DIRECTOR TURNOVER IN NEW VENTURE BOARDS: FROM HOMOPHILOUS TO RESOURCE CONTINGENT PROCESSES

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Abstract: While resource-dependency theories suggest that heterogenous directors in new venture boards contribute important knowledge and networks, research on boardroom homophily highlights that dissimilar directors are more likely to leave, especially under adverse conditions. To date, there is limited evidence on whether such mechanisms also prevail in the venture context where founder-managers retain excessive control over director appointments. We analyze director tenure in 28,295 Swedish ventures, finding that dissimilar directors are more likely to leave the board when ventures are operating in favorable conditions but only when considering knowledge diversity. Post-hoc analyses of directors' post-exit career paths and qualitative interviews with CEOs and directors help clarify the mechanisms that cause diverse directors to depart venture boards more often. Specifically, lifecycle demands and venture profitability ease resource-dependence pressures on director retention, thus feeding homogeneity in board expertise. Our findings provide insights into the homogenizing nature of new ventures' upper echelons as they evolve into mature organizations.

Keywords: Venture Governance, Venture Scaling, Board Evolution, Diversity, Turnover.

Executive summary: Boards are a vital resource for early-stage ventures, offering advice, funding connections, and strategic guidance — especially when directors bring diverse expertise. Yet, as ventures grow and succeed, that diversity can erode. Our study of over 28,000 Swedish owner-managed firms shows that directors whose expertise differs from that of the founder(s) are more likely to leave—not during hardship, but when the business is performing well. Interviews with several founders and directors further suggest that as ventures mature, they increasingly rely on internal capabilities and shift toward boards that reflect the founder's evolving preferences. These dynamics lead to more homogenous boards over time, potentially narrowing the range of perspectives available in the board. For founders and policymakers, the findings highlight a key challenge: keeping diverse directors around not just at the start, but as the company scales.

1. Introduction

New venture founders often rely on their board of directors[1] for strategic advice, funding, and social connections (Garg and Eisenhardt, 2017; George et al., 2001). Retaining directors is critical during the volatile early stages of venture development—particularly when they bring distinct expertise or perspectives (Harutyunyan, Timmermans, and Frederiksen, 2025; Jung, Lee, and Park, 2023; Li and Garg, 2025). Yet, distinctiveness may also heighten directors' risk of exit due to social dynamics that avoid dissimilarity (Boone et al., 2004), potentially compromising the venture's continued access to valuable external resources.

This tension between the value of heterogeneous directors and the behavioral pressure toward homogeneity reflects a deeper contradiction in theories of board composition (Boone et al., 2004; Jung, Lee, and Park, 2023; Johnson et al., 2013). While resource-dependency theory emphasizes the strategic value of dissimilar directors, Attraction-Selection-Attrition (ASA) theory – a homophilous process where socially and psychologically similar members are attracted to, selected and retained by a group or team – highlights the difficulty of retaining dissimilar directors due to poor social integration. In applying these perspectives to director turnover in new ventures, several contextual features stand out. First, although attraction and selection processes in ASA theory often operate through founders' shared backgrounds acting as screening mechanisms for attraction and selection (Balachandran, Wennberg, and Umans, 2019; Garg, 2013), little is known about attrition or how the situational contingencies of the venture's context might strengthen or weaken it. Second, founder-dominated ventures give their founders near-total control over the composition of the board (Eisenhardt and Bourgeois III, 1988),

[1] From here on, we refer to members of the new venture's board of directors as simply 'directors.' For maturing ventures that receive external investment, board members increasingly represent external owners such as venture capital companies, on which there is an extensive literature (e.g., Garg, 2013).

creating different power dynamics than in established firms. Third, new ventures operate under heightened internal and external uncertainty (McMullen and Shepherd, 2006), which may intensify group dynamics (Boone et al., 2004; Jung et al., 2023). However, it remains unclear whether such dynamics translate to venture contexts in which founders have already chosen directors based on perceived complementarities (Balachandran et al., 2019; Garg and Eisenhardt, 2017).

These venture-specific conditions challenge the generalizability of theories developed in established-firm contexts. Specifically, it is not clear whether the high uncertainty faced by ventures will (i) undermine trust and shared values, leading to selective attrition, or (ii) increase the value of diverse directors, encouraging selective retention. To address this, we develop competing hypotheses: Based on the predictions from ASA theory, dissimilar directors should be more likely to exit under high uncertainty, whether internal (low performance, limited slack, high risk) or external (high complexity, dynamism, low munificence). In contrast, based on the predictions from resource-dependency theory, the opposite should hold—dissimilar directors should be retained under such conditions, as their value will increase.

To test these predictions, we draw on a population-wide dataset of all newly incorporated Swedish ventures between 2004 and 2018, focusing on the exit of non-family outside directors[2]. We find that, while directors generally exit less in well-performing firms, dissimilar directors are an exception: their exit risk increases under strong performance. Contrary to ASA predictions, it is not during times of high uncertainty but of stability that dissimilar directors are more likely to leave—particularly when their dissimilarity is based on expertise (i.e., education, industry

[2] We define 'non-family directors' as those with no kinship ties to the founder-CEO. We define 'outside directors' as those with no formal employment relationship with the firm other than as a director and 'executive directors' as those with a formal employment relationship with the venture, including founders.

background, and entrepreneurial experience) rather than demographics (i.e., gender, culture, or age). This pattern—ventures shedding non-redundant expertise during success—aligns more with the performance-contingent behavior implied in resource-dependency theory than with the stress-induced turnover predicted by ASA (Boone et al., 2004).

Post-hoc analyses further show that dissimilar directors, especially women and foreign-born individuals, are less likely to transition to other board roles and more likely to return to salaried employment or leave the labor force, raising questions about persistent structural exclusion. Interviews with founders and directors shed light on this process: Early-stage ventures often recruit board members based on relational fit and complementary knowledge, sometimes as a cost-saving alternative to formal staffing. As ventures mature and gain slack, however, founders may reduce their reliance on boards for expertise and instead reconfigure governance to match evolving preferences. Overall, our post-hoc quantitative and qualitative analyses suggest an *adaptation mechanism* whereby early venture boards' 'human-capital-provisioning' role becomes redundant as uncertainty diminishes, easing the resource-dependence pressures on the venture to keep dissimilar directors.

This paper makes three main contributions to literature. First, it extends existing research on how board composition originates and changes over time (Balachandran et al., 2019; Boeker and Wiltbank, 2005; Fisher et al., 2017), showing that as ventures mature and become profitable, founders shift from relying on board expertise to building internal capabilities through senior hires (George et al., 2001). Our post-hoc qualitative analysis suggests a novel 'human-capital-provisioning' role of venture boards, which tends to fade as firms adjust in response to performance. Hence, our study introduces a dynamic view of board diversity, moving beyond static features such as path-dependence or interlocks (Beckman and Burton, 2008; Burton and

Beckman, 2007). Second, our findings refine corporate-governance theories by showing that, unlike large firms where uncertainty drives turnover among dissimilar directors (Boone et al., 2004; Park and Westphal, 2013), new ventures tend to lose such diversity during periods of strong performance. Our results highlight the need to adapt behavioral theories to the performance-sensitive and evolving nature of entrepreneurial contexts (Welter, 2011). Third, in engaging with the Categorization-Elaboration Model (CEM; Knippenberg et al., 2004), we show that the information-elaboration benefits of dissimilarity may weaken under favorable conditions, offering insight into the retention of diversity in founder-controlled boards. Hence, our study highlights the boundary conditions of applying the CEM to venture contexts where founder control mutes the potential benefits of the information-elaboration function of diversity.

2. Theory and hypotheses

We compare two prominent theoretical frameworks to derive baseline expectations on the relationship between director dissimilarity (to the rest of the board) and turnover in new venture boards: (i) the social-psychological perspective and (ii) the resource-dependency perspective.

2.1.Social-psychological perspective

First, we draw on the predictions from the Attraction-Selection-Attrition (ASA) model of the process of group homogenization to explain the selective retention of directors in venture boards (Schneider, 1987; Schneider, Smith, and Goldstein, 2000). The ASA model, based on the principle of homophily, outlines the mechanisms that restrict organizational diversity in terms of members' characteristics, which can lead to organizational homogenization over time (Schneider et al., 2000). Homogenization occurs due to individuals being attracted to, selected by, and retained within groups, teams, or organizations based on the similarity of their personality traits and demographic characteristics to those of the incumbent members. When applied to predict the

retention of directors in new venture boards, the ASA theory implies that directors who are similar (dissimilar) to the rest of the board will remain (depart) as a result of this group process. Similarity within groups promotes attraction, understanding, and trust according to the theory of homophily where individuals tend to associate with others who share similar characteristics (McPherson et al., 2001). Considering also the power imbalance and excessive control enjoyed by founders over the board, director dissimilarity to the board will likely surface underlying differences and may increase disagreement or conflict (Boone et al., 2004; Schneider, 1987). Hence, according to ASA theory, *a focal director's dissimilarity to the rest of the board will be associated with a* ***higher*** *likelihood of exit for the focal director.*

2.1.1. Social-psychological perspective and internal uncertainty

A crucial feature of the attrition aspect of the ASA model is its intimate relationship to the current business context in which directors' exits take place, given that interpersonal dynamics in diverse teams are contingent on the firm's external and internal environment (Wiersema and Bantel, 1993). Specifically, *uncertainty* in the current business context has been shown to accentuate the role of diversity in top decision-making teams (Hambrick, Cho, and Chen, 1996). This line of research distinguishes between two main types of uncertainty: internal and external to the firm (e.g. Garrett and Holland, 2015). Internal uncertainties are those that are endogenous to the firm's own actions; they are commonly represented by aspects of its financial situation such as past and present performance, cash flow, profitability, and debt (Simerly and Li, 2000). External uncertainties are exogenous to the firm's actions and are commonly represented by prevailing market conditions such as external dynamism, complexity, and munificence (Dess and Beard, 1984; Garrett and Holland, 2015).

Based on the predictions from the ASA model, we posit that internal uncertainties of a financial nature will increase the turnover of new venture directors. As a baseline, directors are more likely to leave the firm if they are dissatisfied with the firm's performance, held responsible for it, or regarded as doing too little to address the situation (Hellerstedt et al., 2007). However, such dissatisfaction or blame tend to be directed more towards 'out-group' members, because internal financial uncertainties tend to amplify 'us vs. them' categorizations and amplify homophilous associations (Boone et al., 2004; Jung et al., 2023; Lau and Murnighan, 2005; O'Reilly III et al., 1989). This increases the probability of demographically dissimilar directors leaving the firm. We therefore predict:

***Hypothesis 1a*: The positive association between diversity in a new venture board and director exit is amplified by the degree of internal financial uncertainty.**

2.1.2. Social-psychological perspective and external uncertainty

We also posit that external uncertainties, represented by high complexity, high dynamism, and low munificence outside the firm, tend to increase turnover in its upper echelons (Wiersema and Bantel, 1993). External complexity and dynamism represent the diversity of environmental factors and their speed of change, respectively, that executives must consider in their decision-making. Both these external aspects require a high degree of adaptive capacity and flexibility under changing conditions as well as rapid coordination of knowledge and resources (Eisenhardt et al., 2010). These contextual conditions require an upper-echelon composition that supports interdependence and information flows across the team to address a complex and rapidly evolving decision-making horizon (Cooper et al., 2014). However, increasing demand for interdependence between directors and founders will reveal the benefits of working with similar directors—i.e., promoting efficient communication in decision-making and reducing conflict

(Hambrick, Cho, and Chen, 1996). This may increase the rate at which dissimilar directors exit the board, given the complexity and dynamism of the environment.

Industry environments with low munificence are characterized by the scarcity of resources such as financial capital or market growth opportunities, increasing the effort required to acquire resources from the external environment (Castrogiovanni, 1991; Cooper et al., 2014). Under conditions of low munificence, pressures for environmental selection are intensified (Goll and Rasheed, 2005). This is especially problematic for new ventures, which must continuously acquire resources and identify growing market niches (Boeker and Wiltbank, 2005; Fisher et al., 2017). Operating under these conditions will increase the pressure on the new venture board to be focused, cooperative, and efficient in strategy implementation—a goal that requires strategic consensus (Hambrick, Cho, and Chen, 1996). Consensus is harder to achieve in diverse boards, and company founders may prioritize quick decision-making and agreement—traits more easily achieved with directors who share similar backgrounds and perspectives (Goodstein et al., 1994; Hambrick et al., 1996). As a result, directors who differ significantly from the norm may feel marginalized or undervalued, increasing the likelihood of such dissimilar directors exiting. We therefore predict:

***Hypothesis 1b*: The positive association between diversity in a new venture board and director exit is amplified by the degree of external uncertainty.**

*2.2.**Resource-dependency perspective***

According to resource-dependency theory, the board of directors serves as a crucial connector between an organization and its environment (Pfeffer and Salancik, 2003). Directors, especially outside directors, provide managers with critical information, resources, advice, and counsel. This is especially true of new ventures, which tend to face high levels of uncertainty and often

lack legitimacy (Gabrielsson and Huse, 2017; Garg and Eisenhardt, 2017; Harutyunyan et al., 2025; Li and Garg, 2025). Directors in entrepreneurial firms are more active in assisting managers with strategizing, advice, and access to resources than in their monitoring duty (Garg and Eisenhardt, 2017; Garg and Furr, 2017). They also provide complementary resources that the top management team lacks—especially in the early stages, when the venture is too resource-constrained to hire specialist managers (Clarysse et al., 2007; Knockaert and Ucbasaran, 2013; Kor and Misangyi, 2008). Providing complementary resources or social capital makes these directors more valuable in the strategic decision-making process (Garg and Eisenhardt, 2017; Garg et al., 2018). Insofar as a director's dissimilarity from their fellow board members allows them to offer complementarity, it follows that director dissimilarity will be valued and appreciated in the venture board. Hence, from a resource-dependency theory perspective, we derive the prediction that *dissimilarity between a focal director and the rest of the board will be associated with **lower** likelihood of exit for the focal director.*

2.2.1. Resource-dependency theory and internal uncertainty

Resource-dependency arguments suggest that directors' dissimilarity will be most valued when ventures need alternative perspectives on strategic choices, complementary resources, advice, and counsel in less familiar environments (Garg and Eisenhardt, 2017; Knockaert and Ucbasaran, 2013). According to this argument, a venture will have the greatest need for dissimilar directors when it is performing poorly or operating under difficult environmental conditions.

