

Government Board of Director: The Influence of Director Identifications on Human Capital Acquisition and Board Oversight Roles (*Lembaga Pengarah Wakil Kerajaan: Pengaruh Identifikasi Pengarah ke atas Pemerolehan Modal Insan dan Peranan Pengawasan Lembaga Pengarah*)

Sharifah Azlina Syed Anuar
(UKM Graduate School of Business, Universiti Kebangsaan Malaysia)
Noradiva Hamzah
Mohd Mohid Rahmat
(Faculty of Economics and Management, Universiti Kebangsaan Malaysia)

ABSTRACT

Identification is a sense of belonging to particular social groups with similar characteristics or similarly perceived role identities. The strength of an individual's identification is context-dependent and can influence an individual's behavior according to certain expectations. Despite abundant research on board oversight roles, little is known about why board members behave in certain ways due to a lack of literature from a socio-behavioral perspective. This paper explores how identification with social groups and role identities among the government board of directors (GBOD) influence their human capital and board roles. The results, derived from semi-structured interviews of twelve government officials who were appointed to the boards of Malaysian State-Owned Enterprises (SOEs) as government representatives, indicate that different identifications, such as the role of government board of director, corporate director, or both, and identification with the SOE could lead to different perceptions of the importance of human capital and influence their contributions in boardrooms. This study provides empirical evidence for the corporate governance literature from a socio-behavioral perspective and helps government agencies and regulators understand the reasons behind GBOD behavior. Selecting board members based on their human capital may be inadequate, and board members may need training to help them identify their roles and responsibilities as government representatives on the board.

Keywords: Director identification; human capital; board oversight roles; state-owned enterprises; corporate governance

ABSTRAK

Identifikasi adalah rasa kepunyaan terhadap kumpulan sosial tertentu dengan ciri-ciri yang sama atau terhadap beberapa identiti peranan yang dianggap sama. Kekuatan identifikasi individu bergantung kepada konteks dan boleh mempengaruhi tingkah laku individu mengikut jangkaan tertentu. Walaupun banyak penyelidikan mengenai peranan pengawasan lembaga, tidak banyak yang diketahui tentang mengapa ahli lembaga berkelakuan dengan cara tertentu kerana kekurangan literatur dari perspektif sosio-tingkah laku. Kertas kerja ini meneroka bagaimana identifikasi dengan kumpulan sosial dan identiti peranan di kalangan lembaga pengarah kerajaan (GBOD) mempengaruhi modal insan dan peranan lembaga mereka. Dapatan yang diperolehi daripada temubual separa berstruktur dengan dua belas orang pegawai kerajaan yang telah dilantik menjadi ahli lembaga Syarikat Milik Kerajaan Malaysia (SOE) sebagai wakil kerajaan, menunjukkan bahawa identifikasi yang berbeza seperti peranan lembaga pengarah kerajaan, pengarah korporat atau kedua-duanya, dan identifikasi dengan SOE boleh membawa kepada persepsi yang berbeza tentang kepentingan modal insan dan mempengaruhi sumbangan mereka di bilik lembaga. Kajian ini memberikan bukti empirikal kepada kesusasteraan tadbir urus korporat dari perspektif sosio-tingkah laku dan membantu agensi kerajaan dan pengawal selia memahami sebab-sebab di sebaliknya tingkah laku GBOD. Memilih ahli lembaga berdasarkan modal insan mereka mungkin tidak mencukupi, dan ahli lembaga mungkin memerlukan latihan untuk membantu mereka mengenal pasti peranan dan tanggungjawab mereka sebagai wakil kerajaan dalam lembaga.

Kata Kunci: Identifikasi pengarah; modal insan; peranan pengawasan lembaga; syarikat milik kerajaan; tadbir urus korporat

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INTRODUCTION

Agency and resource provision theory have predominantly imposed a board of directors to perform the monitoring and resource provision roles (Fama & Jensen 1983; Hillman & Dalziel 2003; Johnson et al. 1996; Zahra & Pearce 1989), as well as being responsible for strategizing (Aberg et al. 2019; Åberg & Torchia 2020). The complexity of the board functions fosters diversity in the board appointments, such as gender, age, professional and educational backgrounds, inside and outside directors, and functional-industrial experts (Dass et al. 2014; Fernandez-Temprano & Tejerina-Gaite 2020; Tampakoudis et al. 2022; Terjesen et al. 2016). The diversity of board appointments is considered a solid mechanism to expand the board's capacity and proficiency. Although these different individuals may meet several times for the board meetings and can only function as a group on the board, they are the apex of the decision-making of the firms (Fama & Jensen 1983; Pye & Pettigrew 2005) and internal corporate governance mechanisms (Allini et al. 2016; Apriliyanti & Randoy 2019; Cecchetti et al. 2018).

