumbency and the dissimilarity of demographic background of the new female director as contextual factors that facilitate recategorization along the lines of similar political ideology. These conditions, however, are by no means exhaustive. Given the significant effects on board diversity, and possibly on firm performance, future studies should explore other conditions within the situational setting that make such recategorization more/less likely. Finally, our theory that views recategorization as a decoupling aid should be extended by examining other settings that warrant symbolic management, such as TMT member selection, and top management team member selection within M&As.

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Table 1- Correlations and Descriptive Statistics

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1. New director's conservative ideology	0.49	0.32	1.00																		
2. Board's conservative ideology	0.52	0.11	0.12***	1.00																	
3. Female new director	0.24	0.43	-0.16***	-0.03***	1.00																
4. Female CEO	0.04	0.19	-0.03***	-0.05***	0.02*	1.00															
5. New Director's Background Similarity	1.25	0.67	0.03***	0.01	-0.07***	0.01	1.00														
6. State conservatism	0.49	0.09	0.10***	0.20***	0.01	-0.04***	-0.05***	1.00													
7. Organizational conservative ideology	0.51	0.23	0.13***	0.32***	-0.08***	-0.10***	-0.02*	0.25***	1.00												
8. Firm age	29.20	18.34	0.03**	0.05***	0.04***	0.04***	-0.05***	0.05***	0.04***	1.00											
9. ROA	0.11	0.09	0.02†	0.04***	0.04***	-0.00	-0.02*	0.08***	0.03***	0.03***	1.00										
10. CEO conservatism	0.53	0.24	0.10***	0.21***	0.00	-0.06***	0.02**	0.12***	0.33***	0.07***	0.06***	1.00									
11. CEO duality	0.47	0.50	0.03***	0.04***	-0.02*	-0.06***	-0.04***	0.07***	0.13***	0.17***	0.04***	0.04***	1.00								
12. CEO age	55.80	6.92	-0.00	0.03***	0.02*	-0.05***	-0.03***	0.03***	0.06***	0.16***	0.00	0.06***	0.24***	1.00							
13. New director background similarity with CEO	1.17	0.86	0.01	0.01	-0.01	-0.01	0.33***	-0.03***	-0.01	0.01	-0.03**	0.01	-0.04***	-0.04***	1.00						
14. Board's size	9.63	2.56	-0.01	-0.00	0.03***	-0.02**	-0.11***	0.02*	0.08***	0.32***	-0.06***	0.00	0.15***	0.11***	-0.01	1.00					
15. % of independent directors	0.84	0.10	0.01	0.01	0.04***	0.05***	0.01	0.01	-0.08***	0.21***	-0.06***	0.02*	0.00	-0.00	0.02*	0.19***	1.00				
16. % of female directors	0.15	0.12	-0.06***	-0.18***	-0.01	0.07***	-0.01	-0.05***	-0.16***	0.26***	0.07***	-0.05***	0.08***	0.05***	0.02†	0.22***	0.15***	1.00			
17. Average independent directors' age	61.91	4.41	0.01	0.06***	0.06***	-0.03**	-0.10***	0.01	0.04***	0.24***	-0.02*	0.05***	0.07***	0.27***	0.02†	0.13***	0.04***	0.03**	1.00		
18. Board co-working experience	4.80	2.45	0.03**	0.06***	0.03***	-0.04***	-0.06***	0.01	0.05***	0.19***	0.03***	0.04***	0.06***	0.13***	0.02**	0.06***	-0.02*	-0.03***	0.49***	1.00	
19. Homogeneous board ideology	-0.24	0.09	0.03***	0.01	-0.04***	-0.01	-0.02*	-0.01	0.04***	-0.07***	-0.03**	0.01	-0.01	-0.00	-0.02†	-0.12***	-0.11***	-0.13***	-0.01	0.01	1.00
20. Average number of connections	0.97	2.36	0.01	-0.02**	-0.05***	-0.01	0.05***	-0.03***	-0.02*	0.03***	-0.02**	-0.01	0.00	0.03**	0.03***	0.09***	0.06***	-0.01	0.01	-0.03***	-0.02**

Notes: N = 13,483. † $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 2 - Fractional regression models for testing all Hypotheses