First, when the venture is performing poorly or under high internal uncertainty (e.g., high risk or low slack), management needs advice and counsel on strategic alternatives to improve performance or reduce internal uncertainty (McMullen and Shepherd, 2006). Such a situation

makes directors who are dissimilar to their peers in terms of their perspectives or expertise stand out from the rest (Harutyunyan et al., 2025; Li and Garg, 2025). By offering alternative perspectives that the majority board rarely considers, or bringing strategic alternatives from different contexts (e.g., industry, academic), dissimilar directors may offer valuable insights into options or practices that are less familiar in the venture's immediate environment (Harutyunyan et al., 2025). Hence, internal uncertainties will weaken boards' tendency to close the gaps among their members.

***Hypothesis 2a*: The positive association between diversity within a new venture board and director exit is negatively moderated by the degree of internal financial uncertainty.**

2.2.2. Resource-dependency theory and external uncertainty

Second, management will pursue complementary resources and perspectives when the venture is operating under difficult environmental conditions such as high complexity, high dynamism, or low munificence (Knockaert and Ucbasaran, 2013). High complexity or dynamism in the venture's industry will exacerbate causal ambiguity in strategy implementation, requiring management to consider a broader range of strategic options (Garg and Eisenhardt, 2017). The range of strategic options that management can consider tends to be limited due to the tendency of ventures' upper echelons to be homogeneous (Beckman and Burton, 2008; Burton and Beckman, 2007). Boards with wide-ranging backgrounds and expertise could complement management's portfolio of strategic options because, unlike upper echelons, directors are not fully embedded in the cultural and institutional norms of the venture (Garg and Eisenhardt, 2017). Instead, the board is situated between the venture and its environment, granting it an 'outsider perspective' on strategic options (Clarysse et al., 2007; Li and Garg, 2025). Similarly, operating under low industry munificence, characterized by resource scarcity and limited growth

opportunities, requires venture management to search for alternative markets or revenue sources. The perspectives and expertise that dissimilar directors could bring into such situations will be extremely valuable for the venture's survival (Knockaert and Ucbasaran, 2013; Kor and Misangyi, 2008).

Taken together, resource-dependency theory suggests that ventures operating under conditions of internal and external uncertainty confront a 'diversity imperative' (Boone et al., 2004). In contrast to selective attrition according to the predictions of ASA theory, this imperative calls for the selective retention of dissimilar directors, suggesting:

***Hypothesis 2b*: The positive association between diversity in a new venture board and director exit is negatively moderated by the degree of external uncertainty.**

3. Methods

3.1. Data and sampling

We examine our hypotheses using a sample of new ventures founded in Sweden and their boards during the period 2004–2018. The data is obtained from Statistics Sweden, which collects and maintains data on all firms registered in Sweden together with their boards, founders, and employees. We construct our sample as follows. First, we draw the population of all firms from the FAD register, which documents the dynamics of foundation, M&A, and failure of all incorporated companies in Sweden. From this data, we sample all firms founded in or after 2004 ('ventures,' hereafter) because that is the earliest year where we have data on the companies' boards of directors. Second, we match this data with information from the corporate board register (Bolagsverket), which documents the boards of directors of all incorporated companies in Sweden, resulting in a sample of 1,025,933 director-venture-years. From this sample, we identify and remove the directors in all ventures that are part of a family foundation (n=414,159).

Third, we drop all directors with immediate family ties to the founder (n=94,003)[3]. Fourth, we restrict our data to privately incorporated companies and exclude those operating in non-profit or social security sectors (n=11,389). We also drop 216 observations with missing values on control variables. Finally, we drop all directors who are employed in executive roles (i.e., inside/executive directors) within the venture (n=367,400), given that our theoretical motivation concerns the complementary role of outside directors in new ventures[4]. Our sample of new ventures consists of 53,622 non-family outside directors in 28,295 ventures across all industries[5], comprising 138,930 director-venture-years. We use the data from 2004 to 2017 for our analyses (n=123,382), while the 15,588 observations corresponding to 2018 are used only to observe director outcomes in t+1.

3.2. Variables

3.2.1. Dependent variable

Following our baseline predictions from the ASA and resource-dependence models, director exit from the board is predicted as a function of the director's overall dissimilarity to the focal board along a number of dimensions (Boone et al., 2004; Garg et al., 2018). Following Boone et al. (2004), *exit* is coded as 1 when the focal director leaves the venture board in the following year, 0 otherwise. In our data, nearly 41 percent of director-venture-year observations experience exit.

3.2.2. Independent variables

[3] We do so since most venture boards—especially those of smaller ventures—are composed of founders' family members and/or the founders, along with other senior employees. We do not seek to test our theory in the context of family relationships, where interpersonal differences in corporate governance are altogether different (Chrisman et al., 2018), but focus on directors' dissimilarity to the rest of the board in the context of professional affiliations.
[4] We exclude executive directors (i.e., directors with formal employment affiliation with the venture) because their turnover may be motivated by fundamentally different reasons compared to non-executive directors (e.g., Garg, Howard, and Pahnke, 2025; Harutyunyan, Timmermans, and Frederiksen, 2025; Li and Garg, 2025). Executive/inside directors, who are part of the founding/leadership team, tend to be functionally integrated into the venture with formal roles, which introduces nuances into the arguments that are beyond the scope of this study.
[5] Table A2 and Figure A1 present the distribution of the sample across venture industry and life cycle.

Our key independent variable is directors' *dissimilarity to the board*. Based on a review of prior studies, we employ six dimensions of directors' dissimilarity to other directors—national cultural background, gender, age, educational level, industry focus, and entrepreneurship experience (Boone et al., 2004; Zhu and Westphal, 2014). Following Boone et al. (2004), we calculate dissimilarity of the focal director to the rest of the board along each of the six dimensions and take the average of all standardized dimensions to calculate a single measure of dissimilarity[6]. The first three dimensions—national culture, gender, and age—are demographic characteristics, whereas the other three—educational level, industry focus, and number of years' experience as an entrepreneur—relate to expertise. The three demographic characteristics have been extensively studied in the context of boards and top management teams and are known to be reliable predictors of dissimilarity in terms of perspectives and cognition (Ely and Thomas, 2001).

National cultural background is coded as a director's country of birth. We use a grouped measure denoting one of these regions: Sweden, Nordic (excluding Sweden), EU-25, non-EU Europe, North America, Asia, Africa, South America, and Australia-Oceania[7]. We measure *culture dissimilarity* as the squared proportion of directors with the same background and subtract this from 1 to derive a Blau index-based measure (Boone et al., 2004). The measure ranges from 0 (when the director is identical to the rest of the group) to 1 (when the director has a unique national culture background), with the average cultural dissimilarity of directors to their

[6] As a robustness check, we also performed the analyses with each dimension separately. These analyses are provided in Table A3 in the appendix.

[7] While all these regions are aggregates of countries with distinct cultures, some countries only account for a few immigrants. Nationality for such individuals is not reported due to ethical concerns. To validate the grouping of countries into regions as capturing meaningful categories, we compute distance metrics for each of the aforementioned regions from Sweden using the World Value Survey (WVS)'s scores for 'Traditional vs. Rational' and 'Survivalist vs. Self-expression' and compare these to the actual distance metrics for all specific countries from Sweden in the WVS, which support the use of country groupings as a valid measure.

board in our sample being 0.136. Gender is coded as male or female. We measure *gender dissimilarity* as 1 minus the squared proportion of other directors with the same gender. *Gender dissimilarity* ranges from 0 (when the director is identical to the rest of the group) to 1 (when the director belongs to a different gender than the rest of the group), with an average value of 0.295 in our sample. *Age dissimilarity* is a continuous measure calculated as the mean squared Euclidean distance of the age of the focal director from that of other directors on the board (Boone et al., 2004). The average value of *age dissimilarity* is 12.019, with a minimum of 0 and a maximum of 62.

Among the three expertise-related characteristics, *education level dissimilarity* represents underlying difference in terms of cognitive skills, reasoning patterns, or perspectives; however, it also taps into differences in social class or status in a corporate governance setting (Kish-Gephart and Campbell, 2015; Lubatkin et al., 2005). We first code the number of years of education into four categories—less than 12 years, equal to 12 years, 12 to 15 years, and finally 16 years or more—representing the discrete levels of education such as high school, employment preparatory school, bachelor's degree, and master's degree or above. *Educational level dissimilarity* is coded as the squared proportion of other directors sharing the same educational level. The average value of *educational level dissimilarity* is 0.619, with a minimum of 0 (when the director has the same educational level as the rest of the group) and a maximum of 1 (when the director has a distinct educational level compared to the rest of the group).

Directors may also differ from the board in terms of their industry. The value for new ventures in bringing in directors from a different industry has been highlighted in the literature (George et al., 2001; Jung et al., 2023). Nevertheless, industry also represents underlying differences in the broader approach and focus that directors are likely to bring into discussions.

For instance, in a study of the wireless telecommunications industry in the United States, Chen and colleagues note that the addition of industry outsiders to the board improves firm growth upon entering a new market (Chen et al., 2017). Dissimilarity in industry is coded based on the SIC industry classification. Each director's SIC is coded as the industry of their primary employment, which is not necessarily the same as that of the venture. As in the case of other categorical variables, *industry dissimilarity* is also measured as 1 minus the squared proportion of other directors with the same industry background. The *industry dissimilarity* in our sample ranges from 0 to 1, with an average of 0.576.

Directors often have experience as managers or of working in a specific domain. However, such domain-specific knowledge is distinct from the entrepreneurship experience of starting and running a new firm (Toft-Kehler et al., 2014). Directors with such entrepreneurial experience may thus share specific perspectives with the venture founders that they otherwise would not. *Entrepreneurship experience dissimilarity* is computed as the mean squared Euclidean distance of the focal director from the other directors on the board in terms of years in prior entrepreneurship as (co-)founder of a venture. The average value of *entrepreneurship experience dissimilarity* is 4.294, with a minimum of 0 and a maximum of 28.

Although we exclude family members and executive directors from the sample estimating director exit, we include them while calculating the dissimilarity of directors to the entire membership of the board. We do so because while we are interested only in the turnover of outside directors, the reasons for their departure may include dissimilarity to *all* directors, not just outside ones. Table 1 summarizes the six dimensions of dissimilarity (non-standardized) along with their grouping into the demographic and expertise dimensions (standardized) used in post-hoc analysis.

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3.2.3. Moderator variables

We assess the moderating role of internal and external uncertainty on director exit using six variables (i.e., three for internal and three for external uncertainty) commonly used in the literature on director exit and entrepreneurship (Bradley et al., 2011; Cooper et al., 2014). The three internal measures are financial performance, financial risk, and financial slack in the venture. One of directors' central tasks is to oversee the financial performance and risk of the venture and its ability to generate returns for shareholders (or its prospects of doing so). Directors may be personally liable for outstanding debt if they fail to ensure that tax obligations are met or do not take actions legally required to address financial distress, such as filing for bankruptcy in time or taking steps when the company's equity falls below half of its share capital.[8] Hence, we expect tensions within the board to be higher if financial performance or slack is lower and if financial risk is higher, which could increase the risk of director dissimilarities surfacing and increase the likelihood of dissimilar directors exiting the board. Our measures for financial performance, risk exposure, and slack, respectively, are *profit margin* (i.e., revenues minus expenses); *equity-debt ratio* (i.e., percentage of owners' equity in proportion to total liabilities), and *cash reserves* (i.e., amount of cash held by the venture in a

[8] We are grateful to an anonymous reviewer for pointing this out.

bank account) (e.g. Bradley et al., 2011). These measures are taken from the annual statements that all Swedish incorporated firms are obliged to report to the tax authorities.

