TRANSPARENCY DIFFERENCES AT THE TOP OF THE ORGANIZATION:

MARKET-PULL VERSUS STRATEGIC HOARDING FORCES

WINFRIED RUIGROK[1]
e-mail: winfried.ruigrok@unisg.ch

DIMITRIOS GEORGAKAKIS[1]
e-mail: dimitrios.georgakakis@unisg.ch

PEDER GREVE[2]
e-mail: peder.greve@henley.ac.uk

[1] University of St. Gallen
Research Institute for International Management
Dufourstrasse 40a
CH-9000 St. Gallen, Switzerland
Tel: (+41)-71-2242448
Fax: (+41)-71-2242447

[2] Henley Business School, University of Reading
International Business and Strategy
Henley-on-Thames, Oxon, RG9 3AU, UK
Tel: (+44)-1491-414-522
Fax: (+44)-1491-571-574

SOURCE: Ruigrok W. Georgakakis D.G. and Greve, P.M. 2014. Transparency differences at the top of the organization: Market-pull versus strategic hoarding forces. In: Oxelheim L. and Forssbaeck, J. (ed.). ***The Oxford Handbook of Economic and Institutional Transparency.*** pp. 371- 386, New York : Oxford University Press. ISBN 978-0-19-991769-3.

Please note that this is the authors' version of a manuscript published in *The Oxford Handbook of Economic and Institutional Transparency*. Changes that have been made to the final published version, including changes resulting from the publishing process, are not reflected in this document.

Abstract

This chapter examines the opposing forces that induce or impede firms to become transparent in terms of their board of directors' (BoD) and top management teams' (TMT) demographic characteristics, education, and experiences. Extant literature on governance transparency often draws on a "market-pull perspective" to emphasize the market-level motives that drive organizations toward rising levels of governance transparency. In this chapter we introduce the "strategic hoarding perspective," which emphasizes the human capital attrition factors that discourage firms to openly report information about their BoD and TMT composition. Our theory and data from 208 large listed firms in Switzerland, the United Kingdom, and the Netherlands for the years 2005 and 2009 suggest that organizations' relative transparency preferences in terms of BoD and TMT characteristics can better be explained based on a combination of market-pull and strategic hoarding perspectives. Implications and directions for further research are discussed.

Keywords

board of directors, corporate governance, human capital, top management teams, transparency

Introduction

Governance transparency has been defined as the degree to which information about board of directors (BoD), top management team (TMT) members, and other corporate governance related features, is available to external observers—such as shareholders, customers, investors, suppliers, and other stakeholders (Bushman et al., 2004). Past work in economics and finance has stressed the importance of governance transparency as a driver of economic growth (Bushman and Smith, 2003; Francis et al., 2003). The governance transparency literature often adopts a "market-pull perspective" of transparency, emphasizing the market-level motives that induce firms to report on their governance characteristics (Bushman and Smith, 2003; Wiseman et al., 2012).

While several studies have shed light on the market-level drivers and benefits of higher governance transparency levels (e.g., Bushman and Smith, 2003; Aerts et al. 2006), a few studies have focused on the disadvantages of governance transparency and the factors that deter transparent reporting on governance related issues (e.g., Admati and Pfleiderer, 2000; Hermalin and Weisbach, 2012). In addition, past research has not distinguished between transparency related to the BoD and the TMT. As BoDs and TMTs are corporate governance bodies with distinct roles in the organization (Daily and Schwenk, 1996), it is likely that there will be different rationales and implications of transparency related to each of these bodies.

In this chapter, we examine the market factors that encourage transparency, as well as the strategic factors that may deter transparency at the top of organizations. We introduce a new perspective that we refer to as the "strategic hoarding perspective" of BoD and TMT transparency. In contrast with the market-pull perspective, the strategic hoarding perspective emphasizes the strategic and human capital attrition factors that discourage companies from being transparent about BoD and TMT members' experience, skills, and characteristics. This perspective highlights the notion that high levels of governance transparency may be accompanied by high levels of human capital attrition. Based on a combination of market-pull

and strategic hoarding perspectives, we build propositions about organizations' relative transparency preferences in terms of BoD and TMT characteristics.

The chapter proceeds as follows. In the next section we describe the two opposing views of governance transparency and develop propositions about transparency pertaining to BoD and TMT characteristics. Using a sample of the 208 largest firms headquartered in Switzerland, the Netherlands, and the United Kingdom over the period 2005–2009, we then provide evidence of governance transparency patterns and trends in the selected European countries. Subsequently, we discuss and explain how most firms have become increasingly willing to report information about BoD and TMT demographic characteristics over time, whereas the willingness to provide information about BoD and TMT members' experience related attributes and education has, in some cases, decreased. Finally, implications for policymakers, business practitioners, and academic scholars are discussed together with directions for further research.