	Model 1	Model 2	Model 3	Model 4
Constant	-0.21 [†] (0.12)	-0.22 (0.19)	-0.23 (0.19)	-0.23 (0.19)
State conservatism	0.05*** (0.01)	0.06*** (0.01)	0.06*** (0.01)	0.06*** (0.01)
Organizational conservative ideology	0.04*** (0.01)	0.05*** (0.01)	0.05*** (0.01)	0.05*** (0.01)
Firm age	0.01 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)
ROA	0.00 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)
CEO's conservative ideology	0.05*** (0.01)	0.05*** (0.01)	0.05*** (0.01)	0.05*** (0.01)
CEO duality	0.02 (0.02)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)
CEO age	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)
New director's background similarity with CEO	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)
Board's size	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)
% of independent directors	0.02* (0.01)	0.02* (0.01)	0.02* (0.01)	0.02* (0.01)
% of female independent directors	-0.03** (0.01)	-0.03** (0.01)	-0.03** (0.01)	-0.03*** (0.01)
Average independent directors' age	-0.00 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)
Board co-working experience	0.02* (0.01)	0.02* (0.01)	0.02* (0.01)	0.02* (0.01)
Homogeneous board ideology	0.02* (0.01)	0.02** (0.01)	0.02** (0.01)	0.02** (0.01)
Average number of connections	0.00 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
Female CEO	-0.04 (0.04)	-0.04 (0.04)	0.07 (0.23)	-0.04 (0.04)
New director's background similarity	0.02* (0.01)	0.03*** (0.01)	0.03*** (0.01)	-0.02 (0.04)
Female new director	-0.28*** (0.02)	-0.54*** (0.07)	-0.53*** (0.07)	-0.51*** (0.07)
Board's conservative ideology	0.34*** (0.07)	0.28*** (0.08)	0.29*** (0.08)	0.29*** (0.08)
Board's conservative ideology x Female new director		0.97*** (0.14)	0.96*** (0.14)	0.93*** (0.14)
Board's conservative ideology x Female CEO			-0.18 (0.46)	
Female new director x Female CEO			-1.09** (0.41)	
Board's conservative ideology x Female new director x Female CEO			1.98* (0.82)	
Board's conservative ideology x New director's background similarity				0.07 (0.07)
Female new director x New director's background similarity				0.29*** (0.07)
Board's conservative ideology x Female new director x New director's background similarity				-0.48*** (0.13)
Log likelihood	-9,154.41	-9,134.94	-9,121.06	-9,081.61
Chi squared	955.49***	1,102.33***	1,127.32***	1,162.38***

Notes: N = 14,483; Clustered standard errors in parentheses. Industry and year fixed effects are included in the models but not reported.

[†] $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 3 – Robustness Analysis - Fractional regression models using directors' ethnic minority data

	Model 1	Model 2	Model 3	Model 4
Constant	-0.15 (0.19)	-0.16 (0.12)	-0.17 (0.12)	-0.15 (0.12)
State conservatism	0.05*** (0.01)	0.06*** (0.01)	0.06*** (0.01)	0.06*** (0.01)
Organizational conservative ideology	0.03*** (0.01)	0.03*** (0.01)	0.03*** (0.01)	0.04*** (0.01)
Firm age	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
ROA	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)
CEO's conservative ideology	0.04*** (0.01)	0.05*** (0.01)	0.05*** (0.01)	0.05*** (0.01)
CEO duality	0.02 (0.02)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)
CEO age	-0.01† (0.01)	-0.01† (0.01)	-0.01† (0.01)	-0.01† (0.01)
Female CEO	-0.05 (0.04)	-0.06 (0.04)	-0.06 (0.04)	-0.06 (0.04)
New director's background similarity with CEO	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)
Board's size	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)
% of independent directors	0.02* (0.01)	0.02* (0.01)	0.02* (0.01)	0.02* (0.01)
% of female independent directors	-0.03*** (0.01)	-0.03*** (0.01)	-0.03*** (0.01)	-0.03*** (0.01)
% of ethnic minority independent directors	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)
Average independent directors' age	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)
Board co-working experience	0.02* (0.01)	0.02* (0.01)	0.02* (0.01)	0.02* (0.01)
Homogeneous board ideology	0.01† (0.01)	0.02* (0.01)	0.02* (0.01)	0.02* (0.01)
Average number of connections	0.00 (0.01)	0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)
Female new director	-0.27*** (0.02)	-0.30*** (0.02)	-0.30*** (0.02)	-0.30*** (0.02)
Ethnic minority CEO	-0.02 (0.03)	-0.04 (0.03)	0.01 (0.14)	-0.04 (0.03)
New director's background similarity	0.01 (0.01)	0.01† (0.01)	0.01† (0.01)	-0.05 (0.04)
Ethnic minority new director	-0.32*** (0.02)	-0.96*** (0.09)	-0.94*** (0.09)	-0.97*** (0.09)
Board's conservative ideology	0.33*** (0.07)	0.30*** (0.07)	0.32*** (0.08)	0.29*** (0.07)
Board's conservative ideology x Ethnic minority new director		1.60*** (0.17)	1.57*** (0.18)	1.62*** (0.17)
Board's conservative ideology x Ethnic minority CEO			-0.09 (0.27)	
Ethnic minority new director x Ethnic minority CEO			-0.60* (0.30)	
Board's conservative ideology x Ethnic minority new director x Ethnic minority CEO			1.24* (0.61)	
Board's conservative ideology x New director's background similarity				0.11† (0.07)
Ethnic minority new director x New director's background similarity				0.28*** (0.09)
Board's conservative ideology x Ethnic minority new director x New director's background similarity				-0.53*** (0.16)
Log likelihood	-8,947.48	-8,937.84	-8,923.60	-8,916.43
Chi squared	1,176.96***	1,277.98***	1,320.19***	1,287.11***