The three external measures used to measure external uncertainty are *industry complexity*, *industry munificence*, and *industry dynamism*. Following prior studies, *industry complexity* is measured as "the inverse of Herfindahl's index as a measure of the concentration of sales in an industry by summing the square of sales market share in a four-digit industry sector" (Li and Simerly, 1998). *Industry munificence* is measured as a "moving five-year average of the slope divided by the mean for industry sales" (Dess and Beard, 1984; Siqueira et al., 2016). Finally, *industry dynamism* is measured as "instability in sales growth measured by the standard error of the regression slope divided by the mean value of sales using a moving five-year average prior to the panel year" (Bradley et al., 2011; Siqueira et al., 2016). All six measures of internal and external uncertainty are mean-centered to ease the interpretation of interaction effects (Aiken and West, 1991) and winsorized at the 1st and 99th percentiles of the distribution to reduce the influence of outliers. The descriptive statistics of the transformed variables are provided in Table 2, while the raw measures are reported in Table A4 of the appendix.

3.2.4. Control variables

We add a set of controls to account for heterogeneity among directors and ventures that might influence the estimates of our main independent variables on director exit. Since our dependent variables capture the dissimilarity between directors in key demographic and expertise-related characteristics, it is important to control the *level* of these characteristics to take into account that the effect of dissimilarity might vary between different levels of these characteristics or across social and demographic categories. First, the *age* of the director is included as a control variable to adjust for potential generation-specific effects on the correlation between age dissimilarity and

director exit. Second, a variable *female* is coded as 1 (zero otherwise) when the focal director is female, to account for gender differences in the estimates. Third, three dummies for directors' level of education are also included (*employment preparatory school*, *bachelor's degree,* and *master's degree or above*, while *high school* is included as an omitted category) to account for differences stemming from the level of education. Fourth, prior experience in the focal industry and in entrepreneurship are also included to adjust the estimates for directors with different levels of these domain-specific types of experience.

In addition to key director characteristics, we also add a few controls to account for differences in venture characteristics that might influence the estimates. Hence, we include *logarithm of board size* to account for the possibility that the effect of dissimilarity on director exit may be amplified in smaller boards and also *number of employees* to account for differences in these dynamics across ventures with differently sized workforces; we also add a control for *venture age* to capture differences across the stages of venture development (i.e., early-stage development during the first two years, attempts at generating cash flow during subsequent years, etc.). We include a dummy variable *venture acquisition* to indicate whether the venture is acquired by another firm in the subsequent year to control for director exits as a result of ownership change. Finally, we also add a dummy *venture dissolution*, coded as 1 (zero otherwise) when a venture dissolves in the focal year to partial out the effect of director exit due to venture dissolution.

4. Results

4.1.Descriptive statistics

Descriptive statistics for the control variables used in the analysis are given in Table 2. The average age of a director is 47.6 years, 81.7 percent of directors are males, and roughly 48

percent have 12 to 15 years' education. On average, directors have 3.8 years' experience as entrepreneurs, with a standard deviation of 4.9 years and a maximum of 29 years. The average board in our sample has five directors (before excluding executive and family directors) and 10 employees, while ventures in our sample are 4.7 years old on average. Since we only have data on boards at ventures that were founded between 2004 and 2018, and we need to observe director exit at time t+1, we only observe ventures during their first 14 years of operation.

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4.2. Main results

Model 1 in Table 3 provides the marginal effects of baseline results from a logistic regression predicting the probability of director exit in new ventures. It shows that a one standard deviation higher director dissimilarity to the board is associated with a 5.2 percent higher probability of director exit from the venture. The model reports a Wald χ^2 of 147.9 ($p = 0.00$) over the null model (i.e., with only the intercept), implying a substantial improvement of model fitness compared to the intercept-only model. Our results are robust overall to using each underlying dimension of dissimilarity separately instead of an overall measure[9]. As can be seen in Appendix A3, a one standard deviation higher director dissimilarity along *national culture distance* is associated with a 4.3 percent higher probability of exit, whereas *gender* reports only 1.4 percent, *education* reports 1.8 percent, and *industry focus* reports 9.2 percent difference. In other words, dissimilarity in industry experience is the strongest predictor of director exit in venture boards that we analyze—a result to which we will return in our subsequent analyses.

[9] Our results are also robust to effect sizes over venture lifecycle (Table A7) and venture size distribution (Table A8).

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INSERT TABLE 3 ABOUT HERE

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Models 2–3 in Table 3 introduce the main effects of internal and external uncertainties on director exit, while Models 4–6 estimate the moderating influence of internal and external uncertainty on the relationship between dissimilarity and director exit. Model 2 of Table 3 yields a significant Wald test of joint predictors, $\chi^2(3) = 163.2$, $p < 0.01$, indicating that the model significantly improves prediction of director exit when internal uncertainty variables (i.e., represented by lower levels of *profit margin*, *equity-debt ratio*, and *cash reserves*) are added compared to a model without these variables. This is a large improvement: the statistic is 14 times larger than the critical value of 11.34 (at 1% sig. level). In comparison, when we enter the external uncertainty variables (i.e., represented by high levels of *complexity*, low levels of *munificence*, and high levels of *dynamism*) in Model 3, Wald χ^2 reports a statistically non-significant value of 5.61, implying that external uncertainty variables are not a meaningful predictor of director exit. Not surprisingly, the interaction effects between the director dissimilarity and external uncertainty variables are not statistically significant either. Further, in Model 4 of Table 3, venture profitability positively interacts with director dissimilarity in predicting director exit, meaning that dissimilar directors are more likely to exit the venture when highly profitable. The Wald $\chi^2(1)$ of this model is 5.61, with a p-value of 0.0179. It is noteworthy that the main effect of profit margin is negatively related to director exit. Equity-debt ratio only exhibits a marginal effect on director exit, potentially because few new ventures are likely to have significant debt or equity at any specific point in time.

Figure 1 plots the probability of director exit along the three standardized measures of internal uncertainty – represented by lower levels of *profit margin*, *equity-debt ratio,* and *cash reserves* - and three measures of external uncertainty – represented by higher levels of *complexity*, lower levels of *munificence*, and higher levels of *dynamism*. Dissimilarity measures are contrasted at one standard deviation above in comparison to one standard deviation below the mean levels of dissimilarity. That is, the plot illustrates the probability of director exit for dissimilar directors (i.e., 1 S.D. above mean) in comparison to similar directors (1 S.D. below mean) over six different uncertainty measures evaluated at one to two standard deviations above and below their mean values.

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INSERT FIGURE 1 ABOUT HERE

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As can be seen in the upper part of Figure 1, *profit margin*, as a proxy for performance, amplifies the exit of dissimilar directors. This is the opposite of ASA prediction, whereby the exit of dissimilar directors is likely to be lower with better venture performance. Thus, there is partial evidence for Hypothesis 2a, while other hypotheses are rejected. We return to ponder this finding in the discussion section.

Overall, our results thus suggest that venture directors are significantly more likely to exit during the early development of the venture when they are dissimilar to their fellow directors. Surprisingly, dissimilar directors are even more likely to exit when the venture is highly profitable. This pattern of results suggests that ventures may be less inclined to retain dissimilar

directors when financial performance is strong—perhaps because the perceived value of these directors declines as internal capabilities stabilize[10].

4.3. Post-hoc analyses

We conduct a number of post-hoc analyses to gain more insights into the surprising findings reported in the main analyses and to examine the potential underlying mechanisms. First, following Jung et al. (2023), we decompose overall dissimilarity into demographic and expertise dissimilarity and re-estimate Table 3. The results provided in Table A4 in the appendix suggest that both demographic and expertise dissimilarity are associated with director exit (Models 1–2), although the size of the coefficient for demographic dissimilarity is only 0.8 percent, whereas that of expertise dissimilarity is about 4.1 percent. Indeed, the corresponding $\chi^2(1) = 149.3$ with $p = 0$ indicates substantial improvements in fit when expertise dissimilarity is added to the model. Similar to the results reported in the previous models, a standard deviation of higher profit margin above the mean is associated with a 14.2 percent lower likelihood of director exit in general.

When the two dimensions of dissimilarity are interacted with profit margin in Model 3 of Table A4, only expertise dissimilarity contributes to exit. In fact, directors with a one-standard-deviation higher expertise dissimilarity are associated with a 0.78 percentage point higher probability of exit for every 10,000 SEK increase in profit margin above the mean[11]. Adding the two interactions improved the model fit by $\chi^2(2) = 18.91$ with $p = 0$. Thus, this post-hoc test

[10] One alternative explanation is that directors with ownership in the venture will leave when they exit the ownership, or that director departure is mechanically influenced by the completion of a certain board tenure. Table A9 in the appendix controls for both *ownership* (as a dummy variable) and *board tenure*. We also control for the income of the director to rule out the possibility that they might be leaving for better-paid positions elsewhere (Table A9).

[11] While the interaction term reflects the effect of a 100,000 SEK increase in profit margin, over 98% of ventures have values between –109,000 and +16,000 SEK due to winsorization. Accordingly, a more typical 10,000 SEK increment is used for interpretation.

reveals that the counterintuitive findings reported in Table 3 are mainly driven by expertise dissimilarity rather than demographic dissimilarity (Models 3–8).

We thus further decompose expertise dissimilarity into its three dimensions—dissimilarity in education level, industry focus, and entrepreneurship experience—in Model 1 of Table A5. A one standard deviation higher industry focus dissimilarity from the mean is associated with 8.5 percent higher probability of director exit, whereas a 10,000 SEK higher profit margin from the mean is associated with a 1.42 percentage points lower probability of director exit. In Model 2, we enter the interaction terms with three dimensions of expertise dissimilarity. The model fit improves significantly, as evidenced by $\chi^2(3) = 50.82$ with $p = 0$. The probability of director exit is 2.67 percentage points higher when the industry focus dissimilarity is one standard deviation and profit margin is 10,000 SEK above their respective means. Hence, our counterintuitive findings on dissimilar director exit are primarily driven by industry focus dissimilarity under conditions of high venture performance. This is likely due to the resource-dependence process, which adapts to the lifecycle and financial performance of the venture (see our qualitative data from interviews below for elucidation).

Overall, these post-hoc analyses reveal that, consistent with our predictions: (i) having low slack resources amplifies the exit of directors who are dissimilar in terms of industry background; (ii) ventures operating in highly complex environments amplifies the exit of directors who are dissimilar in terms of entrepreneurship experience; and, contrary to our main predictions: (iii) directors who are dissimilar in terms of industry background are more likely to exit when the venture is performing well[12]. The post-hoc findings shed light on the resource-dependent nature of dissimilar director turnover in new venture boards.

[12] While the effects of high slack and venture performance on the exit of directors with dissimilar industry focus may appear surprising, it is possible that high-performing ventures might reinvest in existing markets rather than

We also probe the destination of departing directors. In our sample, around 40.9% of director-year observations experience exit from the board at some point during the observation window (Table A10). Among exiting board members, 27.4% retain directorships in other firms, 9.5% return to salaried employment only, and roughly 2% each update their status to self-employment or labor-market inactivity. In terms of the gender and ethnicity of departing directors, we find that female and foreign-born directors exit proportionally more to salaried employment (14.7% for women vs. 8.4% for men and 11.6% for foreign-born vs 9.4% for Sweden-born) or inactivity (2.4% for women vs 1.85% for men and 3.5% for foreign-born vs. 1.8% for Sweden-born). Similar patterns are also observed when considering the departing directors in terms of their demographic (i.e., national culture, gender, and age) distance from the board, compared to their background characteristics (Panel A of Table A11). The descriptives on expertise dissimilarity are mixed, though consistent with the above interpretations when considering industry dissimilarity (Panel B of Table A11).

Finally, we compare the total income of departing directors before and after their exit from the board. Directors appear to obtain a somewhat higher annual income (on average SEK 8,795 more) after their exit from the board, as seen from Table A12. Male directors increase their income more than female directors, and foreign-born directors increase their income more than Sweden-born directors, though it is important to note that the latter have a higher salary level than the former. Beyond the absolute background (i.e., gender and country of birth), Table A13 provides the income statistics of dissimilar (vs. similar) departing directors. Directors who are

build cash reserves for diversification. Indeed, "profitability acts as an internal buffer against failure because it reflects a reliable process" (Wiklund, Baker, and Shepherd, 2010, p.428) and cash is "the king" in the early stages of the venture when probability of bankruptcy is high and governance serves to monitor cash burn (Bruneel et al., 2022). Our results may reflect that ventures with low cash reserves may not value director dissimilarity in industry focus if their performance in their current market is otherwise strong.

dissimilar in terms of all the diversity attributes considered receive a smaller income hike upon departure compared to similar directors. In other words, the minority disadvantage is observed not only in terms of directors' destination after departure but also in their subsequent career advancements.

Overall, the post-hoc descriptive analysis of director destination and income after turnover points to a disadvantageous outcome for minority directors—women in particular—but also more generally in terms of their dissimilarity to the board. The descriptive evidence suggests significant constraints for minority directors—not only in terms of the boards on which they serve, but also in their subsequent career steps. To make sense of these findings, we next turn to qualitative evidence collected from interviews conducted with founder-CEOs and board members of new ventures in Sweden.

4.4. Complementary qualitative evidence

To complement our quantitative results and illustrate alternative explanations probed in the post-hoc analyses and also inductively generate proposed explanatory mechanisms for our findings, we conducted a set of interviews with founder-CEOs and board members sampled from university incubators, LinkedIn posts, and an advertisement for participants circulated on social media.