Theory Development

The Market-pull Perspective

The market-pull perspective emphasizes the market level factors that drive firms toward greater levels of governance transparency. At least two market level drivers of governance transparency can be identified. First, institutional forces push firms to become increasingly transparent about BoD and TMT characteristics. DiMaggio and Powell (1983) argued that "isomorphic" institutional pressures, such as regulatory or normative expectations at the market level, drive organizations that operate within the same institutional environment to adopt common corporate reporting practices. Indeed, studies have shown that governance transparency is often a consequence of legal, normative, and mimetic institutional forces that shape organizations in similar ways (Khanna et al., 2004; Aerts et al., 2006). An example of institutional factors that affect BoD and TMT transparency are the quotas and requirements

that several European countries have recently introduced regarding demographic and gender diversity at the BoD level (EU Commission, 2012). Such standards induce companies to report information about the composition and characteristics of their BoDs to show their degree of compliance with institutional expectations regarding BoD diversity.

Second, past research has highlighted the agency factors that compel firms to make information about the characteristics of their BoD and TMT members available to the market. Agency theory upholds that a higher level of governance transparency is associated with lower agency costs and higher market effectiveness (Malkiel, 2003; Bushman et al., 2004; Lazear and Shaw, 2007). By reporting on the characteristics of their BoD and TMT members, firms reduce information asymmetry and signal to the market whether their central corporate governance bodies are equipped with skills and attributes that are a best-fit to the firm's internal and external contingencies (Miller and Triana, 2009; Connelly et al., 2011). For instance, higher levels of governance transparency reduce information asymmetries between principals (e.g., investors or shareholders) and agents (directors) about the ability of the latter to perform their assigned duties.

In summary, the market-pull perspective refers to the institutional and agency factors that increase transparency with regard to BoD and TMT composition. The governance transparency implications of this perspective are expected to be stronger for BoDs than for TMTs because of the former's key role in linking the firm to its external environment and in ensuring that effective corporate governance is in place to protect the interests of various stakeholders.

Proposition 1: Market-pull factors increase the level of governance transparency. These factors have a stronger effect on transparency of BoD characteristics and a weaker effect on transparency of TMT characteristics.

The Strategic Hoarding Perspective

In a recent study, Hermalin and Weisbach (2012, p. 196) characterized corporate transparency as a "two-edged sword" that can offer both costs and benefits to the organization. In this part, we outline how high levels of governance transparency may be associated with human capital attrition costs. Though the market-pull perspective highlights the drivers and benefits of BoD and TMT transparency, it fails to consider the strategic human capital factors that discourage reporting of information about BoD and TMT characteristics. We therefore propose that, in parallel with market-pull forces, strategic hoarding forces affect governance transparency. The strategic hoarding perspective suggests that transparency is associated with rent creation and rent loss in organizations. Makadok (2001) identified two key rent creation strategic mechanisms: (1) resource picking and (2) capability-building. The former refers to the situation in which a firm's core strategy is to "gather information to outsmart the market in picking resources," while the latter refers to the intrafirm mechanisms that organizations use to develop their core strategic capabilities in-house and outperform their competitors (Makadok, 2001, p. 387).

Extant literature underscores the importance of attracting, selecting, and retaining individuals with valuable human capital in their TMTs and BoDs (Hambrick and Mason, 1984; Hillman and Dalziel, 2003; Hambrick, 2007). There are two paths organizations can take to effectively compose their BoDs and TMTs. On the one hand, firms can follow a resource picking strategy by identifying, attracting, and hiring directors from the external labor market. On the other hand, firms can develop their capabilities internally (i.e., a capability-building strategy) by training, grooming, and promoting suitable individuals from the internal ranks of the firm into the upper tiers of management. Such investment in internal development and human capital implies important costs and effort for the organization (Becker, 1964; Straubhaar and Wolter, 1997). This cost and effort will pay off only if internally groomed and trained individuals can be retained within the organization until the

firm has reaped benefits that correspond with its human capital investments (Tsui et al., 1997).

To avoid losses on their human capital investments, firms that follow a capability building strategy will be reluctant to provide information to the market about the characteristics and skills of their executive directors. Detailed information about executives' skills, characteristics, and education will allow competitors that follow a resource picking strategy to identify, attract, and take over a company's most valuable talent. To counteract the potential loss of talented directors, firms will prefer to report less information about their competencies, skills, and other characteristics.

Therefore, based on the strategic hoarding perspective, we propose that firm-level capability-building and investments in the human capital of the internal managerial talent pool discourage corporate transparency pertaining to the skills and characteristics of BoD and TMT members. As the TMT is the central strategic unit responsible for shaping organizational strategy, defining the boundaries of the firm, and navigating the firm's external environment (Hambrick, 2007), we propose that the strategic hoarding perspective has stronger governance transparency implications for TMTs and somewhat weaker implications for BoDs.

Proposition 2: Strategic hoarding factors at the firm level contribute to lower levels of TMT and BoD transparency. These factors have a strong effect on transparency in terms of TMT characteristics and a weaker effect on transparency in terms of BoD characteristics.