Notes: N = 14,247; Clustered standard errors in parentheses. Industry and year fixed effects are included in the models but not reported.

† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 4 – Robustness analysis- Dynamic panel models for homogeneous board ideology

	Model 1	Model 2
Constant	-0.27* (0.13)	-0.26† (0.13)
State conservatism _t	0.10 (0.17)	0.10 (0.17)
Organizational conservative ideology _t	-0.08 (0.06)	-0.09 (0.06)
Firm age _t	0.00** (0.00)	0.00** (0.00)
ROA _t	0.09 (0.10)	0.12 (0.10)
CEO's conservative ideology _t	-0.02 (0.03)	-0.02 (0.03)
Board's conservative ideology _t	-0.12 (0.10)	-0.10 (0.09)
Board's size _t	-0.02*** (0.00)	-0.02*** (0.00)
% of independent directors _t	-0.05 (0.09)	-0.06 (0.11)
Homogeneous board ideology _{t-1}	8.37*** (0.15)	8.39*** (0.14)
Δ(% of ethnic minority independent directors)		0.34*** (0.09)
Δ(% of female independent directors)		0.32** (0.10)
<i>N</i>	29,618	29,618
F-Value	28,471.16***	27,420.94***

Notes: All coefficients and clustered standard errors (presented in parentheses) are multiplied by a factor of 10.

† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 1 – Plot of the interaction effects for Hypothesis 1