We interviewed eight founder-CEOs and seven venture board members in Sweden, eight of whom were men and seven women. We purposefully selected those with experience in varied industries including services, technology, utilities, and retail. Among the eight founders, four were individual founders and four were co-founders holding equal shares of ownership with their respective partner. The ventures employed from two to 20 people and had been operating for between two and 10 years, roughly corresponding to the median and mean size of ventures in our

quantitative data. Among the seven board members, five were men and two women, all but one held a university degree or higher, and four were born in Sweden and three abroad (see Appendices A14 and A15 for demographic details regarding the founders and board members interviewed, respectively).

To avoid leading the interviewees, we adopted an open-ended interview format in which respondents were invited to reflect on the recruitment of board members, decision-making in new venture boards, and turnover of board members (at their current and previous ventures). We conducted semi-structured interviews lasting between 45 and 90 minutes (face to face or over Zoom) where we first posed a set of generic questions (see Appendix Table A16 for interview guide). We then engaged in follow-up questions focusing on facts and event sequences (Glick et al., 1990) to minimize potential "recall bias" (Golden, 1992) regarding respondents' specific experiences of board work, recruitment, and turnover of board members in various situations.

All founder-CEOs and several board members affirmed that complementary expertise is crucial in the new venture board. One founder-CEO in a social venture that was later incorporated as a for-profit recycling business highlighted the importance of board members' expertise in both upstream and downstream industries:

> *We gradually realized we would need to pivot to different solutions to fulfill our mission of decreasing waste in food consumption. Experimenting with new business models meant we also needed knowledge and contacts in logistics and utilities, and we recruited—partly with the help of our original board—new board members to help out.*
> [Co-Founder 8]

Younger founder-CEOs specifically highlighted the importance of directors being older and having broader experience than themselves:

> *We believe that the people we have on the board complement us quite well. So we have tried to get them in somewhere. At the same time, the main difference between us is that they are older, they have more experience than me and my co-founder, and there is probably a little bit of this credibility that we talked about earlier as well. So the big*

> *difference is that they have specific areas of competence [and] in many cases are older and more experienced.* [Co-Founder 3]

When considering differences in demographic and expertise-related characteristics on venture boards they had been involved with, respondents rarely highlighted 'diversity' as something explicitly considered:

> *That's big-company jargon—I wouldn't say it's at all relevant on the boards I have been involved in. Which is kinda sad, in a way, since as a woman in a technically oriented industry, I am often alone on the board.* [Board Member 3]

Another board member with experience in a variety of industries noted that industry diversity may be emphasized when it comes to expansion or market entry into new domains or geographies:

> *If you have a product that you sell first in one country or region, for example, and then you want to start selling it in another country or region, experience and networks are key. Now I am talking about industry knowledge and industry expertise around different markets. Having a network of contacts in another market is vital, [and] I have been involved in bringing in specific board members for those purposes.* [Board Member 7]

Hence, both founders and board members highlighted the expertise and network aspects of board members' competencies, but also that the need for distinct competencies may change during the venture lifecycle. While one board member [5] admitted that *"by putting experts on the board and providing them with stock options, you save a lot on salaries,"* another problematized the long-term governance implications of such a strategy:

> *If you do not want or cannot hire expertise in a specific area, appointing more senior people who have that knowledge to the board is a frequent back-up, both [for] strategic aspects but at times also operational [ones]. If the firm grows quickly, this means that in a few years you may end up with people on the board who you would have preferred to have as line managers, simply because you played it frugally.* [Board Member 2]

Founders reported the need for 'smooth' decision-making and informality in founder–board interactions during the venture's early stages. This informality encompasses strategic discussions

but also on occasion a kind of operational flexibility on the part of directors, i.e., they are ready and willing to pitch in on the operational side if they are needed:

> *So, we have used these on an 'as needed' basis. However, perhaps not in the form of board meetings. And it's a form of collaboration that we like, because it gives us quite a lot of efficiency. We can use these people when we need them in operations and then in the board meetings themselves. So, we do not have an active board at board level, but rather informally. [Co-Founder 3]*

Founders also attested to the need to reconsider the board and its competencies as the venture develops and grows. As a co-founder in the business-to-business electronics industry explained:

> *In the first phase, [the aim] was to bring in people who could give us a little more 'credibility,' instead of us being just two people who pop up on a board. Then we ended up at the stage where it was very much about technology, and we lacked those skills, meaning that we had to bring those skills in through new board members. [Co-Founder 1]*

Two founders also mentioned that as their venture became more successful and stable, they gained a greater degree of freedom in how to constitute the board. They first expressed this as the potential to hire the ideal board members rather than those who were merely available:

> *As we stabilized and turned [financially] positive, everything became easier. We had used a former lawyer of mine as [an] independent director to provide input on a host of things but needed more specific skills on the board, as we were aiming for expansion abroad. Having a stable business was important when I approached people [whom] we did not initially know as potential directors. [Founder 6]*

The other founder exemplified the increasing freedom brought about by their decision to hire an employee with complementary expertise rather than having to rely on board members' advisory expertise. At this point, the venture removed a director with expertise dissimilar to the founder's and replaced her with an investor who was more similar to the founder but also older, since the required technical expertise could be hired and accessed on a more day-to-day basis:

> *Now we are taking in capital, and then we are bringing in a person who takes approximately 10% of the company. Then he will also step onto the board. It wasn't a requirement, but we still felt that there was a place for this person. And then that means*

> *we remove one person, a woman, with the tech knowledge, and bring in an investor instead. We have also employed staff with technical skills. So we didn't have the same need to have this on the board. Then we removed a technical person and brought in an investor. And the idea is that this person will then drive capital-raising issues from the board until the next time we raise capital. [Founder 2]*

A co-founder of one of the more established ventures stressed the need to professionalize the board and the way decisions are taken as the venture grows:

> *When we founded the company, it was only us founders on the board. And the decisions: we hardly had any difference between a regular meeting and a board meeting. We were really just trying to avoid all the administrative work. You could say that at first, we avoided board work as much as possible. But then as the company grew, it happened quite quickly that we encountered a challenge in separating ownership issues and board issues. [Co-Founder 5]*

The same co-founder also highlighted the need for more thorough consideration and due diligence of board members in the growing venture:

> *We have done a very large project where we have an external agency go through the entire company, what it is we need and map up some form of competences, and then we have sourced potential profiles. We've done it quite thoroughly and what we're looking at… It's quite different depending on what kind of board role it is, whether it's a general member or a chairman. The post of chairman requires a different kind of profile […] For the members, we have checked: what skills does the company lack? What expertise can we get from someone who has a little more experience than us? [Co-Founder 5]*

A director with limited formal education but extensive industry experience as both an employee and a former entrepreneur discussed the differences in how he thought about venture governance in his current role as a director in a new venture, compared to when he was building and expanding a water utilities venture himself:

> *I used to think of the board more or less as a sounding board and a check on decisions I was brooding [over] myself for [too] long. I guess I did seek out board members to contribute advice on important matters, especially related to expertise pretty far from my own domain. But now, when I sit there and try to contribute advice to those trying to build businesses on their own, I realize how lonely I was back then [as an entrepreneur]. It really is the owner that needs to call the shots. You cannot delegate authority to someone else. Having a good board that you trust is important, but there are so many other important things too. At times you simply need to rejuvenate the board, especially if*

> *you are trying to change direction. Being an entrepreneur can be pretty lonely. [Board Member 1]*

These interview data provide some illustrations of the causal patterns probed in our quantitative study, where dissimilar directors are found more likely to exit, but contrary to expectations, are even more likely to do so during financially stable conditions and in dynamic industrial contexts. Our quantitative results show that as ventures grow and stabilize, they gain more slack to replace board members with differential industry expertise. Combined, this suggests the potential existence of what we may call a *human-capital-provision mechanism,* whereby directors with dissimilar expertise are recruited due to resource constraints in new ventures. Yet, despite bringing differential expertise to the venture, these directors are subsequently more likely to exit when the venture becomes profitable or accumulates slack resources. Our interview data illustrate the reasoning of founders and board members around such processes, highlighting the strategic reasoning behind such decisions among founder-managers as well as among directors currently on the board who at times act as brokers to introduce new directors. These findings also highlight that ventures that are doing relatively well can afford to recruit senior staff members with key expertise instead of having to rely on such expertise on the board as a resource-conservation strategy. Together, these processes help to explain how new ventures' boards of directors may become more homogenous and not necessarily more diverse over time.

5. Discussion

This study examines how dissimilarity among board directors influences director exit in new ventures—an underexplored issue at the intersection of entrepreneurship and corporate governance. While prior work emphasizes the value of directors with unique backgrounds and

networks for resource access and legitimacy (Garg and Eisenhardt, 2017; George et al., 2001), less is known about how these directors are retained or integrated into governance over time. Drawing on contrasting predictions from the Attraction-Selection-Attrition (ASA) model and resource-dependency theory, we predicted dissimilar directors to be more (less) likely to leave under uncertainty when ASA (resource-dependence) dynamics dominate, and that such a relationship is shaped by internal (financial) and external (environmental) uncertainty.

Our analysis confirms the baseline ASA prediction: dissimilar directors are generally more likely to exit. However, board turnover is moderated by internal conditions, consistent with resource-dependence logic. Specifically, we find that dissimilar directors are more likely to leave when ventures are highly profitable—a phase often marked by founder optimism or complacency. One likely explanation is that, although these directors are initially appointed for their complementary expertise and networks (Garg and Eisenhardt, 2017), their perceived value declines as ventures grow and resource needs stabilize (Garg, Li, and Shaw, 2017). Our interview data suggest that while early-stage ventures rely on board members for legitimacy and guidance, later-stage ventures may instead internalize key expertise by hiring senior executives. We abductively sketched the potential existence of a *human-capital-provision function* of early venture boards, whereby directors with dissimilar expertise are recruited due to resource constraints in new ventures but are subsequently more likely to exit when the venture is profitable. The same pattern is not observed for demographically dissimilar directors. The suggested 'human-capital-provision function' of an early venture board is eventually made redundant through an adaptation mechanism when the venture performance improves. This helps explain the empirical puzzle found in the quantitative analysis.

5.1. Contributions to corporate governance research in new ventures

Our research advances corporate governance scholarship on new ventures: a domain where ownership and management are often intertwined, and governance dynamics differ substantially from those in large public firms (Garg and Furr, 2017). While agency theory is central in explaining board roles in listed firms, its assumptions about monitoring are less relevant in founder-led ventures (Gabrielsson, 2017; Garg, 2013). In contrast, resource-dependency theory offers a more applicable lens, emphasizing how directors provide strategic advice, legitimacy, and access to networks (George et al., 2001; Garg and Furr, 2017).

First, our study extends the research on the origins and evolution of board composition over time (Boeker and Wiltbank, 2005; Fisher et al., 2017). As ventures become profitable, founders may shift away from relying on board expertise (George et al., 2001), opting instead to internalize critical capabilities through senior hires. Our post-hoc qualitative analyses provide suggestive evidence of a novel 'human-capital-provisioning function' of venture boards, which is lost during the venture's performance-contingent adaptation mechanism. This may also help explain persistent diversity gaps in the upper echelons of established firms (de Cabo et al., 2019; Dobbin and Kalev, 2016). In this way, our analysis goes beyond identifying static structures such as interlocks (Edling et al., 2012; Mizruchi, 2004) and offers a dynamic perspective in examining the evolution of board diversity by linking dissimilar director retention to contextual factors such as industry conditions and venture performance.

Second, our findings impart nuance to corporate governance theories on board turnover developed in the context of large established firms. While internal and external uncertainties amplify the turnover of demographically dissimilar directors in large firms (Boone et al., 2004; Jung et al., 2023; Park and Westphal, 2013), we find no similar pattern in new ventures. Instead, we complement recent work by Jung et al. (2023), who show that boards in large firms increase

expertise diversity during downturns, by showing that venture boards may also shed such diversity in periods of strong performance. This challenges the idea of a stable or path-dependent board structure (Beckman and Burton, 2008; Burton and Beckman, 2007) and suggests a dynamic, performance-sensitive approach to director composition. These findings emphasize the need to contextualize behavioral theories in entrepreneurship settings (Welter, 2011).

Third, our findings also speak to the Categorization-Elaboration (CE) model (van Knippenberg et al., 2004), which suggests that diversity can enhance group functioning through information elaboration or hinder it through social categorization. To the extent that our findings capture the underlying elaboration benefits and social categorization process, the former appears to weaken under favorable conditions, giving way to categorization dynamics that increase exit among dissimilar directors. This offers insight into the boundary conditions of diversity retention in entrepreneurial boards and calls for future research that directly examines whether information elaboration is undermined in venture boards during favorable conditions. Given that board decision-making is a context where the information elaboration of diversity is likely to be pronounced (Garg and Eisenhardt, 2018), our findings contribute to the literature on venture governance by hinting that founder control may be a key contextual factor that limits the application of the CE model to venture governance.

Fourth, our findings connect with the concept of board undervaluation (Garg et al., 2017), where directors exit when their expertise is no longer seen as central. This aligns with our qualitative evidence that founders may appoint outside directors early on to fill capability gaps or provide cost-effective expertise, but as ventures mature and internal resources grow, these contributions may be seen as less critical. Such shifting perceptions can lead to informal

undervaluation, helping to explain the exit of functionally dissimilar directors even in high-performing ventures.