Distinguishing Types of TMT and BoD Transparency

To further conceptualize the market-pull and strategic hoarding perspectives, we separate director's characteristics into three main categories: (1) demographics, (2) educational, and (3) experience-related characteristics. To illustrate how BoD and TMT

transparency in these three types of characteristics are materially different, we develop a three-layer "onion model" of governance transparency. As illustrated in Figure 1, the outer layer of this model refers to demographic information about directors. This information is relatively easy to observe, yet of limited value from both a market-pull and a strategic hoarding perspective. Demographic attributes do not provide information to the external market about the skills and managerial abilities of a firm's directors that can be utilized to identify and pick a company's most talented top managers.

INSERT FIGURE 1 HERE

The second layer refers to transparency in terms of educational characteristics such as field and level of education. According to human capital theory, education is a generic skill that is transferable across firms and industries (Becker, 1964; Castanias and Helfat, 1991). Educational characteristics are more closely related to human capital than demographic characteristics (Becker, 1964). Thus, compared to demographic characteristics, we can attribute higher value to educational characteristics from both a strategic hoarding and a market-pull perspective.

The layer at the core of the model refers to experience-related characteristics, that is, skills and experiences that directors have acquired throughout their careers, such as international experience and firm tenure. These characteristics constitute the inner layer of the transparency onion as they are highly job relevant and of high value to the market. These characteristics are direct indicators of an individual's ability to provide access to scarce resources and to perform specific managerial tasks (Castanias and Helfat, 1991). Therefore, transparency in terms of experiential characteristics is arguably more valuable than information about educational and demographic attributes. In Table 1, we outline how the market-pull and the strategic hoarding perspectives have different governance transparency

implications and discuss the advantages and disadvantages of transparency in each type of characteristics based on the market-pull and strategic hoarding perspectives, respectively.

INSERT TABLE 1 HERE

Types of BoD and TMT Transparency: The Market-pull Perspective

From an institutional point of view, transparency about directors' demographic profiles signals to stakeholders whether the focal company complies with social norms and regulatory pressures concerning the presence of underrepresented demographic groups at the TMT and BoD (Miller and Triana, 2009; Connelly et al., 2011). However, transparency in BoD and TMT demographic characteristics offers fewer agency and signaling related benefits compared to transparency in educational and experience characteristics (see Table 1). Whereas demographics are less job-related attributes that are not directly associated with an individual's human capital (Becker, 1964; Pelled et al., 1999), education and experiences are of higher value to external observers. Thus, we expect that to reduce information asymmetries at the market level and signal managerial ability to the external environment, large companies will tend to emphasize the availability of BoD and TMT educational and experience-related attributes rather than demographic characteristics.

Furthermore, transparency of BoD and TMT educational characteristics allows firms to signal to their stakeholders the amount of generic skills in their upper management ranks. At the same time, BoD and TMT educational characteristics are less job specific than experience-related attributes. Transparency in BoD and TMT experience characteristics such as firm tenure and international experience provide more precise information about BoD and TMT members' ability to deal effectively with specific managerial tasks based on their prior work experience. Transparency in BoD and TMT experiential characteristics will therefore reduce information asymmetries more effectively than transparency regarding educational and

demographic attributes. From a market-pull perspective, we therefore expect that to reduce information asymmetries at the market level and signal managerial ability to the external market, firms will be more likely to make information available about experience-related attributes rather than educational and demographic characteristics.

Overall, the market-pull perspective suggests that BoD and TMT transparency in terms of demographic, educational, and experience-related attributes is associated with advantages such as lower information asymmetries and signaling of reputation to the market. These agency and signaling advantages are more pronounced when firms are transparent about experience and educational characteristics rather than demographic attributes. Based on this perspective we propose that transparency in terms of BoD and TMT experiential and educational characteristics offer greater benefits to the market than transparency in terms of BoD and TMT demographic attributes.

Proposition 3: The market values transparency in terms of BoD and TMT experience and education higher than transparency about BoD and TMT demographic characteristics.

Types of BoD and TMT Transparency: The Strategic Hoarding Perspective

On the other hand, the strategic hoarding perspective suggests that information availability about BoD and TMT experiential and educational characteristics will be more disadvantageous for firms than transparency in demographic characteristics (see Table 1). As demographics are not directly job related (Pelled et al., 1999), transparency in this type of characteristics does not provide particularly valuable information to competitors about BoD and TMT human capital.

Meanwhile, transparency in terms of BoD and TMT educational characteristics is more likely to be disadvantageous from a strategic hoarding perspective. This is likely to offer valuable information to competitors about the focal firm’s generic managerial human capital

and thereby promote interfirm mobility of educated executives (Murphy and Zabojnik, 2007; Bidwell, 2011). High levels of transparency in educational characteristics provide information to the market that may affect a company's ability to retain its most valuable human capital over time (see Table 1).

Similarly, transparency in terms of BoD and TMT members' experience characteristics increases the likelihood of interfirm mobility. Costly investments in training and grooming of managerial talent will produce a net positive return to the company only if these individuals can subsequently be retained within the organization (Becker, 1964; Schneider, 1987). As human capital at the TMT level is a resource that organizations compete intensively for, high levels of transparency in terms of BoD and TMT experience may impede the focal firm's ability to remain competitive by failing to retain valuable human capital in-house (see Table 1).