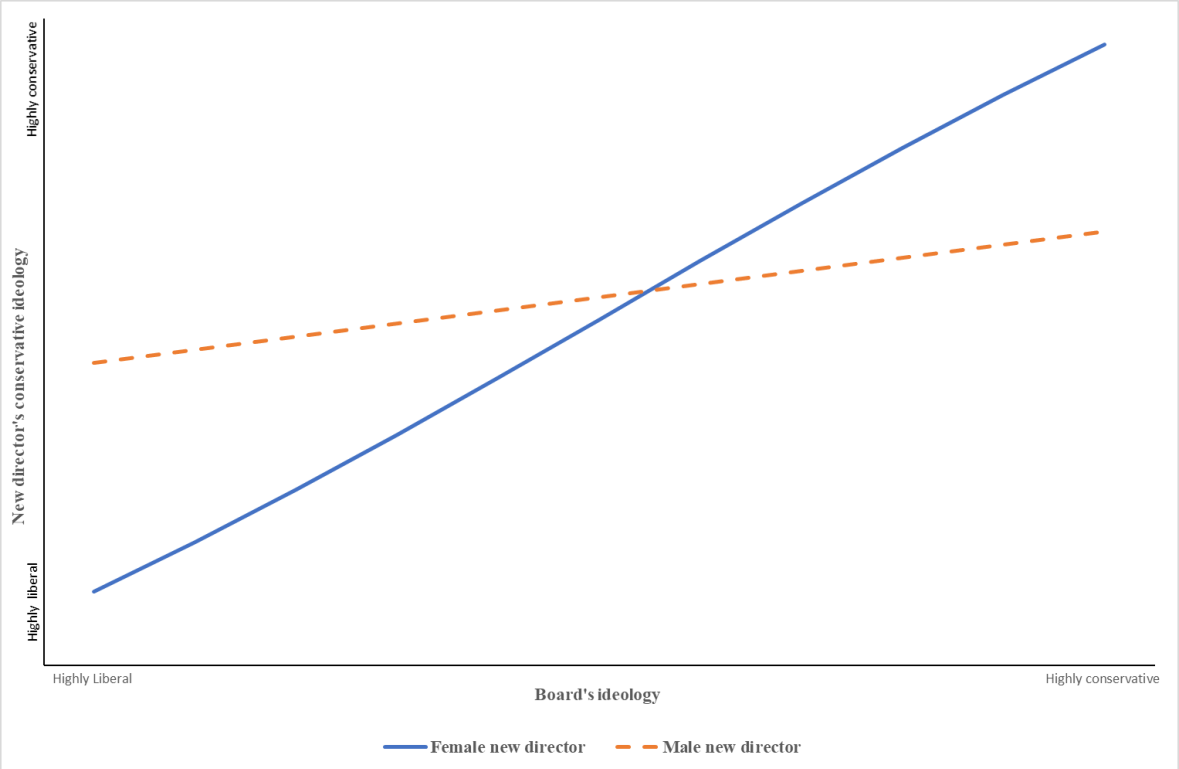


Figure 2 – Plots of the interaction effects for Hypothesis 2

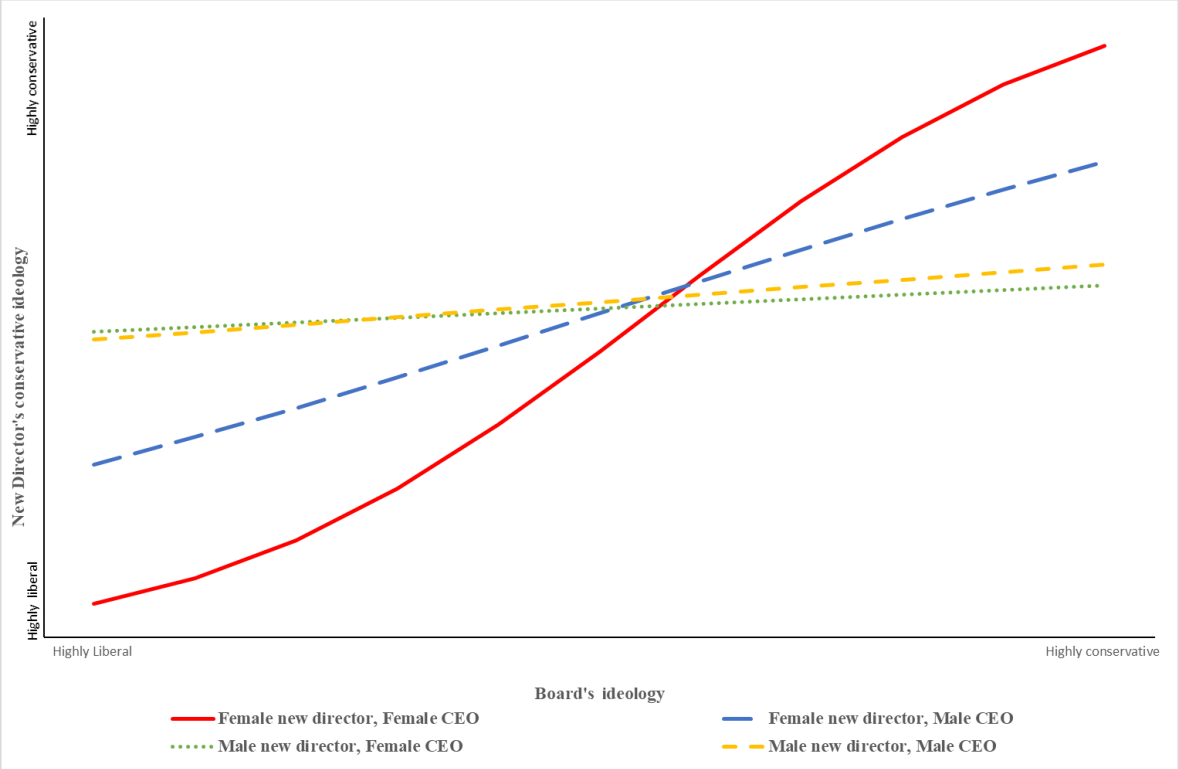


Figure 3 – Plot of the interaction effects for Hypothesis 3