However, it is imperative to acknowledge that not all directors share the same drive to perform their complex and demanding board functions. The board is composed of individuals with different professional and educational backgrounds who are likely to view the board role as a full-time job, such as inside directors, or as a part-time position for outside directors. Outside directors may view their board function differently as they possess other professional jobs besides being the board of directors of the focal firms, spend less time focusing on the focal firm's issues, have limited interactions with the other directors and management, and have inadequate board experiences (Bankewitz 2018; Bezemer et al. 2018; Shin & You 2022; Veltrop et al. 2018; Yildiz et al. 2023; Yoo & Koh 2022; Zhu & Yoshikawa 2016).

An emerging concept suggests that the strength of identifications with specific role identities or social groups influences the extent to which they perform their board oversight roles (Hambrick et al. 2015; Hillman et al. 2008; Shin & You 2022). According to the theories, the behavior of an individual, such as a board of directors can be predicted by examining their strength of identification to their perceived role or social groups. Thus, it appears that understanding how directors perceive their roles and social groups inside the boardrooms is crucial because identification could influence their board oversight role performance. These developments are responding to several calls (Bezemer et al. 2023; Boivie et al. 2021; Daily et al. 2003; Huse 2005; Huse et al. 2011) for more in-depth analysis and understanding how directors enact their board roles by directly interacting with the board of directors rather than depending on inferences through external data that are usually rooted in financial reports.

Current trends suggest that director identifications with specific role identities, such as the CEO (Jonsdottir et al. 2015; McDonald & Westphal 2010; Zhang et al. 2020) and a corporate director (Huang et al. 2022; Shin & You 2022; Yoo & Koh 2022), organizations (Clements et al. 2018; Veltrop et al. 2018; Zhu & Yoshikawa 2016), shareholders (Guerrero et al. 2017; Melkumov et al. 2015; Zhu & Yoshikawa 2016), and stakeholders (Adams et al. 2011; Capezio et al. 2014; Melkumov et al. 2015) present mixed findings on the influence of director identifications with their board oversight roles. Scholars found that within the same context (i.e., state-owned enterprises, non-profit organizations, public listed companies), directors who identified with different identifications (i.e., identification with the role of a government director, identification with the role of stakeholders and shareholders, identification with the role of a CEO, identification with the organizations) behave differently. For instance, some of the directors are found to be lacking in their monitoring role and become friendly with the management, weakening the overall cohesiveness of decision making, while others monitor thoroughly, positively affecting the firm performance. The inconsistent outcomes from the previous studies can be explained by the strength of the director's identification and contextual dependence. In other words, although the directors may similarly identify with the same role or social groups, the effects of their board oversight roles may differ according to the strength of the identification. On the other hand, directors within the same context could also behave differently in their board oversight roles because of contextually relevant factors.

Additionally, one of the aspects that received little attention is the essence of human capital acquisition, which could explain the inconsistent outcomes as not all directors have the same perception on how they should perform their board tasks (Khanna et al. 2014; Kor & Misangyi 2008; Kor & Sundaramurthy 2009; Volonte & Gantenbein 2016), and one possible explanation is the various identifications of the directors (Elms & Nicholson 2020; Elms & Pugliese 2023; Murphy & Watson 2022). The board functions heavily involved with participating with the board discussions, which requires extensive knowledge (Forbes & Milliken 1999; Hambrick et al. 2015). However, outside directors may have difficulty with grasping the required knowledge if they do not utilize the board meetings to engage fruitful information exchange between the other board members and management, weakening human capital acquisition, and thus exhibit abridged board commitment (García-Ramos & Díaz 2021; Masulis & Zhang 2019).