Based on the preceding, the strategic hoarding perspective suggests that firms will be willing to make information available about BoD and TMT demographic characteristics. On the other hand, they will be reluctant to make information available about BoD and TMT educational attributes and, in particular, BoD and TMT experiential backgrounds (see Figure 2). This is not only because demographic attributes are more readily detectable compared to educational and experience-related characteristics, but also because information about demographic attributes is least useful for competitors who attempt to identify and pick the most highly qualified individuals in the external labor market.

Proposition 4: Transparency of BoD and TMT experience characteristics and education is more costly to the firm than transparency of BoD and TMT demographic characteristics.

INSERT FIGURE 2 HERE

DATA AND METHODS

Sample

Our sample consists of the largest stock-listed firms headquartered in three Western European countries with different corporate governance systems: (1) Switzerland, (2) the Netherlands, and (3) the United Kingdom, for the years 2005 and 2009 (see Table 2). To select the largest listed firms headquartered in the three countries, we first ranked all publicly listed companies in these countries based on their market capitalization at the end of the years 2005 and 2009 and then the 100 largest firms from each country were included in our sample provided that they fulfilled the following two criteria: (1) they were not classified as small and medium-sized enterprises (SMEs) based on the European Union's SME classification (i.e., fewer than 250 employees and less than €50 million annual revenues) (EU Commission 2012), and (2) they did not cease operation and were present in the list of the 100 largest firms in both 2005 and 2009. After this filtering procedure, our final sample comprised 208 large European companies headquartered in the three countries. At the company level our final sample consists of 81 Swiss, 59 Dutch, and 68 British companies.

INSERT TABLE 2 HERE

Variables and Measures

To conduct our analyses, we developed three main categories of BoD and TMT characteristics: (1) demographic characteristics, (2) educational characteristics, and (3) experience-related characteristics (see Table 3). First, transparency in demographic characteristics is defined as the proportion of information available in terms of three components: (1) age, (2) gender, and (3) nationality. Second, transparency in educational attributes is defined as the proportion of information in terms of two components: (1) level of education and (2) field of education. Finally, transparency in experience related attributes is

defined as the proportion of information in terms of five components: (1) team tenure, (2) firm tenure, (3) number of countries that an individual has worked in the past, (4) years that an individual has spent in each country, and (5) career length.

Note that the transparency levels reported in this study go beyond the information reported by the companies themselves. Besides information that is made available directly by the company through corporate websites, annual reports, and press releases, there is a wide range of other possible information sources about corporate managers and directors in the public domain. All such information sources in the public domain have been exhausted to gather profile information about BoD and TMT members in this study. This means that the transparency levels presented in this study refer to the availability of information in the public domain as a whole, and not only to the information provided directly by the company itself. By adopting this method, we get a balanced view of the market-pull and strategic hoarding forces that affect the availability of director-specific information in the public domain.

INSERT TABLE 3 HERE

Transparency Patterns at European BoDs and TMTs

Demographic Characteristics. As shown in Table 3, the highest level of information availability was found for directors' demographic attributes. Such information is available more frequently than BoD and TMT educational and experience-related characteristics. This pattern holds for both BoDs and TMTs, even though information about the demographic characteristics of BoD members is even more frequently available compared to TMT members. One explanation may be that demographic characteristics are more directly and easily observable than experience- and education-related attributes, as illustrated in Figure 1. However, a second reason may be that information about BoD and TMT demographic

attributes does not release evidence of directors' human capital and is therefore associated with less human capital attrition risks and potential costs for the firm than information about directors' education and experience.

Educational Characteristics. Transparency patterns in terms of directors` educational attributes are also provided in Table 3. Overall, information about the educational characteristics of directors and top managers is less frequently available than details of demographic attributes but more frequently available than information about experience-related attributes, as predicted by the strategic hoarding perspective (see Figure 2).

There is also more information available about the educational backgrounds of BoD members compared to TMTs. This is in line with Propositions 1 and 2 and may be attributable to the stronger signaling role of BoDs to external observers. By providing information about the educational credentials of BoD members, firms can gain organizational legitimacy. Meanwhile, information about the educational backgrounds of TMT members is less widely available in the public domain. This is in line with the strategic hoarding perspective, as TMT members represent the key human capital resource of the firm. Detailed information in the public domain about these individuals' educational credentials increases the likelihood that educated directors will be poached by competitors, thereby risking a loss on the focal company's human capital investments. Thus, we find a greater reluctance to provide educational information to external observers to reduce the risk of losing the company's key human capital to the external labor market.

Experience Characteristics. Table 3 shows that demographic and educational characteristics about BoD and TMT members are more frequently available than experience-related characteristics. The lower levels of information availability regarding directors' and executives' experiential backgrounds may be due to the high potential value of such

information to other companies in their quest to identify the strongest candidate profiles in the external labor market. As illustrated in Figure 1, transparency in experience-related attributes provides the most valuable information to competitors about executives' skills and experiences, and is therefore likely to trigger human capital attrition costs for the focal organization. Therefore, firms tend to be more reluctant in providing information about this type of characteristics compared to education and demographic attributes.
Furthermore, information about experience-related characteristics of BoD members is more frequently available than for TMT members. As the TMT is the main governance body that shapes firm strategy and performance through the experience of its members (Hambrick, 2007), firms are more reluctant in providing information about the experiential characteristics of the TMT compared to the BoDs.