Finally, our empirical setting of Sweden offers a comparative lens to the literature on corporate governance: the Swedish corporate governance system resembles the Anglo-American approach with one-tier boards, but executive directors are very rare (Gabrielsson and Huse. 2017). Usually, the CEO is the only executive on the board. Similar to Germany, employees are entitled to be represented on the board if the firms has 25+ employees. While Sweden lacks formal diversity mandates like those in Norway, it has achieved notable board diversity through egalitarian norms and public discourse (Terjesen et al., 2015). Yet even in this environment, our findings suggest that diversity can erode. This contrasts with the United States, where shareholder pressures often dominate (Terjesen et al., 2015), and with the UK and Canada, where elite persistence shapes board structure despite formal differences (Lubatkin et al., 2005).

5.2. Contributions to entrepreneurship research

While prior research on executive turnover in new ventures has largely focused on founding teams (Chandler et al., 2005) and top management teams (Boeker and Wiltbank, 2005), our study extends this work by examining the turnover of outside directors—an important but underexplored component of entrepreneurial governance (see also Harutyunyan et al., 2025; Li and Garg, 2025). We contribute to this literature by showing that dissimilar directors are more likely to exit not under conditions of uncertainty, but rather when ventures are financially stable and performing well. This challenges conventional expectations that diverse perspectives are most vulnerable under external uncertainty and financial pressure, instead suggesting that in new ventures where founders have discretion over director appointments, board homogenization is likely to occur when resource constraints ease. This helps to explain a broader trend toward

homogeneity in decision-making structures as ventures evolve—an outcome highlighted in prior work on entrepreneurial founding teams (Burton and Beckman, 2007). We contribute to this literature by identifying the conditions under which diverse directors are lost, highlighting a dynamic pathway to upper-echelon homogenization.

5.3. Managerial and policy implications

Decisions on board composition are rarely straightforward. Founders often weigh questions like "Who do I work well with?" "What competencies do we need?" and "Who can I recruit from my network?" (Burton, 2001; Wasserman, 2012). Our findings offer guidance that extends beyond early-stage networking to emphasize long-term strategic alignment. First, founder-managers should regularly reassess whether their board's expertise aligns with the venture's evolving strategic needs. While diverse expertise is critical in early stages to fill knowledge gaps (George et al., 2001), our results suggest that such diversity is often lost once ventures become profitable. To counteract this drift toward homogeneity, founders should plan not only for current, but also future resource needs during board appointments.

Second, dissimilar directors are more likely to exit during stable, high-performance periods—a pattern that may reflect founder overconfidence (Forbes, 2005). When board composition changes, founder-managers should seek to retain a variety of directors to provide external insights and challenge consensus-seeking behavior. This may include creating transition mechanisms that preserve expertise diversity as ventures mature and internal hiring increases.

Third, as public and policy attention has turned to the underrepresentation of women and minorities on startup boards (Gompers and Wang, 2017), our study highlights the importance of not just recruitment, but retention. Since early diversity is no guarantee of sustained inclusion (de Cabo et al., 2019), founders should consider long-term board composition when appointing

directors. Maintaining such diversity may also support future talent recruitment and strengthen internal decision-making credibility (Holmes IV et al., 2021).

5.4. Limitations and future research

This study has limitations that also open avenues for future research on corporate governance in new ventures. First, although we benefit from comprehensive data on all Swedish ventures—minimizing sample-selection bias—privacy restrictions tied to population registers prevent us from identifying firms. Hence, we cannot access data on ownership structures, funding sources, corporate culture, or product strategies, which could shed light on causal mechanisms. While this limits depth, it enables breadth: our population-wide analysis strengthens the generalizability of core theoretical insights on director turnover in new ventures. Future work could explore the lifecycle dynamic this research highlighted in more detail through fine-grained boardroom data.

Second, our focus differs from finance studies that examine venture-capital-backed or publicly listed firms (Sapienza et al., 1996), which represent less than 1% of new businesses in Europe and the U.S. (Aldrich and Ruef, 2018). We examine ventures wholly owned by founders—typical of the broader entrepreneurial population. Our findings are thus most applicable to this under-studied majority. Extending this research to cover ventures across their full lifecycle, including top management changes, could further illuminate how board diversity evolves over time (Beckman and Burton, 2008). While we show that dissimilar directors exit at higher rates—suggesting an *adaptation mechanism*—future work could also explore *selection mechanisms*, such as whether ventures with more diverse boards are less likely to survive.

Third, while we cannot distinguish voluntary from involuntary exits, our findings suggest both may be present. Quantitatively, dissimilar directors—especially women, foreign-born individuals, and those with distinct expertise—are less likely to move into other board roles and

more likely to exit. Qualitative interviews indicate that founders initially rely on dissimilar directors to meet human capital needs, but as ventures grow, these roles may be deprioritized. Directors described reduced engagement or changing expectations rather than formal departures, suggesting exits often unfold through informal disengagement. This underscores the need for future research to explore how founder preferences, shifting board roles, and perceived influence shape the nature and timing of director exits in new venture contexts.

Finally, future research should examine how digital transformation is reshaping governance structures in new ventures, particularly through the normalization of remote board members. In digitally native firms, remote governance may be built in from the start, requiring founders to design systems that address asynchronous and synchronous engagement, distributed decision-making, and virtual collaboration (Burton et al., 2019). Digital platforms and artifacts increasingly serve as governance infrastructure, with implications for how advice, oversight, and legitimacy are enacted (Nambisan, 2017). One consequence of this shift is an expanded pool of potential directors, no longer bound by geographic proximity or personal familiarity (Burton, 2001; Wasserman, 2012). This may increase board diversity, including across national boundaries. Yet, incorporating transnational directors also introduces new governance complexities, where directors from different institutional environments may operate under divergent expectations regarding board roles, founder authority, and conflict resolution. At the same time, institutional heterogeneity can enrich strategic discussions, offering access to broader perspectives and international market knowledge. These tensions highlight an important future research opportunity: to explore how geographic and institutional diversity on new venture boards affects governance effectiveness in digitally mediated and transnational contexts.

5.5. Conclusions

Motivated by distinct predictions from resource-dependency theory and the social-psychological ASA model, we studied director attrition in a large population of Swedish owner-managed ventures over the ventures' first 14 years of operations. Our analysis found that dissimilar directors—primarily those with distinct expertise—leave more often when ventures are doing well compared to when they are doing poorly. Our study sheds light on the overall economic and social processes underlying new venture governance in terms of boardroom changes, contributing to our understanding of the predictors of director turnover and the evolution of corporate board diversity in new ventures.

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Table 1. Director dissimilarity to the Board

	Mean	SD	Min	Max
Cultural dissimilarity	0.136	0.299	0.000	1.000
Gender dissimilarity	0.295	0.382	0.000	1.000
Age dissimilarity	12.019	7.973	0.000	62.000
Education level dissimilarity	0.619	0.391	0.000	1.000
Industry dissimilarity	0.576	0.432	0.000	1.000
Entrepreneurship experience dissimilarity	4.294	3.855	0.000	28.000
Demographic dissimilarity	-0.064	0.619	-0.977	2.972
Expertise dissimilarity	-0.043	0.651	-1.412	2.503
Dissimilarity to the board (overall)	-0.054	0.490	-1.195	2.378
# Director-years		138,930		
# Directors		53,622		
# Ventures		28,295		

Notes: N=15,588 corresponding to the year 2018 are not used in the analysis predicting employment status at t+1

Table 2. Descriptive Statistics

	Mean	SD	Min	Max
Exit	0.409	0.492	0.000	1.000
Dissimilarity to board	-0.054	0.490	-1.195	2.378
Profit margin* (in 100,000 SEK)	0.027	0.210	-1.094	0.162
Equity-Debt Ratio*	-0.089	1.592	-1.615	8.912
Cash reserves* (in 100,000 SEK)	-0.096	0.209	-0.173	1.137
Industry complexity*	-0.000	0.030	-0.023	0.166
Industry munificence*	0.002	0.115	-0.467	0.461
Industry dynamism*	-0.008	0.055	-0.060	0.253
Age	47.589	12.740	18.000	97.000
Female	0.183	0.387	0.000	1.000
Education=12 years	0.180	0.384	0.000	1.000
Education >12, <=15 years	0.481	0.500	0.000	1.000
Education>=16 years	0.041	0.198	0.000	1.000
Entrepreneurship experience	3.758	4.899	0.000	29.000
Log board size	1.568	0.343	0.693	2.996
Number of employees	10.466	33.557	1.000	2207.000
Venture age	4.673	3.422	1.000	15.000
Venture acquisition	0.057	0.232	0.000	1.000
Venture dissolution	0.009	0.094	0.000	1.000
# Director-years		138,930		
# Directors		53,622		
# Ventures		28,295		

Notes: N=15,588 corresponding to the year 2018 are not used in the analysis predicting employment status at t+1; *mean-centered and winsorized at 99%

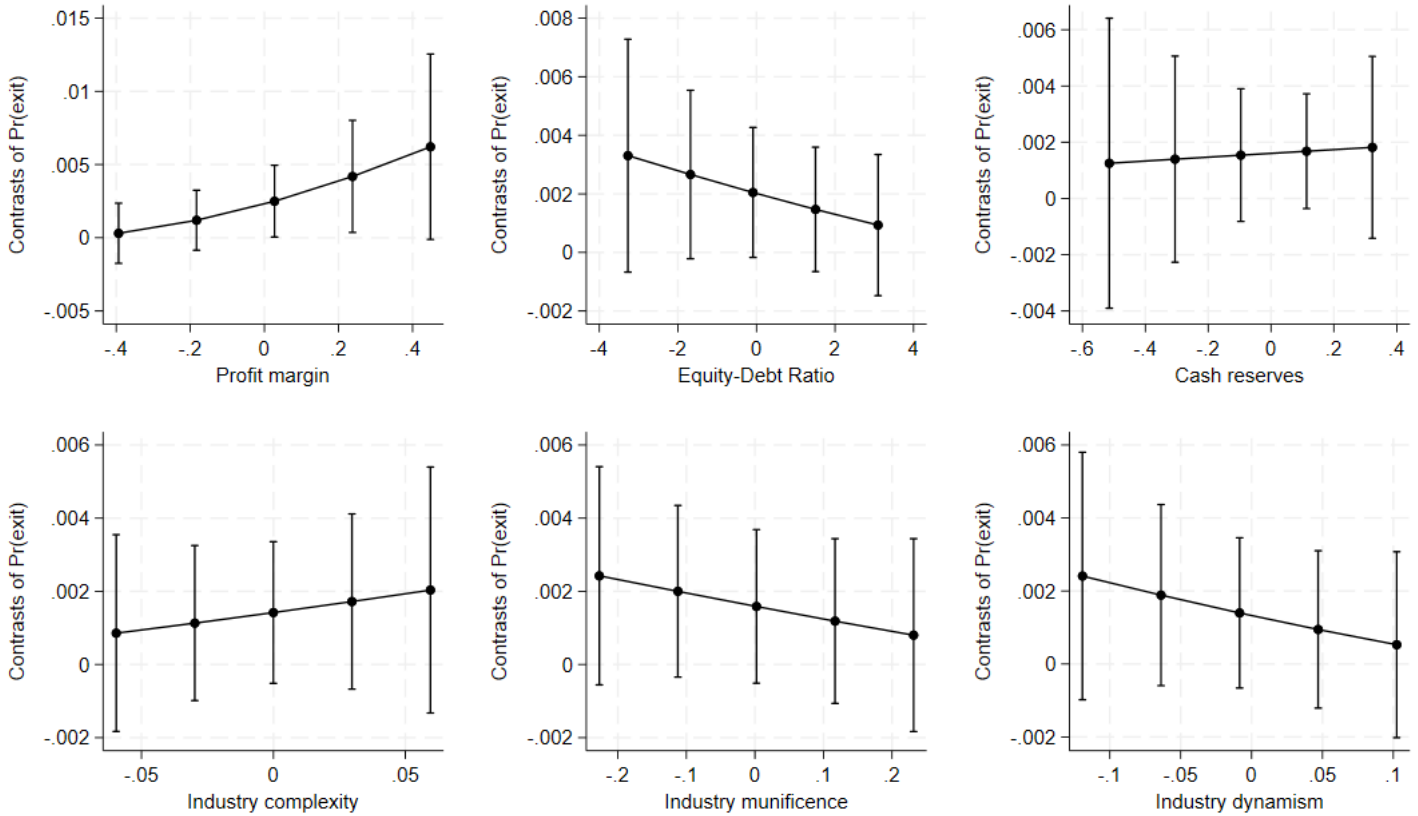
Table 3. Logistic regression on director exit in new venture boards: The role of internal and external uncertainty