Therefore, within the same premises that contend that the strength of identifications can influence the board oversight roles performance and human capital acquisition, this study examines the following: (1) how GBOD perceive their identifications, and (2) how their identifications can influence their human capital acquisition and board oversight roles. GBOD are significant in corporate governance mechanisms in Malaysian SOEs as they represent the government and are entrusted with duties to protect the government's interests. Thus, with the

continuous audit findings and scandals revolving around the Malaysian SOEs, it is imperative to examine the effects of identifications on their oversight roles. In view of the infancy of the research topic and the nature of the research questions, semi-structured interviews were conducted with twelve government boards of directors of various Malaysian State-Owned Enterprises (SOEs). The findings revealed that the government boards of directors have different identifications amongst themselves, and these significant differences influence how they perform their expected board oversight roles. Their perceived identifications also became evident in how they exerted themselves toward acquiring related human capital needed for their board functions.

This study demonstrates the importance of understanding the identifications influencing governance behaviors and identifies state ownership as a significant but understudied context. It presents evidence that supports how director identifications affect their conduct inside the boardroom and acknowledges that their behaviors are contextually influenced by the social structure within the boardrooms. It enriches corporate governance literature, specifically revolving around the government board of directors and how their identifications affect their expected board functions in the Malaysian SOEs. It extends the body of research by arguing that director identifications also influence human capital acquisition. Practically, this study contributes to the relevant government authority responsible for board appointments by providing evidence to improve the appointment criteria and training program.

This paper proceeds as follows. The next section outlines a literature review that positions identity and social identity theories as the foundation of this research. The following section presents the methodology, results, managerial implications, and conclusions.

LITERATURE REVIEW

DIRECTOR IDENTIFICATIONS WITH ROLE IDENTITY AND SOCIAL GROUPS

Identity theory answers the question “who am I” and implies social roles and behavioral expectations (Stryker 1980). The identification of social roles is multidimensional and meaningful, with each role distinguished by specific behavioral expectations of society. Individuals are likely to behave based on the most salient role. Thus, they may behave differently in the same context based on their different roles or the different meanings within the same roles (Ashforth et al. 2001; Hogg et al. 1995). Individuals’ self-esteem greatly increase when they successfully perform their role as expected (Callero 1985).

Alternatively, social identity explains how individuals perceive themselves through their membership in social groups, usually through the perception of an in-group and an out-group. Categorization into these groups emphasizes differences by defining “who I belong to” and “who I do not belong to” (Tajfel 1974; Turner & Reynolds 2010). Individuals categorize themselves based on the values they share with the in-group. As a result, their self-esteem and self-worth are also enhanced, making them feel prestigious, and they are compelled to differentiate themselves from the out-group. Identification with the in-group often leads to the stereotyping of out-group members. Ashforth and Mael (1989) claimed that, based on social identity, the sense of belonging to a social group is central to the feelings of individuals associated with an organization and their role within it. Their sense of belonging deepens the values, beliefs, norms, and stereotypical characteristics of the social group (in this case, the organization) so that its members have a similar image. Thus, the stronger the individuals identify with their social group (i.e., the organization), the more their behavior is influenced.

Identity and social identity theories believe in multiple identifications. Thus, an individual can identify themselves with multiple roles at one time, such as a father and a director of a company, and identify themselves with a political party, an organization, and an elite group at the same time. In other words, an individual may have multiple roles and belonging to a specific social group does not preclude belonging to another social group. Nonetheless, the strength of the multiple identifications is contextually dependent; conflicting identifications may entice interference, while some may benefit from concurring identifications (Ashforth et al. 2001).

Emerging research suggests that directors who strongly identify with the organization increase their monitoring tasks (Capezio et al. 2014; Golden-Biddle & Rao 1997), although several researchers suggest that longer tenure could potentially dampen the task (Clements et al. 2018; Melkumov et al. 2015; Veltrop et al. 2018). In a similar context to this study, Zhu and Yoshikawa (2016) examined the dual identifications of the government representatives on board of the Chinese SOEs and found that government directors who strongly identify with the SOEs choose to be more lenient with their monitoring tasks, while their colleagues who sit on the boards of private firms perform fairly in their monitoring and resource provision roles.