DISCUSSION AND CONCLUSIONS

This chapter contributes to the extant governance transparency literature in the following ways. First, we propose two countervailing mechanisms that jointly determine the levels of BoD and TMT transparency that we observe in this study. Based on the strategic hoarding perspective we explain why there is reluctance from firms to make information available in the public domain about directors' and managers' backgrounds. As firms are primarily concerned with the potential loss of key human capital to the external labor market, they are particularly hesitant to provide detailed information about top managers' experience-related attributes, followed by their educational characteristics and demographic traits.

Second, our data highlight differences in governance transparency between two key yet distinct governance bodies—the BoD and the TMT. Specifically, our data show that more information is available about the characteristics of BoD members compared to TMT members. Based on a simultaneous consideration of the market-pull and strategic hoarding perspectives of governance transparency, the observed differences between BoDs and TMTs

are attributable to the different roles played by these two units in the governance of firms. Whereas the BoD's primary role is to link the firm with its external environment, the TMT's primary role is to acquire, build, and combine the firm's resources and capabilities, including the human capital held within the TMT itself. As a result, firms allow more information to be available about BoD members' characteristics to reduce market level information asymmetries, whereas they are more reluctant to divulge information about TMT members' backgrounds to external observers due to the human capital attrition risk and the need to retain capabilities built within the firm over time.

Third, this chapter examines governance transparency in terms of different types of BoD and TMT characteristics. We show that more information is available in the public domain about the demographic characteristics of TMT and BoD members than about education and experience characteristics. This observation can be partially attributed to the notion that demographic attributes are less job related and human capital oriented than educational and experience-related characteristics. At the same time, European companies currently face substantial institutional pressure to increase demographic diversity and to transparently communicate their diversity and human resource policy commitments. Thus, we observe that firms are increasingly likely to pay attention to demographic attributes in their reporting. Under these circumstances, the proposition of the strategic hoarding perspective that education and experience will be less frequently reported by companies than demographic attributes appears plausible.

Fourth, our theory and results challenge the notion that BoD and TMT transparency levels tend to continuously increase and converge across European countries over time. Instead, our data suggests that these trends are distinct and follow different paths in each country (see Table 3). While the transparency levels in Switzerland were relatively stable for nearly all three types of characteristics between 2005 and 2009, there was a significant increase in transparency levels in the Netherlands during the same period. In the United

Kingdom, transparency levels decreased for experience related attributes between 2005 and 2009. A preliminary conclusion from this study is therefore that corporate transparency across large firms in these three European countries has rather been diverging than converging in recent years, and depends on the type of characteristics (i.e., demographics vs. education vs. experience characteristics). Despite recent efforts to lay down common standards for BoD and TMT composition in Europe, actual convergence of such practices across Europe is likely to take longer than some may expect.

The arguments and findings of this chapter offer several implications that are relevant for academics, business practitioners, and policymakers. First, while the advantages and drivers of increasing governance transparency have been well documented in the prior literature, the human capital attrition disadvantages of BoD and TMT transparency have yet to be extensively discussed. Therefore, further research in the area of governance transparency should focus not only on the market-pull factors of higher transparency, but also on the strategy- and competitiveness-related factors that make many firms reluctant toward growing transparency levels. While the overarching policy objective is likely to continue to focus on raising corporate transparency levels, it will nevertheless be useful to incorporate the perspective of companies into future models to obtain a full understanding of the overall economic and societal costs and benefits of rising transparency levels.

Though BoD and TMT transparency undoubtedly offer several market and firm level benefits, our model suggests that high levels of governance transparency may also produce some important unwanted consequences. High levels of transparency are beneficial in reducing information asymmetries at the market level, but can also put the sources of a company's competitive strengths (i.e., its most valuable human capital) at risk. Thus, when requiring companies to adopt higher levels of governance transparency, policymakers should also take into account the potential disadvantages that high levels of transparency may entail for companies.

Finally, recent studies have shown how firms that pursue internal development programs and capability building strategies are more likely to attain higher performance outcomes in the long run (e.g., Bidwell, 2011). Other studies suggest that these internal development programs will pay off only if valuable human capital is retained in the focal organization over time (Tsui et al., 1997). As our strategic hoarding perspective suggests, high levels of TMT experience and education transparency will increasingly promote external mobility of executives, thereby allowing competitors to identify and poach key managerial talent. An interesting avenue for further research would be to test whether firms that openly report the detailed experiential and educational backgrounds of their TMT and BoD members experience difficulties in retaining their key talent in-house, and thereby struggle to remain competitive over time.

Acknowledgments

The development of this chapter was partially funded by the Swiss National Science Foundation (SNSF) research grant 100018_140455.

