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# THE COERCIVE ISOMORPHISM RIPPLE EFFECT: AN INVESTIGATION OF NONPROFIT INTERLOCKS ON CORPORATE BOARDS

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Abstract:

Institutional theorists have long recognized that board interlocks serve as conduits of information, which can facilitate mimetic isomorphism under conditions of uncertainty. In contrast, the potential for coercive isomorphism—which is a response to direct coercion rather than uncertainty—to spread through board interlocks remains unknown. Drawing on the forced compliance literature from social psychology, we propose that coercive isomorphism exhibits a ripple effect, whereby conforming to coercive pressures leads directors to internalize their acquiescence and apply it to the other boards on which they sit. We test this relationship in the context of nonprofit interlocks on the boards of 209 publicly traded U.S. firms between 2010 and 2014, predicting that coercive pressure to minimize overhead in the nonprofit sphere—a phenomenon known as the nonprofit starvation cycle—spreads to corporate boards through nonprofit interlocks, leading the corporate boards to reduce firm investment in intangible assets. We find that this relationship manifests across our sample, but is strongest via interlocks held by powerful directors and in industries characterized by high investment in intangible assets. Finally, we also find that the coercive isomorphism ripple effect ultimately decreases firm value.

Garry D. Bruton (PhD, Texas Christian University) is a Professor of Management at the Neeley School of Business, Texas Christian University. His research interests are at the intersection of entrepreneurship, international business, and strategy. He has published over 100 articles in leading journals such as the Academy of Management Journal, Academy of Management Review, Strategic Management Journal, Journal of Business Venturing, Journal of International Business Studies, and Entrepreneurship Theory & Practice. In addition, he has co-authored three textbooks. He is currently an Associate Editor of the Strategic Entrepreneurship Journal. Previously he was also President of the Asia Academy of Management and former General Editor of the Academy of Management Perspectives and Journal of Management Studies. In 2018, Clarivate Analytics identified Professor Bruton as one of the 96 most cited faculty in the world in all Business & Economic disciplines for research published between 2006-2016.