Family founders and lone-founder directors tend to exert control over their companies by appointing directors within their network and using them as an extension of themselves. Indeed, directors who are family founders tend to appoint directors with the same values and priorities who prefer prioritizing family ownership and control as well as the family business’ image and prestige; and likewise for lone-founder directors (Cannella et al. 2015). Strong identification with the role of the director, who is also the first son, has been shown to affect organizational performance and lead to fewer strategic decisions, as such directors strongly protect family values.

In contrast, identification with the role of the director who is not the first son leads to strategic organizational decisions and promotes governance practices (Yoo et al. 2014).

As identification can be multi-faceted, it can also exist within the in-group that is potentially broken into smaller groups based on their demographic attributes such as gender, age, race, and family surname, which negatively affect the cohesiveness in decision-making activities inside the boardrooms (Kaczmarek et al. 2012b; Shin & You 2022; Vandebeek et al. 2021). Several identifications that developed from the information fault lines, such as the director's types of knowledge, their independence, tenure, and primary job, positively influence their strategic decision making (Elms & Nicholson 2020; Shin & You 2022). Female directors and minority directors tend to participate actively in board discussions (Jonsdottir et al., 2015), achieve fewer acquisitions (Chen et al. 2016), and strategically nominate new board members among themselves (Kaczmarek et al. 2012a) due to the strength of their respective roles that demand them to overcome their stereotyped perceived behaviors.

Some scholars suggest that a CEO who has weak or no social networks may not receive assistance from the board if they are not strongly identified with the other CEOs, the elite group in the corporate world (McDonald & Westphal 2010), and a director with a similar surname who strongly identifies with the CEO is likely to increase agency costs (Zhang et al. 2020). Previous studies also suggest that strong identification with stakeholders influences the strategic decisions of employee-elected directors (Adams et al. 2011), while identification with shareholders does not influence monitoring tasks (Guerrero et al. 2017).

These insights suggest that the strength of identifications influences directors' behaviors toward their board oversight roles, either positively (i.e., increase monitoring tasks, promote practices of governance, and exercise strategic decisions) or negatively (i.e., minimize monitoring activities, ignore business strategic decisions, and decrease cohesiveness in board decisions). When there are multiple identifications, coinciding identifications usually demonstrate positive effects, while contradicting identifications produce negative effects.

In this research context, the GBOD is likely to identify with several roles, some pre-existing such as their role as a government official, or contextually subsequent such as a corporate director. The GBOD is also likely to identify with the government, the SOEs, or the management. Therefore, the researchers posit that GBOD are likely to identify with several identities and social groups within the boardrooms, which affects their board oversight roles.

HUMAN CAPITAL OF THE BOARD OF DIRECTORS

As the apex of the decision-making process, the board must be equipped with appropriate human capital to effectively perform its oversight function (Forbes & Milliken 1999; Hambrick et al. 2015; Hillman & Dalziel 2003; Yoshikawa & Hu 2017). As an outside director, government officials on board may have difficulties grasping the overall board discussions, which may involve specific knowledge such as SOE-related knowledge (e.g., the establishment acts, SOE and industry-related current issues, and financial and account systems), as they have limited time spent on the board tasks compared to their full-time job in the office (Hambrick et al., 2015; Kim et al. 2014; Kor & Sundaramurthy 2009). Additionally, not all government officials appointed could master government-related knowledge (e.g., government policies, procedures, rules, and regulations) prior to their board appointment due to different working experiences. Both situations could potentially hinder their ability to effectively perform their board oversight roles. Therefore, it is imperative to note that their willingness to acquire human capital may also be influenced by their identifications since human capital is an essence of the identification, that is, the content of identity, which helps an individual embrace the attributes associated with the specific identification to a role or social group (Ashforth et al. 2008; Caprar et al. 2022). Through the lens of identity and social identity theory, the researchers contend that director identifications with any role, identity, or social groups could potentially influence their perceptions of human capital acquisition too.