REFERENCES

Aerts, W., Cormier, D., and Magnan, M. (2006). Intra-industry imitation in corporate environmental reporting: An international perspective. Journal of Accounting and Public Policy 25, 299–331.

Admati, A. R., and Pfleiderer, P. (2000). Forcing firms to talk: Financial disclosure regulation and externalities. The Review of Financial Studies 13, 479–519.

Becker, G. (1964). Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education. Chicago: University of Chicago Press.

Bidwell, M. (2011). Paying more get less: The effects of external hiring versus internal mobility. Administrative Science Quarterly 56, 369–407.

Bushman, R. M., Piotroski, J. D., and Smith, A. J. (2004). What determines corporate transparency? Journal of Accounting Research 42, 207–252.

Bushman, R. M., and Smith, A. J. (2003). Transparency, financial accounting information and corporate governance. Economic Policy Review 9, 65–87.

Castanias, R. P., and Helfat, C. E. (1991). Managerial resources and rents. Journal of Management 17, 155–171.

Connelly, B. L., Certo, T. S., Ireland, D. R., and Reutzel, C. R. (2011). Signaling theory: A review and assessment. Journal of Management 37, 39–67.

Daily, C. M., and Schwenk, C. (1996). Chief executive officers, top management teams and boards of directors: Congruent or countervailing forces? Journal of Management 22, 185–208.

DiMaggio, P. J., and Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American Sociological Review 48, 147–160.

Dutch CG Code. (2008). Corporate Governance Codes and Principles. http://www.ecgi.org/codes/code.php?code_id=251

Economiesuisse. (2007). Swiss Code of Best practice for Corporate Governance. http://www.economiesuisse.ch/de/PDF%20Download%20Files/pospap_swiss-code_corp-govern_20080221_de.pdf

EU Commission. (2012). Enterprise and industry. http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=6113&lang=en

Francis, J. R., Khurana, I. K., and Pereira, R. (2003). Investor protection laws, accounting and auditing around the world. Asia Pacific Journal of Accounting and Economics 10, 1–30.

FRC. (2012). The UK Corporate Governance Code. http://www.nonexecutivedirector.co.uk/images/files/UK%20Corporate%20Governance%20Code%20September%202012.pdf

Hambrick, D. C. (2007). Upper echelons theory: An update. Academy of Management Review 32, 334–343.

Hambrick, D. C., and Mason, P. (1984). Upper echelons: The organization as a reflection of its top managers. Academy of Management Journal 15, 514–535.

Hermalin, B. E., and Weisbach, M. S. (2012). Information disclosure and corporate governance. Journal of Finance 67, 195–233.

Hillman, A. J., and Dalziel, T. (2003). Board of directors and firm performance: Integrating agency and resource dependence perspectives. Academy of Management Review 28, 383–396.

Khanna, T., Palepu, K. G., and Srinivasan, S. (2004). Disclosure practices of companies interacting with U.S. Markets. Journal of Accounting Research 42, 475–507.

Lazear, E. P., and Shaw, C. L. (2007). Personnel economics: The economist's view of human resources. Journal of Economic Perspectives 21, 91–114.

Makadok, R. (2001). Toward a synthesis of the resource-based and dynamic-capability views of rent creation. Strategic Management Journal 22, 387–401.

Malkiel, B. G. (2003). The efficient market hypothesis and its critics. Journal of Economic Perspectives 17, 59–82.

Miller, T., and Triana, M. (2009). Demographic diversity in the boardroom: Mediators of the board diversity-firm performance relationship. Journal of Management Studies 46, 755–786.

Murphy, K. J., and Zabojnik, J. (2007). CEO pay and appointments: A market based explanation for recent trends. American Economic Review 94, 192–196.

Pelled, L. H., Eisenhardt, K. M., and Xin, K. P. (1999). Exploring the black box: An analysis of work group diversity, conflict and performance. Administrative Science Quarterly 44, 1–28.

Schneider, B. (1987). The people make the place. Personnel Psychology 40, 437-453.Straubhaar, T., and Wolter, A. (1997). Globalization, internal labor markets and the migration of highly skilled. Intereconomics 32, 174–180.

Tsui, A. S., Pearce, J. L., Porter, L., and Tripoli, A. M. (1997). Alternative approaches to the employee-organization relationship: Does investments in employees pay-off? Academy of Management Journal 40,1089–1121.

Wiseman, R. M., Rodriguez, G., and Gomez-Mejia, L. R. (2012). Towards a social theory of agency. Journal of Management Studies 49, 202–222.