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Age	0.001**	0.001**	0.001**	0.001**	0.001**	0.001**	0.001**	0.001**	0.001**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Female	-0.006	-0.004	-0.004	-0.003	-0.003	-0.003	-0.003	-0.003	-0.003
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Education=12 years	-0.004	-0.004	-0.004	-0.004	-0.005	-0.005	-0.005	-0.005	-0.005
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
Education >12, <=15 years	0.012**	0.010*	0.010*	0.010*	0.010*	0.010*	0.010*	0.010*	0.009*
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Education>=16 years	-0.030**	-0.044**	-0.044**	-0.043**	-0.043**	-0.043**	-0.043**	-0.043**	-0.044**
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
Entrepreneurship experience	-0.005**	-0.005**	-0.005**	-0.005**	-0.005**	-0.005**	-0.005**	-0.005**	-0.005**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Log board size	0.031**	0.028**	0.028**	0.028**	0.028**	0.028**	0.028**	0.028**	0.028**
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Number of employees	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Firm age	-0.009**	-0.009**	-0.009**	-0.009**	-0.009**	-0.009**	-0.009**	-0.009**	-0.009**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Venture acquisition	0.022**	0.021*	0.020*	0.021*	0.021*	0.021*	0.021*	0.020*	0.020*
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Venture dissolution	1.625**	1.706**	1.706**	1.705**	1.705**	1.705**	1.705**	1.705**	1.705**
	(0.213)	(0.228)	(0.228)	(0.228)	(0.228)	(0.228)	(0.228)	(0.228)	(0.228)
Dissimilarity to board	0.052**	0.052**	0.052**	0.049**	0.049**	0.049**	0.049**	0.049**	0.049**
	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)	(0.006)
Profit margin	-	-0.154**	-0.154**	-0.158**	-0.157**	-0.157**	-0.157**	-0.157**	-0.157**
		(0.014)	(0.014)	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)
Equity-Debt Ratio	-	-0.004*	-0.004*	-0.004*	-0.003*	-0.003*	-0.003*	-0.003*	-0.003*
		(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Cash reserves	-	-0.033*	-0.032	-0.032	-0.032	-0.032	-0.032	-0.032	-0.032
		(0.017)	(0.017)	(0.017)	(0.017)	(0.017)	(0.017)	(0.017)	(0.017)
Industry complexity	-	-	-0.126	-0.128	-0.128	-0.128	-0.128	-0.135	-0.137
			(0.118)	(0.118)	(0.118)	(0.118)	(0.118)	(0.118)	(0.119)
Industry munificence	-	-	-0.045*	-0.044*	-0.044*	-0.044*	-0.044*	-0.046*	-0.045*
			(0.022)	(0.022)	(0.022)	(0.022)	(0.022)	(0.022)	(0.022)
Industry dynamism	-	-	0.045	0.045	0.045	0.045	0.045	0.048	0.047
			(0.055)	(0.055)	(0.055)	(0.055)	(0.055)	(0.055)	(0.055)

Dissimilarity x Profit	-	-	-	0.052*	0.045	0.044	0.044	0.044	0.045
				(0.022)	(0.023)	(0.031)	(0.031)	(0.031)	(0.031)
Dissimilarity x Equity-Debt ratio	-	-	-	-	-0.004	-0.003	-0.003	-0.003	-0.004
					(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Dissimilarity x Cash	-	-	-	-	-	-0.001	-0.001	-0.000	0.001
						(0.035)	(0.035)	(0.035)	(0.035)
Dissimilarity x Industry complexity	-	-	-	-	-	-	0.013	0.017	0.061
							(0.153)	(0.154)	(0.161)
Dissimilarity x Industry munificence	-	-	-	-	-	-	-	-0.040	-0.035
								(0.034)	(0.034)
Dissimilarity x Industry dynamism	-	-	-	-	-	-	-	-	-0.063
									(0.080)
N	123,382	123,382	123,382	123,382	123,382	123,382	123,382	123,382	123,382
Loglikelihood	-75,877.08	-75,688.00	-75,682.24	-75,677.51	-75,675.95	-75,675.95	-75,675.94	-75,674.78	-75,674.18
AIC	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23
McFadden's R2	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Wald Chi2	147.91	163.20	5.62	5.61	1.45	0.00	0.93	1.33	0.62
Wald p	0.00	0.00	0.13	0.02	0.23	0.97	0.93	0.25	0.43

Notes. N=15,588 corresponding to the year 2018 are not used in the analysis predicting employment status at t+1. All models include fixed effects for 16 industries, 21 regions (counties), and 13 years; Standard errors clustered at venture level. * $p<0.05$; ** $p<0.01$

Figure 1. Effect of average dissimilarity on director Exit during internal and external uncertainty



ONLINE APPENDICES

Table A1. Correlation matrix

	1	2	3	4	5	6	7	8	9	10	11
1. Director Exit											
2. Dissimilarity to the board	0.07										
3. Demographic dissimilarity	0.05	0.76									
4. Expertise dissimilarity	0.06	0.78	0.19								
5. Cultural dissimilarity	0.03	0.38	0.59	0.00							
6. Gender dissimilarity	0.05	0.47	0.63	0.10	0.05						
7. Age dissimilarity	0.01	0.56	0.64	0.24	0.02	0.15					
8. Education level dissimilarity	0.01	0.50	0.11	0.64	0.03	0.03	0.15				
9. Industry focus dissimilarity	0.08	0.55	0.19	0.66	0.01	0.17	0.17	0.13			
10. Entrepreneurship experience dissimilarity	0.03	0.45	0.06	0.62	-0.04	0.00	0.14	0.09	0.12		
11. Profit margin	-0.06	-0.08	-0.03	-0.10	-0.04	0.02	-0.03	-0.02	-0.17	0.01	
12. Equity-Debt Ratio	0.03	0.06	0.05	0.05	0.01	0.03	0.04	-0.01	0.11	-0.01	-0.29
13. Cash reserves	0.05	0.09	0.06	0.08	0.03	0.02	0.05	0.02	0.17	-0.03	-0.73
14. Industry complexity	0.03	0.05	0.00	0.07	-0.02	0.03	0.00	0.01	0.08	0.04	0.03
15. Industry munificence	-0.05	0.01	-0.01	0.02	-0.02	-0.00	0.01	0.02	0.03	-0.00	-0.02
16. Industry dynamism	-0.03	-0.02	-0.02	-0.01	-0.02	-0.01	-0.01	-0.01	0.02	-0.03	0.01
17. Age	0.03	0.23	0.11	0.24	-0.05	0.07	0.18	0.10	0.18	0.19	-0.05
18. Female	0.03	0.20	0.34	-0.02	0.03	0.56	0.06	-0.02	0.03	-0.05	0.04
19. Education=12 years	-0.00	0.02	-0.03	0.07	-0.01	-0.04	-0.01	0.23	-0.10	0.00	0.06
20. Education >12, <=15 years	0.03	-0.10	-0.00	-0.14	-0.00	0.07	-0.07	-0.33	0.13	-0.06	-0.06
21. Education>=16 years	-0.00	0.09	0.05	0.09	0.07	0.01	0.01	0.11	0.10	-0.05	-0.14
22. Entrepreneurship experience	-0.02	0.05	-0.11	0.18	-0.05	-0.13	-0.03	-0.00	-0.13	0.48	0.06
23. Log board size	0.04	0.22	0.11	0.23	-0.03	0.16	0.07	0.10	0.30	0.05	-0.11
24. Number of employees	0.02	-0.02	0.01	-0.03	0.01	0.03	-0.02	-0.02	-0.02	-0.03	0.04
25. venture age	0.07	0.05	0.01	0.07	-0.04	0.05	0.02	-0.00	-0.04	0.17	0.06
26. Venture acquisition	0.01	-0.01	-0.01	-0.01	0.02	-0.01	-0.02	-0.01	-0.01	-0.00	-0.02
27. Venture dissolution	0.11	0.02	0.01	0.02	0.01	0.00	0.01	0.00	0.03	0.01	-0.01
Venture-year observations:						138,930					

Table A1. Correlation matrix (continued)

	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
12. Equity-Debt Ratio															
13. Cash reserves	0.40														
14. Industry complexity	0.00	-0.01													
15. Industry munificence	-0.00	0.03	0.01												
16. Industry dynamism	-0.02	0.02	0.31	0.17											
17. Age	0.05	0.07	0.02	0.02	-0.00										
18. Female	0.01	-0.01	0.00	-0.01	-0.03	-0.01									
19. Education=12 years	-0.06	-0.07	-0.00	-0.01	-0.01	-0.19	-0.02								
20. Education >12, <=15 years	0.07	0.06	0.03	0.01	0.04	-0.08	0.07	-0.45							
21. Education>=16 years	0.09	0.16	-0.04	0.01	-0.02	0.07	-0.02	-0.10	-0.20						
22. Entrepreneurship experience	-0.03	-0.08	0.00	-0.01	-0.03	0.18	-0.12	0.02	-0.12	-0.09					
23. Log board size	0.06	0.12	0.06	0.03	0.05	0.13	0.02	-0.08	0.14	0.07	-0.12				
24. Number of employees	-0.04	-0.04	-0.02	-0.00	-0.01	0.03	0.02	-0.01	0.04	-0.02	-0.02	0.11			
25. Venture age	0.06	-0.05	0.05	-0.00	-0.04	0.16	0.04	-0.00	0.01	-0.01	0.20	0.07	0.07		
26. Venture acquisition	-0.01	0.00	0.01	-0.01	0.01	-0.03	-0.01	0.01	0.01	-0.00	-0.01	0.01	0.05	-0.01	
27. Venture dissolution	0.01	0.01	0.00	0.01	0.01	0.02	0.00	-0.01	0.01	-0.00	-0.01	0.00	0.00	0.00	-0.01
Venture-year observations:								138,930							

Table A2. Venture-years by industry

Venture industry	# Venture-years	%
1.Mining	335	1.07
2.Manufacturing	2017	6.43
3.Utility	713	2.27
4.Construction	929	2.96
5.Retail	1526	4.86
6.Hotels and Restaurants	782	2.49
7.Transport	2652	8.45
8.Inf. and Comm.	239	0.76
9.Finance	607	1.93
10.Real Estate	2437	7.77
11.Professional	5195	16.56
14.Education	1006	3.21
15.Health & Social Work	874	2.79
16.Ent. & Recreation	664	2.12
18.Other service	28	0.09
19.NEC	11374	36.25
# Venture-years	31,378	
# Ventures	28,295	

Note: some ventures represent multiple industries across years

Figure A1. Venture age distribution

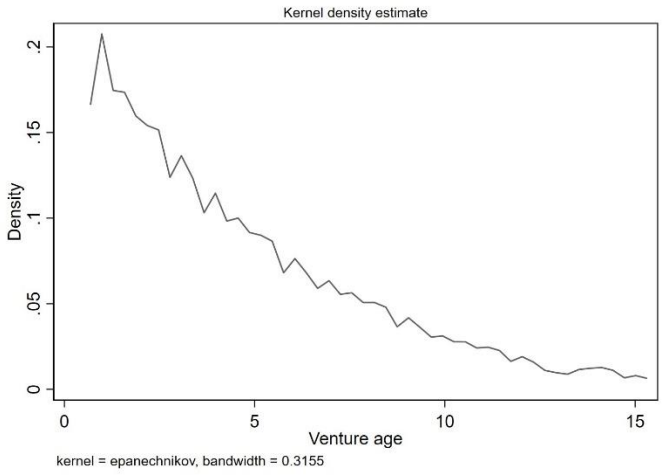


Table A3. Decomposition of new venture board diversity into separate components

	(1)	(2)	(3)	(4)	(5)	(6)
Cultural dissimilarity	0.043**	0.042**	0.042**	0.041**	0.040**	0.040**
	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)
Gender dissimilarity	-	0.024**	0.026**	0.025**	0.014*	0.014*
		(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Age dissimilarity	-	-	-0.001*	-0.001**	-0.001**	-0.001**
			(0.000)	(0.000)	(0.000)	(0.000)
Education level dissimilarity	-	-	-	0.030**	0.018**	0.018**
				(0.005)	(0.005)	(0.005)
Industry focus dissimilarity	-	-	-	-	0.092**	0.092**
					(0.005)	(0.005)
Entrepreneurship experience dissimilarity	-	-	-	-	-	-0.000
						(0.001)
N	123,382	123,382	123,382	123,382	123,382	123,382
Loglikelihood	-75,988.24	-75,974.30	-75,969.00	-75,938.92	-75,613.85	-75,613.85
AIC	1.23	1.23	1.23	1.23	1.23	1.23
McFadden's R2	0.03	0.03	0.03	0.03	0.04	0.04
Wald Chi2	42.49	13.80	5.72	31.94	306.41	0.00
Wald p	0.00	0.00	0.02	0.00	0.00	0.96

Notes. N=15,588 corresponding to the year 2018 are not used in the analysis predicting employment status at t+1. All models include controls reported in Table 3, along with fixed effects for 16 industries, 21 regions (counties), and 13 years;
Standard errors clustered at venture level. * $p<0.05$; ** $p<0.01$.