METHODOLOGY

This research employs a qualitative approach to understand how directors interpret their identification and how it influences their human capital and board oversight roles. The selection of informants is constructed based on purposive sampling, as researchers are interested in gaining information from specific informants. Semi-structured interviews were conducted with twelve government officials who were appointed to the boards of Malaysian State-Owned Enterprises (SOEs) as representatives of the government. The interviews were conducted from 2021 to 2022, during the COVID-19 pandemic, and researchers faced several challenges, including the disease infection, potential informants retiring, and declines for the interviews. However, through recommendations by the initial informants, twelve interview sessions were successfully done within that period in their office, which provided a familiar and comfortable setting. All informants are considered non-independent non-executive directors because they have direct links with the government, which has an interest in the SOEs, and at the same time are not part of the management. On average, the interviews lasted up to 120 minutes and followed the same protocol for each of the informants. The interview protocols also included open-ended and probing questions to

gain more individual insight from each of the informants. All interviews were audio-taped and transcribed into Word documents.

The data collection concluded with twelve informants as it had reached the saturation point, that is, when there were no new themes generated from the interviews (Das et al. 2018; Jassim & Whitford 2014). Then, the Word documents were imported to Atlas.ti to identify and organize emerging themes to answer the research questions. These steps are crucial to ensure that the researchers remain unbiased and open for new and unexpected themes. A summary of descriptive attributes of the informants is presented in Table 1.

TABLE 1. Descriptive attributes of the informants

Informants Code	Gender	Age Group	Levels of Education	Working Experiences	Types of Government Organization	Types of SOEs	Industry
INF_1	Male	51-60	PhD	More than 25 years	Central Agency	GLC	Telecommunications
INF_2	Male	51-60	Masters	More than 25 years	Ministry	FSB	Construction
INF_3	Male	51-60	PhD	More than 25 years	Central Agency	GLC	Natural Resources
INF_4	Male	41-50	Masters	16-20	Central Agency	FSB	Agricultures
INF_5	Male	51-60	Masters	More than 25 years	Central Agency	SSB	Social-economy Development
INF_6	Male	41-50	Masters	16-20	Central Agency	GLC	Transportations
INF_7	Female	41-50	Masters	21-25	Central Agency	FSB	Rural Development
INF_8	Female	41-50	PhD	16-20	Central Agency	GLIC	Telecommunications
INF_9	Female	41-50	Bachelor's degree	21-25	Central Agency	FSB	Rural Development
INF_10	Female	51-60	PhD	21-25	Central Agency	FSB	Finance
INF_11	Female	51-60	Masters	21-25	Ministry	GLIC	Natural Resources
INF_12	Female	41-50	Masters	21-25	Ministry	SSB	Social-economy Development

Legend:

GLC: Government-Linked Company; FSB: Federal Statutory Body; SSB: State Statutory Body; GLIC: Government-Linked Investment Company

FINDINGS

The results are reported according to the themes emerging from the data analysis to answer the research questions. The first component of the study is to identify the perceived identifications among the government officials, and the second part is to explore how their identifications influence their board oversight roles and the acquisition of human capital. Thus, this section is arranged according to the emerging themes based on the following research questions: (1) how GBOD perceive their identifications, and (2) how their identifications influence their human capital acquisition and board oversight roles.

HOW GBOD PERCEIVES THEIR IDENTIFICATIONS?

First, the findings for the first components of the research questions reveal that five of the twelve informants (Informant 1, 2, 8, 10, and 12) strongly identified with the role of a government board of directors (GBOD). Informants repeatedly conveyed their identifications and believed that their appointments to the Malaysian SOEs were to protect the government's interests and emphasize their accountability to the government. They have a strong sense of belonging to the government. They answer the question of who I am, which is a GBOD. For instance:

I take pride in being a government representative in the boardroom. I am a government board of directors above anything at all... I represent them (the government) well and protect their interests. Therefore, the minister preferred to call me directly regarding matters related to this SOE_1 rather than calling the secretary general. I feel honored to be recognized in such a way. It confirms my identification, that is as a government board of directors. [Informant 1]

I feel responsible for the government I represent. This is very important; it reflects whom I am accountable to; it is a duty to protect the government's interests. I strongly believe that I identify with the role I am entrusted, that is as a government board of directors... [Informant 2]

As GBOD, I think all of us on board share the same mission. We should be able to protect the government's interests... As for accountability, I feel I am accountable to the government because I was appointed by the office...