TABLE 1:
Advantages and disadvantages of BoD and TMT transparency: Market-pull versus strategic hoarding perspective

	Definition	**Advantages for the firm (market-pull perspective)**	**Disadvantages for the firm (strategic hoarding perspective)**
Transparency in BoD and TMT demographic attributes	Demographic characteristics (i.e. age, gender, nationality)	• Signaling compliance or lack of compliance with social norms and values about diversity and demographic composition.	• Allow competitors to acquire information about the demographic composition of the focal firms' upper tiers of management
Transparency in BoD and TMT educational attributes	Educational background (i.e. level of education, field of education, university of graduation)	• Signaling to the external environment the educational qualification and specialization of BoD and TMT members. • Reduces information asymmetry between principals (stakeholders) and agents about the latters' educational background.	• Allows competitors to gather information about the amount of generic/transferable skills that executives possess. • Promotes greater external mobility of highly educated executives and may cause losses in human capital to the focal organization.
Transparency in BoD and TMT experience	Experience related attributes (i.e. company tenure, international experience, career length)	• Signaling to the external environment the experiential background of BoD and TMT members. • Reduces information asymmetry between principals (stakeholders) and agents about the latters' ability and managerial potential.	• Increases the ability of other firms to identify and target executive members with valuable human capital. • Drive firms to move from an internal capability building strategy (internal promotion) to a resource picking strategy (external hiring).

FIGURE 1:
The onion model of BoD and TMT transparency

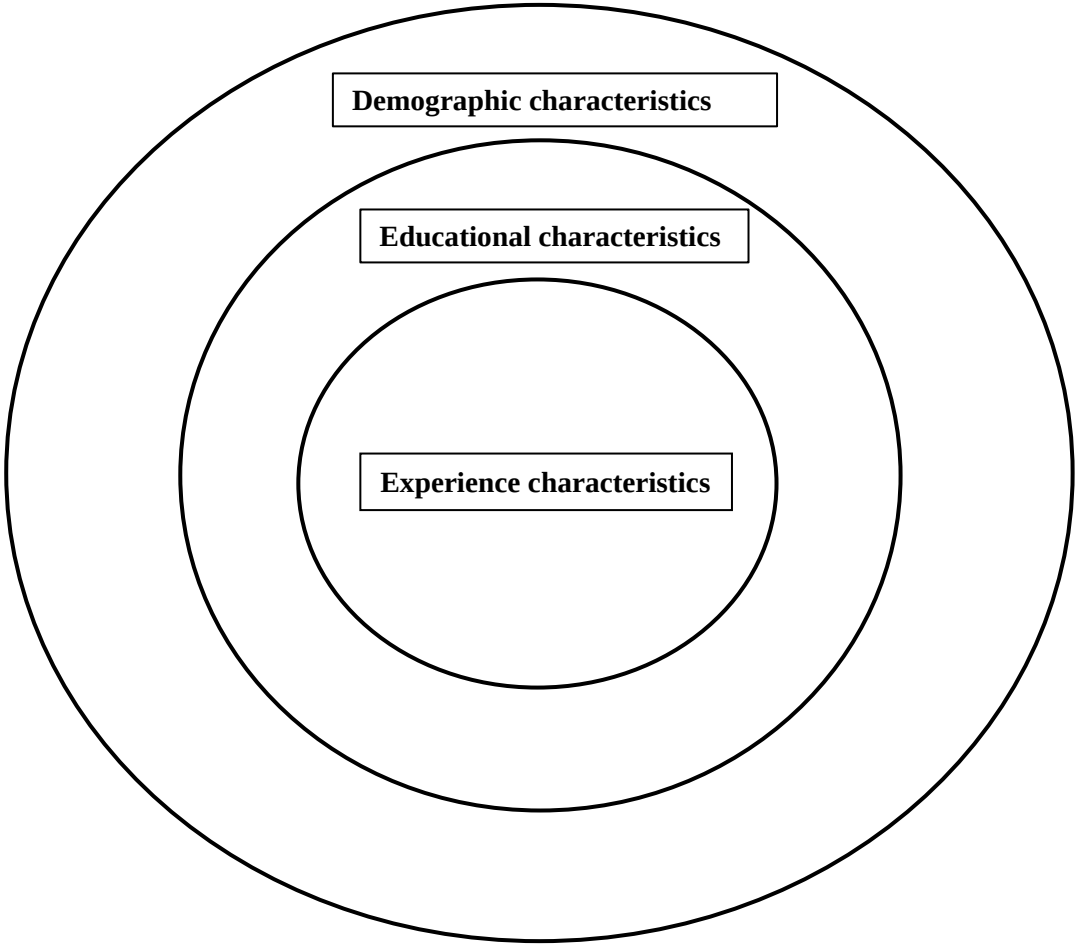


FIGURE 2:
Frequency of different types of BoD and TMT transparency: The strategic hoarding perspective