Table A4. Post-hoc analysis: Decomposition into demographic and expertise dissimilarity

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Age	0.001**	0.001**	0.001**	0.001**	0.001**	0.001**	0.001**	0.001**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Female	0.002	0.005	0.005	0.006	0.006	0.006	0.006	0.006
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Education=12 years	-0.001	-0.007	-0.007	-0.008	-0.008	-0.007	-0.008	-0.008
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
Education >12, <=15 years	0.006	0.010**	0.010*	0.010*	0.010*	0.010*	0.010*	0.010*
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Education>=16 years	-0.037**	-0.044**	-0.045**	-0.045**	-0.045**	-0.045**	-0.045**	-0.045**
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
Entrepreneurship experience	-0.005**	-0.006**	-0.006**	-0.006**	-0.006**	-0.006**	-0.006**	-0.006**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Log board size	0.038**	0.022**	0.023**	0.023**	0.023**	0.023**	0.023**	0.023**
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Number of employees	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Firm age	-0.009**	-0.009**	-0.009**	-0.009**	-0.009**	-0.009**	-0.009**	-0.009**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Venture acquisition	0.019*	0.019*	0.020*	0.020*	0.020*	0.020*	0.020*	0.020*
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Venture dissolution	1.623**	1.616**	1.704**	1.704**	1.704**	1.703**	1.704**	1.704**
	(0.212)	(0.212)	(0.228)	(0.228)	(0.228)	(0.228)	(0.228)	(0.228)
Demographic dissimilarity	0.015**	0.008*	0.008*	0.009*	0.013**	0.013**	0.012**	0.012**
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)
Expertise dissimilarity	-	0.041**	0.039**	0.039**	0.032**	0.033**	0.033**	0.033**
		(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Profit margin	-0.151**	-0.142**	-0.165**	-0.164**	-0.158**	-0.158**	-0.158**	-0.158**
	(0.014)	(0.014)	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)
Equity-Debt Ratio	-0.003*	-0.003*	-0.004*	-0.003*	-0.004*	-0.004*	-0.004*	-0.004*
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Cash reserves	-0.030	-0.029	-0.032	-0.032	-0.022	-0.022	-0.022	-0.022
	(0.016)	(0.016)	(0.017)	(0.017)	(0.017)	(0.017)	(0.017)	(0.017)
Industry complexity	-0.118	-0.121	-0.132	-0.132	-0.132	-0.177	-0.188	-0.193
	(0.113)	(0.112)	(0.118)	(0.118)	(0.118)	(0.119)	(0.120)	(0.120)
Industry munificence	-0.044*	-0.042*	-0.044*	-0.044*	-0.044*	-0.042	-0.039	-0.039

	(0.020)	(0.020)	(0.022)	(0.022)	(0.022)	(0.022)	(0.022)	(0.022)
Industry dynamism	0.043	0.042	0.044	0.044	0.044	0.046	0.048	0.049
	(0.052)	(0.052)	(0.055)	(0.055)	(0.055)	(0.055)	(0.055)	(0.055)
Demographic Dissimilarity x Profit	-	-	-0.018	-0.018	0.016	0.017	0.017	0.017
			(0.016)	(0.016)	(0.021)	(0.021)	(0.021)	(0.021)
Expertise Dissimilarity x Profit	-	-	0.078**	0.070**	0.025	0.023	0.023	0.025
			(0.018)	(0.019)	(0.025)	(0.025)	(0.025)	(0.025)
Demographic Dissimilarity x Equity-Debt ratio	-	-	-	0.000	-0.001	-0.001	-0.001	-0.001
				(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Expertise Dissimilarity x Equity-Debt ratio	-	-	-	-0.004	-0.002	-0.002	-0.002	-0.002
				(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Demographic Dissimilarity x Cash	-	-	-	-	0.055*	0.055*	0.054*	0.055*
					(0.024)	(0.024)	(0.024)	(0.024)
Expertise Dissimilarity x Cash	-	-	-	-	-0.074**	-0.075**	-0.073**	-0.071*
					(0.028)	(0.028)	(0.028)	(0.028)
Demographic Dissimilarity x Industry complexity	-	-	-	-	-	-0.178	-0.174	-0.166
						(0.116)	(0.116)	(0.122)
Expertise Dissimilarity x Industry complexity	-	-	-	-	-	0.218	0.224	0.266*
						(0.115)	(0.115)	(0.122)
Demographic Dissimilarity x Industry munificence	-	-	-	-	-	-	0.007	0.008
							(0.027)	(0.027)
Expertise Dissimilarity x Industry munificence	-	-	-	-	-	-	-0.045	-0.041
							(0.027)	(0.027)
Demographic Dissimilarity x Industry dynamism	-	-	-	-	-	-	-	-0.012
								(0.062)
Expertise Dissimilarity x Industry dynamism	-	-	-	-	-	-	-	-0.057
								(0.064)
N	123,382	123,382	123,382	123,382	123,382	123,382	123,382	123,382
Loglikelihood	-75,795.99	-75,639.33	-75,622.23	-75,619.34	-75,608.02	-75,603.05	-75,600.42	-75,599.46
AIC	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23
Mc Fadden's R2	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Wald Chi2	21.71	149.30	18.91	3.04	0.00	5.34	2.77	0.93
Wald p	0.00	0.00	0.00	0.22	0.00	0.07	0.25	0.63

Notes. N=15,588 corresponding to the year 2018 are not used in the analysis predicting employment status at t+1. All models include fixed effects for 16 industries, 21 regions (counties), and 13 years; Standard errors clustered at venture level. * $p<0.05$; ** $p<0.01$.

Table A5. Post-hoc analysis: Unpacking the role of expertise dissimilarity

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Baseline coefficients	suppressed	suppressed	suppressed	suppressed	suppressed	suppressed	suppressed
Education Dissimilarity x Profit	-	-0.002	-0.000	0.010	0.009	0.009	0.010
		(0.025)	(0.026)	(0.034)	(0.034)	(0.034)	(0.034)
Industry Dissimilarity x Profit	-	0.267**	0.258**	0.159**	0.159**	0.159**	0.160**
		(0.038)	(0.038)	(0.047)	(0.047)	(0.047)	(0.047)
Entrepreneurship exp. Dissimilarity x Profit	-	-0.000	-0.001	-0.005	-0.006	-0.006	-0.006
		(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)
Education Dissimilarity x Equity-Debt Ratio	-	-	0.001	0.000	0.000	0.000	0.000
			(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Industry Dissimilarity x Equity-Debt Ratio	-	-	-0.004	-0.001	-0.001	-0.001	-0.001
			(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Entrepreneurship exp. Dissimilarity x Equity-Debt Ratio	-	-	-0.000	-0.000	-0.000	-0.000	-0.000
			(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Education Dissimilarity x Cash	-	-	-	0.017	0.016	0.017	0.018
				(0.038)	(0.038)	(0.038)	(0.038)
Industry Dissimilarity x Cash	-	-	-	-0.156**	-0.157**	-0.156**	-0.153**
				(0.049)	(0.049)	(0.049)	(0.049)
Entrepreneurship exp. Dissimilarity x Cash	-	-	-	-0.007	-0.007	-0.007	-0.007
				(0.005)	(0.005)	(0.005)	(0.005)
Education Dissimilarity x Industry complexity	-	-	-	-	0.165	0.173	0.217
					(0.183)	(0.183)	(0.195)
Industry Dissimilarity x Industry complexity	-	-	-	-	0.012	0.019	0.126
					(0.193)	(0.193)	(0.205)
Entrepreneurship exp. Dissimilarity x Industry complexity	-	-	-	-	0.042*	0.041*	0.039*
					(0.019)	(0.018)	(0.019)
Education Dissimilarity x Industry munificence	-	-	-	-	-	-0.038	-0.034
						(0.042)	(0.042)
Industry Dissimilarity x Industry munificence	-	-	-	-	-	0.004	0.009
						(0.042)	(0.042)
Entrepreneurship exp. Dissimilarity x Industry munificence	-	-	-	-	-	-0.008	-0.008
						(0.005)	(0.005)
Education Dissimilarity x Industry dynamism	-	-	-	-	-	-	-0.052

							(0.093)
Industry Dissimilarity x Industry dynamism	-	-	-	-	-	-	-0.120
							(0.101)
Entrepreneurship exp. Dissimilarity x Industry dynamism	-	-	-	-	-	-	0.004
							(0.012)
N	123,382	123,382	123,382	123,382	123,382	123,382	123,382
Loglikelihood	-75,514.35	-75,459.34	-75,456.57	-75,443.58	-75,437.36	-75,433.63	-75,431.80
AIC	1.23	1.22	1.22	1.22	1.22	1.22	1.22
McFadden's R2	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Wald Chi2	283.33	50.82	2.81	12.97	6.65	3.85	1.84
Wald p	0.00	0.00	0.42	0.00	0.08	0.28	0.61

Notes. N=15,588 corresponding to the year 2018 are not used in the analysis predicting employment status at t+1. Baseline coefficients (Age, Female, Education dummies, Entrepreneurship experience, Log board size, Number of employees, Firm age, Venture acquisition, Venture dissolution, Profit margin, Equity-Debt Ratio. Cash reserves, Industry complexity, Industry munificence, Industry dynamism, Education level dissimilarity, Industry focus dissimilarity and Entrepreneurship experience dissimilarity) suppressed. All models include controls reported in Table 3, along with fixed effects for 16 industries, 21 regions (counties), and 13 years; Standard errors clustered at venture level. * $p<0.05$; ** $p<0.01$.

Table A6. Descriptive Statistics of raw moderation variables

	Mean	SD	Min	Max
Profit margin	-0.254	3.480	-275.642	197.370
Equity-Debt ratio	0.996	1.601	-10.000	10.000
Cash reserves	0.391	7.139	-7.654	709.833
Industry complexity	0.026	0.038	0.000	0.419
Industry munificence	-0.161	0.189	-2.214	2.320
Industry dynamism	0.085	0.231	0.016	3.874
Observations		138930		

Table A7. Effect sizes over the new venture lifecycle

	(1) 1-5 years	(2) 6-10 years	(3) 11+ years
Dissimilarity to the board	0.051**	0.050**	0.035*
	(0.005)	(0.008)	(0.016)
Age	0.001**	0.001**	0.001
	(0.000)	(0.000)	(0.001)
Female	-0.010*	0.007	-0.014
	(0.005)	(0.007)	(0.015)
Education=12 years	-0.008	0.008	0.007
	(0.005)	(0.009)	(0.018)
Education >12, <=15 years	0.007	0.029**	0.022
	(0.004)	(0.007)	(0.015)
Education>=16 years	-0.036**	-0.006	-0.003
	(0.011)	(0.016)	(0.038)
Entrepreneurship experience	-0.004**	-0.006**	-0.007**
	(0.000)	(0.001)	(0.001)
Log board size	0.030**	0.020	0.073**
	(0.009)	(0.014)	(0.027)
Number of employees	0.000**	0.000**	-0.001
	(0.000)	(0.000)	(0.000)
Venture age	-0.021**	-0.001	-0.015
	(0.002)	(0.003)	(0.010)
Venture acquisition	0.021*	0.038*	0.050
	(0.009)	(0.016)	(0.042)
Venture dissolution	1.569**	0.000	0.000
	(0.217)	(0.000)	(0.000)
# Director-year observations	85,364	30,847	6,885
# Ventures	22,681	7,876	3,300
Log likelihood ratio	-53,164.92	-18,418.75	-4,063.01
AIC	1.25	1.20	1.19
Mc Fadden's R2	0.03	0.03	0.06

Notes. Varying N due to subsample analysis. All models include fixed effects for 16 industries, 21 regions (counties), and 13 years; Standard errors clustered at venture level. * $p<0.05$; ** $p<0.01$.

Table A8. Sensitivity analysis: firm-size distribution

	(1)	(2)	(3)	(4)
	Venture size (number of employees)			
	>1	<=150	<=50	<=10
Dissimilarity to the board	0.055**	0.052**	0.051**	0.036**
	(0.005)	(0.004)	(0.005)	(0.005)
Profit margin	-0.165**	-0.153**	-0.151**	-0.157**
	(0.016)	(0.014)	(0.014)	(0.015)
Equity-Debt Ratio	-0.005**	-0.004*	-0.004*	-0.005**
	(0.002)	(0.002)	(0.002)	(0.002)
Cash reserves	-0.061**	-0.033*	-0.032	-0.037*
	(0.019)	(0.017)	(0.016)	(0.017)
Industry complexity	0.017	-0.134	-0.133	-0.182
	(0.121)	(0.119)	(0.120)	(0.133)
Industry munificence	-0.026	-0.047*	-0.035	-0.050*
	(0.023)	(0.022)	(0.021)	(0.024)
Industry dynamism	0.044	0.051	0.048	0.028
	(0.060)	(0.055)	(0.055)	(0.060)
Age	0.001**	0.001**	0.001**	0.001**
	(0.000)	(0.000)	(0.000)	(0.000)
Female	-0.012**	-0.004	-0.003	0.005
	(0.005)	(0.004)	(0.004)	(0.005)
Education=12 years	-0.002	-0.004	-0.005	-0.006
	(0.005)	(0.005)	(0.005)	(0.005)
Education >12, <=15 years	0.015**	0.010*	0.009*	0.003
	(0.004)	(0.004)	(0.004)	(0.005)
Education>=16 years	-0.037**	-0.045**	-0.047**	-0.055**
	(0.010)	(0.009)	(0.009)	(0.010)
Entrepreneurship experience	-0.005**	-0.005**	-0.005**	-0.005**
	(0.000)	(0.000)	(0.000)	(0.000)
Log board size	0.000	0.032**	0.037**	0.062**
	(0.009)	(0.008)	(0.008)	(0.009)
Number of employees	0.000**	0.000	-0.000	-0.014**
	(0.000)	(0.000)	(0.000)	(0.001)
Venture age	-0.008**	-0.009**	-0.009**	-0.006**
	(0.001)	(0.001)	(0.001)	(0.001)
Venture acquisition	0.027**	0.020*	0.023**	0.042**
	(0.008)	(0.009)	(0.009)	(0.012)
Venture dissolution	0.000	1.702**	1.696**	1.667**
	(0.000)	(0.228)	(0.228)	(0.229)
# Director-year observations	98,209	122,591	119,874	96,865
# Ventures	20,505	25,939	25,666	22,832
Log likelihood ratio	-59,127.96	-75,184.33	-73,445.47	-59,185.40
AIC	1.21	1.23	1.23	1.22
Mc Fadden's R2	0.02	0.04	0.04	0.04

Notes. Varying N due to subsample analysis. All models include fixed effects for 16 industries, 21 regions (counties), and 13 years; Standard errors clustered at venture level. * $p<0.05$; ** $p<0.01$.