I am after all the government representatives; I was selected to protect the government's interests. Thus, I must perform my role as a GBOD. [Informant 8]

... Because of all these factors, I can very much identify with GBOD's role. GBOD's role is very clear, which is to protect the governments interests no matter what. [Informant 10]

... I always embrace my role as a government representative on the board, and to answer your question: I identify most with the role of a GBOD [Informant 12]

Three of the twelve informants (Informant 4, 6, and 11) strongly identified with the role of a corporate director. They emphasize a sense of belonging with the other corporate directors, which helps them communicate and create a comfortable environment for them because of the shared values, especially within similar age groups. The sense of belonging with the other corporate board members liberates them from their duties as government officials and triggers a sense of independence that allows them to express their opinions during board meetings. For instance:

Not all officers at my level are appointed to the board, so it boosts my self-esteem a little bit. It feels very prestigious to be appointed to the board when you know that some of your colleagues do not have the same opportunity. So, honestly, I strongly identify myself more as a corporate director... The other GBODs are very senior, some of them are secretary generals, so it is hard to get along with them. I prefer to work with the other, younger board members. It's easier for me to communicate with them, I am under less pressure, and I think we have the same ideas about the SOE. Thus, as I mentioned before, I strongly identify myself as a corporate director, not a GBOD. [Informant 4]

I feel honored, privileged, and humbled by this appointment because I am younger compared to the other government representatives. I feel that my appointment is on an individual basis and has nothing to do with my office. Therefore, I see myself as a corporate director rather than representing the government [Informant 6]

I feel that all board members are the same, that is, we come together first as a board, we are in the same boat. When you work frequently with a particular group of people, you tend to understand them better, and somehow you see what the commonalities are between us. For example, we are professionals who have the authority to make decisions for this SOE, so we are indirectly connected. I bet people outside the board don't understand that feeling because they are not there. So, I think we have the same goal, so the bond is there, and when you are with them, you feel like you belong to the corporate world. I am part of them, so I define myself more as a corporate director rather than a GBOD. [Informant 11]

On the other hand, three of the twelve informants (Informants 5, 7, and 9) identified strongly with the SOEs. Not only do they feel a sense of belonging, but by becoming board members of the SOEs, they also feel privileged to be recognized by top management and to have responsibilities other than their official duties. An interesting observation is that of the other informants, these informants have been on the board the longest. For instance:

When I am in board meetings, I feel like my focus has shifted, it's different than the tasks I have in the office. I feel differently with the other government representatives. We work as a team because we know we have different responsibilities as board members. We have been given the responsibility to oversee and move the SOE forward. Although I am appointed by my position in the office, I strongly identify with the SOE when I am in the board meeting. And I feel that this SOE has a vision that I believe in, and it gives me a positive image and privileges. [Informant 5]

I strongly identified with this SOE_7 because I have been on the board for more than three years. I feel like I know SOE_7, that I share its vision and values... I am proud that I am representing SOE as a director. I know that my position is important, being a board member, you have the power to steer the SOE towards the national agenda, as what it is mandated for and its goals. [Informant 7]

I'm happy because every time there's a board meeting, I feel like I am home because I belong there. Most of the board members are from the State Y. I'm proud of my appointment, it's like a recognition for a woman who comes from this state and can give back to the state. I feel like the success of this SOE is partly due to my contribution. I can assure you that I feel more like a part of the SOE, I identify strongly with it (SOE) rather than any role I am. [Informant 9]

Finally, one of the twelve informants (Informant 3) displayed strong dual identifications with the roles of a government board of directors and a corporate director. He insisted the following:

I feel honoured because I am representing the office, means that you bring the flag of the ministry and the government. And it means that you have to bring value to the board that you are in. so I feel proud honoured and proud. And to be appointed in this board, meaning it is because of my expertise, they need me to be in this SOEs. I don't think that there is any government officer that has the same expertise as mine. So, there is strong reason why I am being appointed to this specific SOEs. And when I am with the other board members, I feel we are in the same group, it is like we breath the same air. Thus, I feel obligated to the board too. So in a way, I identified myself with the government as well as the board. I am representing the government and at the same time I am a board member. [Informant 3]