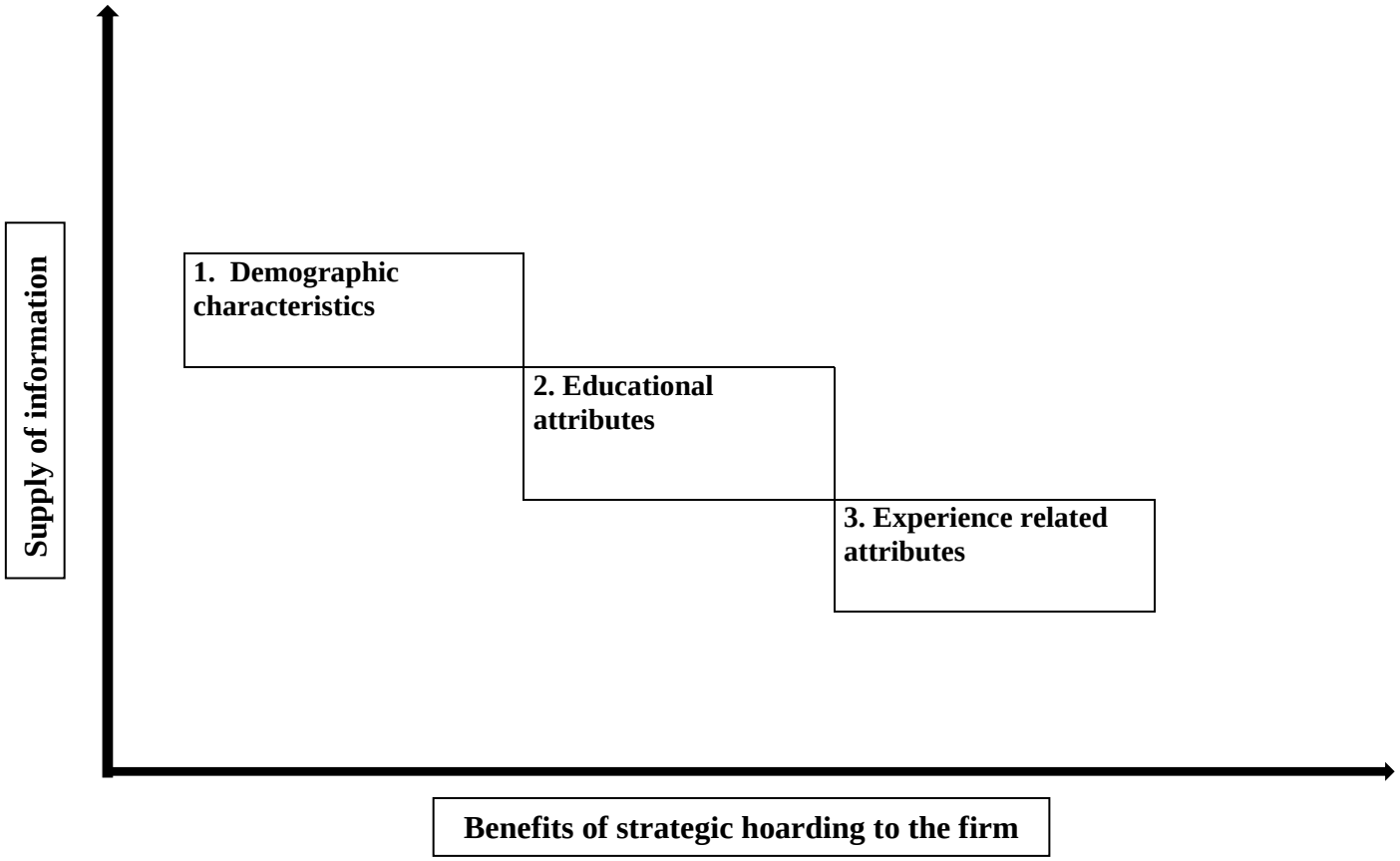


TABLE 2:
Corporate governance in Switzerland, the Netherlands and the United Kingdom

	Legal system	**Governance code**	**Board structure**
Switzerland	Germanic civil law	Swiss code of best practice for corporate governance (Economiesuisse 2007)	Swiss firms can adopt either one-tier or two tier structure. For banks a two tier structure is obligatory.
The Netherlands	French civil law	Dutch CG Code (2008)	Typically two-tier, from January 2013 firms can adopt a one-tier structure
The United Kingdom	Common law	The UK Corporate governance code (FRC, 2012)	One tier structure

TABLE 3
Transparency patterns at European Boards and TMT

	Switzerland				**The Netherlands**				**The United Kingdom**			
	TMTs		***BoDs***		***TMTs***		***BoDs***		***TMTs***		***BoDs***	
Year	2005	2009	2005	2009	2005	2009	2005	2009	2005	2009	2005	2009
Demographic transparency[1]	0.99	0.99	0.99	0.99	0.94	0.96	0.99	0.99	0.94	0.90	0.98	0.98
Education transparency[1]	0.97	0.96	0.97	0.93	0.69	0.77	0.74	0.79	0.51	0.56	0.54	0.68
Experience transparency[1]	0.82	0.80	0.88	0.84	0.67	0.70	0.67	0.75	0.65	0.55	0.71	0.67
N Individual level[2]	542	559	681	685	209	236	331	335	526	520	802	754
N Company level[3]	81	81	81	81	59	59	59	59	68	68	68	68

[1] Numbers indicate proportional information availability for each type of transparency. Proportions are at the individual level.
[2] At the individual level N represents the number of TMT and BoD members respectively. Note that the lower N in the Netherlands is due to the fact that TMT and BoD size of Dutch firms is considerably smaller compared to Switzerland and the United Kingdom.
[3] At the company level N represents the number of companies studies in each country.