Table A9. Logistic regression on director exit in Swedish NVBs, 2005-2008: Robustness checks of Table 5 with additional controls

	(1)	(2)
Age	0.001**	0.000*
	(0.000)	(0.000)
Female	0.009*	0.007
	(0.004)	(0.004)
Education=12 years	-0.005	-0.005
	(0.005)	(0.005)
Education >12, <=15 years	0.001	-0.004
	(0.004)	(0.004)
Education>=16 years	-0.050**	-0.046**
	(0.009)	(0.009)
Entrepreneurship experience	-0.004**	-0.000
	(0.000)	(0.000)
Log board size	0.017*	-0.004
	(0.008)	(0.008)
Number of employees	0.000**	0.000**
	(0.000)	(0.000)
Firm age	-0.008**	0.001
	(0.001)	(0.001)
Venture acquisition	0.022**	0.029**
	(0.008)	(0.009)
Venture dissolution	1.701**	1.668**
	(0.228)	(0.226)
Co-ownership in the venture	-	-0.129**
		(0.005)
Log real income from employment	-	0.000
		(0.001)
Log board tenure	-	-0.063**
		(0.003)
Education level dissimilarity	0.017**	0.016**
	(0.006)	(0.006)
Industry focus dissimilarity	0.055**	0.012
	(0.007)	(0.007)
Entrepreneurship experience dissimilarity	-0.001	-0.004**
	(0.001)	(0.001)
Profit margin	-0.265**	-0.204**
	(0.048)	(0.048)
Equity-Debt Ratio	-0.003	0.000
	(0.004)	(0.004)
Cash reserves	0.110*	0.058
	(0.050)	(0.052)
Industry complexity	-0.547*	-0.530*
	(0.228)	(0.224)
Industry munificence	0.007	0.001
	(0.043)	(0.043)
Industry dynamism	0.158	0.128
	(0.105)	(0.104)
Education Dissimilarity x Profit	0.010	-0.001
	(0.034)	(0.034)
Industry Dissimilarity x Profit	0.160**	0.112*
	(0.047)	(0.048)
Entrepreneurship exp. Dissimilarity x Profit	-0.006	-0.006
	(0.004)	(0.004)

Education Dissimilarity x Equity-Debt Ratio	0.000	-0.001
	(0.003)	(0.003)
Industry Dissimilarity x Equity-Debt Ratio	-0.001	-0.003
	(0.004)	(0.004)
Entrepreneurship exp. Dissimilarity x Equity-Debt Ratio	-0.000	-0.000
	(0.000)	(0.000)
Education Dissimilarity x Cash	0.018	0.026
	(0.038)	(0.039)
Industry Dissimilarity x Cash	-0.153**	-0.112*
	(0.049)	(0.052)
Entrepreneurship exp. Dissimilarity x Cash	-0.007	-0.006
	(0.005)	(0.004)
Education Dissimilarity x Industry complexity	0.217	0.231
	(0.195)	(0.194)
Industry Dissimilarity x Industry complexity	0.126	0.094
	(0.205)	(0.205)
Entrepreneurship exp. Dissimilarity x Industry complexity	0.039*	0.038*
	(0.019)	(0.019)
Education Dissimilarity x Industry munificence	-0.034	-0.012
	(0.042)	(0.043)
Industry Dissimilarity x Industry munificence	0.009	-0.001
	(0.042)	(0.042)
Entrepreneurship exp. Dissimilarity x Industry munificence	-0.008	-0.008
	(0.005)	(0.005)
Education Dissimilarity x Industry dynamism	-0.052	-0.063
	(0.093)	(0.093)
Industry Dissimilarity x Industry dynamism	-0.120	-0.107
	(0.101)	(0.100)
Entrepreneurship exp. Dissimilarity x Industry dynamism	0.004	0.003
	(0.012)	(0.012)
N	123,382	117,454
Loglikelihood	-75,431.80	-70,705.01
AIC	1.22	1.21
McFadden's R2	0.04	0.05
Wald Chi2	-	1,172.79
Wald p	-	0.00

Notes. N=15,588 corresponding to the year 2018 are not used in the analysis predicting employment status at t+1. An additional N=5928 are not used due to missing values for income. All models include fixed effects for 16 industries, 21 regions (counties), and 13 years; Standard errors clustered at venture level. * $p<0.05$; ** $p<0.01$

Table A10. Post-hoc analysis on director's destination

	Gender		Born		Overall
	Male	Female	Foreign	Swedish	
Remain as director in the venture	67,817	14,348	6,220	75,945	82,165
%	59.74	56.45	56.18	59.40	59.14
Exit to other directorships	31,882	6,244	2,938	35,188	38,126
%	28.09	24.56	26.54	27.52	27.44
Exit to employment	9,530	3,738	1,282	11,986	13,268
%	8.40	14.71	11.58	9.37	9.55
Exit to self-employment	2,186	474	245	2,415	2,660
%	1.93	1.86	2.21	1.89	1.91
Exit to inactivity	2,096	615	386	2,325	2,711
%	1.85	2.42	3.49	1.82	1.95
# Director-years	113,511	25,419	11,071	127,859	138,930

Table A11. Comparison of director destination by:

	National Culture			Gender			Age		
Panel A: Demographic dissimilarity									
	Low	High	Total	Low	High	Total	Low	High	Total
Remain as director in the venture	67,018	15,147	82,165	50,886	31,279	82,165	47,244	34,921	82,165
%	60.07	55.34	59.14	61.20	56.07	59.14	59.53	58.62	59.14
Exit to other directorships	30,295	7,831	38,126	23,032	15,094	38,126	22,473	15,653	38,126
%	27.16	28.61	27.44	27.70	27.06	27.44	28.32	26.28	27.44
Exit to employment	10,063	3,205	13,268	5,972	7,296	13,268	6,982	6,286	13,268
%	9.02	11.71	9.55	7.18	13.08	9.55	8.80	10.55	9.55
Exit to self-employment	2,137	523	2,660	1,722	938	2,660	1,517	1,143	2,660
%	1.92	1.91	1.91	2.07	1.68	1.91	1.91	1.92	1.91
Exit to inactivity	2,048	663	2,711	1,530	1,181	2,711	1,142	1,569	2,711
%	1.84	2.42	1.95	1.84	2.12	1.95	1.44	2.63	1.95
# Director-years	111,561	27,369	138,930	83,142	55,788	138,930	79,358	59,572	138,930
Panel B: Expertise dissimilarity									
	Education			Industry			Entrepreneurship exp		
	Low	High	Total	Low	High	Total	Low	High	Total
Remain as director in the venture	32,432	49,733	82,165	37,702	44,463	82,165	50,399	31,766	82,165
%	59.56	58.87	59.14	63.35	55.99	59.14	60.38	57.28	59.14
Exit to other directorships	15,132	22,994	38,126	15,102	23,024	38,126	21,121	17,005	38,126
%	27.79	27.22	27.44	25.37	28.99	27.44	25.30	30.66	27.44
Exit to employment	4,988	8,280	13,268	4,147	9,121	13,268	8,897	4,371	13,268
%	9.16	9.80	9.55	6.97	11.49	9.55	10.66	7.88	9.55
Exit to self-employment	1,080	1,580	2,660	1,412	1,248	2,660	1,412	1,248	2,660
%	1.98	1.87	1.91	2.37	1.57	1.91	1.69	2.25	1.91
Exit to inactivity	823	1,888	2,711	1,153	1,558	2,711	1,646	1,065	2,711
%	1.51	2.23	1.95	1.94	1.96	1.95	1.97	1.92	1.95
# Director-years	54,455	84,475	138,930	59,516	79,414	138,930	83,475	55,455	138,930

Table A12. Paired t test: Director's total income (W) at exit and post-exit

	N	$W_{(\mu t)}$	$W_{\mu(t+1)}$	$W_{\mu(t+1)} - W_{(\mu t)}$	S.E.	p value
Total	47,871	483,554.76	492,349.89	8,795.13	3672.02	.02
Male	38,347	499,980.76	509,096.04	9,115.27	4545.28	.05
Female	9,524	417,417.85	424,923.98	7,506.13	2394.90	.00
Foreign-born	3,841	418,860.17	428,922.69	10,062.52	5022.38	.05
Sweden-born	44,030	489,198.46	497,883.03	8,684.57	3968.25	.03

Table A13. Paired t test: Director's total income (W) at exit and post-exit

	N	$W_{(\mu t)}$	$W_{\mu(t+1)}$	$W_{\mu(t+1)} - W_{(\mu t)}$	S.E.	p value
Total	47,871	483,554.76	492,349.89	8,795.13	3672.02	.02
Low cultural dissimilarity	37,595	484,424.75	493,552.55	9,127.79	4543.83	.04
High cultural dissimilarity	10,276	480,371.87	487,949.96	7,578.09	4034.45	.06
Low gender dissimilarity	26,735	477,427.66	493,262.76	15,835.10	6112.03	.01
High gender dissimilarity	21,136	491,304.95	491,195.21	-109.75	3064.77	.97
Low age dissimilarity	27,702	526,009.35	538,730.33	12,720.98	4824.18	.01
High age dissimilarity	20,169	425,243.64	428,646.64	3,403	5661.79	.55
Low education dissimilarity	19,111	542,501.99	563,022.37	20,520.38	6866.89	.00
High education dissimilarity	28,760	444,384.37	445,388.08	1,003.71	4065.92	.81
Low industry dissimilarity	17,869	428,659.25	441,151.25	12,492	4230.34	.00
High industry dissimilarity	30,002	516,250.17	522,843.48	6,593.30	5289.65	.21
Low ENT exp. dissimilarity	28,181	525,161.45	536,194.45	11,033.01	5617	.05
High ENT exp. dissimilarity	19,690	424,005.85	429,598.06	5,592.21	3882.29	.15

Table A14: Demographic background of founders interviewed

	Co-Founder 1	Founder 2	Co-Founder 3	Founder 4	Co-Founder 5	Founder 6	Founder 7	Co-Founder 8
Gender	Man	Woman	Man	Man	Woman	Man	Man	Woman
Number of founders	2	1	2	1	2	1	1	2
Number of board members upon founding	2	1	3	2	3	2	3	3
Number of board members during interview	5	3	6	5	5	6	5	5
Venture business	Technical E-sales (B2B)	Social commerce platform	Technical solutions	Web Portal	Social media / networking	Furniture	Tour operator	Fast-food waste recycling app
Venture industry	E-commerce	E-commerce	Technology	Technical Services	Services	Wood production	Tourism	Recycling
Firm age	5 years	3 years	4 years	5 years	8 years	10 years	3 years	7 years
Growth phase	Growing	Growing	Rapidly Growing	Growing	Past growth, now established	Past growth, now established	Growing	Established/ slight decline

Table A15: Demographic background of Board members interviewed

	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
Gender	Man	Woman	Man	Woman	Woman	Woman	Man
Industry Experience	Sales, Utilities, Mining	Health, Tech	Utilities, Energy	Automotive, Logistics, Consulting	Wood, Energy, Logistics	Sales, Furniture, Retail	Agriculture, Food, Logistics
Entrepreneurial Experience	Started 2 ventures	Started 4 ventures	Started 2 ventures	Started 3 ventures	N/A	Started 5 ventures	Started 2 ventures
Education	Vocational	PhD	MSc	BSc	MSc	MBA	BSc
Cultural background	European	Asian	Swedish	Swedish	Swedish	American	Swedish

Appendix Table A16: Interview guide

1. Please tell me a bit about your venture and your own background.
2. Can you tell us a little about today and when you were founded, who was on the board, how many board members there were?
3. Tell us a little about the board's work in general.
4. When you recruit new board members, what do you look for?
5. When you have searched, how have you tried to get in touch with them, through which channels?
6. What would you say are the most important qualities that board members should have?
7. So you can say that you are checking the very important stage that the company is in?
8. Any more examples of who has come and gone on the board?
9. To what degree can it be said that the company's needs and what stage you are in the company influence the type of competence you should have on the board?
10. To what degree would you say that those on the board are different or similar to yourself?
11. Could you tell us a little more about when you think board members should resign from the board? When to change board members?
12. Is there anything else you would like to add, reflections and thoughts?