The informants' detailed descriptions describe how the GBOD perceive their identifications. Those who feel a strong sense of accountability to the government identify strongly with the role of a GBOD and are likely to fulfill the role expected of them as government representatives in boardrooms. Informants who strongly identify with the role of a corporate director express their insights by expressing a desire to separate themselves from the role of GBOD because the role of a corporate director most strongly defines their identity when they are in the boardroom. Nevertheless, informants who strongly identify with SOEs believe that SOEs give them a sense of belonging, that they share the same vision and values, and that the SOEs' success is theirs as well. These results support the notion that when there are multiple identifications, the strongest identification influences behavior. For informants with dual identifications, i.e., strong identification with the role of a GBOD and a corporate director, the alignment of these identifications is likely to have positive effects on their behavior. In other words, there are positive spillover effects when the identifications are congruent.

HOW CAN THEIR IDENTIFICATIONS INFLUENCE THEIR HUMAN CAPITAL ACQUISITION AND BOARD OVERSIGHT ROLES?

From the analysis, there are two types of human capital that have been heavily discussed, namely government-related knowledge and SOE-related knowledge. Government-related knowledge basically covers the government policies, procedures, rules, and regulations, while SOE-related knowledge is about the SOEs' establishment acts, which define the objectives of the SOEs and related laws that govern the SOEs, and SOE and industry-related issues such as audit findings and current issues.

However, informants have different views on the importance of acquiring both types of knowledge. For example, informants who strongly identify with the role of a government board of directors (Informants 1, 2, 8, 10, and 12), have a solid identification with SOEs (Informants 5, 7, and 9), and have dual identification (Informant 3) were found to believe that both types of knowledge are important for them to perform their oversight role. The GBOD and informant with dual identifications believe that both types of knowledge are essential for them to perform their oversight roles (i.e., monitoring, resource provision roles, and strategic planning) so that all discussions or decisions inside the boardrooms have been considered within the parameters of government policies, rules and regulations, and the SOEs' needs and requirements.

Meanwhile, informants who strongly identify with the SOEs perceived that acquiring government-related knowledge is as important as the SOEs-related knowledge, as they wanted to appear as resourceful as they could to the SOEs. They are likely to use the government-related knowledge to provide internal resources such as budget applications, government policies that bring advantage to the SOEs, and linkages to other government agencies.

In contrast, informants 4, 6, and 11, who strongly identify with the role of a corporate board member, tend to emphasize SOE-related knowledge acquisition. Their views are in accordance with their strong identification with the role of a corporate director, which they believe is more important to polish their corporate image. They choose to ignore the government-related knowledge because they believe that the other GBODs on board are likely to pursue it.

Their identification not only influences their acquisition of human capital but also their perception of the board's oversight roles. Informants who strongly identify with the role of a GBOD believe that it is important to acquire both types of knowledge and show a high willingness to perform the tasks of monitoring, provision of resources, and strategic planning. However, informants with a strong identification with the SOEs who are also willing to continue acquiring both types of knowledge only prefer resource provision as their primary board function.

Informants who strongly identify with the role of a corporate director and emphasize more on SOE-related knowledge admit that they are only interested in the role of resource provision. One particular finding that caught the researchers' attention is that the informant with dual identification sees the importance of continuous learning of both types of knowledge and underlines the importance of monitoring, resource provisioning, and strategic

planning. The findings on this second component of the research questions are presented with snippets of quotations by the informants in Table 2, while Table 3 summarizes the overall findings based on the research questions.

TABLE 2. Supporting data for second components of the research question

Identifications	Acquisition of Human Capital	Board Oversight Roles
Role of a Government Board of Director (GBOD)	As government servants, we are answerable to the Parliament, the audit, and the public account committee (PAC). The private sector would not be able to understand and execute any government related decisions on this SOE. It is also important to be on the board because we must ensure the SOE fulfils the national agenda... Because of this, I take pride in being a government representative in the boardroom, and to do so, I must not stop from learning and improving my human capital. So, I must be well-equipped with everything related to the programs. I am one of the pioneers in this program on the government side. It is important that the GBOD has comprehensive knowledge, especially about the national agenda. How will you monitor the program if you do not know it? Besides, the GBOD must also be an expert on the SOEs. You should not limit yourself to your office work, but at least have a basic knowledge of the SOE, especially their financial situation. I have met a GBOD who does not even know how to read a financial report. How, then, is he supposed to do his job? [Informant 1]	Sometimes, I sleep until two-three in the morning to read the papers. I need to check on the procedures. Are they following? Where are the loopholes? I am sitting on board as a GBOD, so I know I cannot go with my bare hands. I am confident that I could perform my monitoring role because I have mastered both types of knowledge. The rest of the functions (i.e., resource provision, strategic planning) also can be tackle easily. [Informant 1]
Role of a Corporate Director	I chose to improve my knowledge about the company SOE because I feel that it is necessary, because I believe in the values of the company and because it also gives me a positive image as a corporate director. I don't feel it is necessary for me to learn more about government-related knowledge because I strongly believe that the senior GBOD should be able to advice on government procedures. [Informant 4]	As I strongly identify with the role of a corporate director, I believe my role is to provide resources and strategies. I am part of the central ministry and have access to funding, special authorization from the minister for procurement, and of course my network with some central agencies. The evaluation and monitoring tasks are not mine, although I know that is expected of me. [Informant 4]
Identification with the SOE	It is true that the other board members expect us (GBOD) to be experts in government knowledge. But it is not true that we (GBOD) are experts in the field, because not all of us can hold a position that requires us to learn relevant knowledge. Some of us may have extensive experience in basic government-related knowledge such as finance, human resources, and administration, but some of us, like me, do not. Because my office experience is more related to environmental development planning, which is related to the SOE, so, I do not feel that I must acquire government-related knowledge. It is more important to be experts in the SOE-related knowledge because it can contribute more to the SOE. [Informant 5].	When I am in (board meetings), I feel like my focus has shifted, it's different than the tasks I have in the office. I feel differently with the other GBOD...I strongly identify with the SOE when I am in the board meeting. And I feel that this SOE has vision that I believe in, and it gives me a positive image when I could give input specifically anything related to the SOE-related knowledge. [Informant 5]
Dual Identifications (role of a government board of director and corporate director)	I am representing the government; at the same time, I am a board member. So in my opinion, as a GBOD, I should bring value add to the SOEs. Values in terms of knowledge, skills and experience I gained from the office (government-related knowledge). I brings the government's image. At the same time, I am one of them too (board members). So as a board member, I feel that I have the independence or some discretions in how should I behave. Apart from government policies and rules, I could also have my opinion on certain issues based on my understanding of the SOE-related knowledge. If you have the necessary knowledge, you can improve your skills and learn from your experiences. As for me, I am an expert in this field, and combined with my other knowledge, skills, and experience, I can participate in discussions very confidently. [Informant 3]	I usually wear the government board of director's hat when I am doing activities that involve oversight, such as evaluating proposals, reading documents and reports. But when I am in strategy mode, I automatically wear the other hat (corporate director). So, because I continuously acquire both types of knowledge, I can easily switch my role from being a GBOD to a corporate director or the other way around. [Informant 3]

TABLE 3. Summary of findings

Who Am I (Identification to the role identity) or Whom I belong to (Identification with social groups)	Acquisition of Human Capital (Government-Related Knowledge or SOE-related Knowledge)	Influence on Behavior (Board Oversight Role)
Government Board of Director	Government-Related Knowledge SOE-Related Knowledge	Monitoring Resource Provision Role Strategic Planning
Corporate Director	SOE-Related Knowledge	Resource Provision Role Strategic Planning
SOE Identification	Government-Related Knowledge SOE-Related Knowledge	Resource Provision Role Strategic Planning
Dual Identifications	Government-Related Knowledge SOE-Related Knowledge	Monitoring Resource Provision Role Strategic Planning

DISCUSSIONS

The research began with the reflection that while outside directors, such as the government board of directors, are generally critical to corporate governance, relatively little is known in the corporate governance literature about how the identification of outside directors may influence their human capital acquisition and board oversight roles. Accordingly, this study was developed to expand the understanding of how the identification of government officials on the board of Malaysian SOEs with role identity and social groups may influence their perceptions of the importance of human capital and their board oversight role.

First, the researchers uncovered that government representatives on board of Malaysian SOEs have different senses of belonging that situated their identifications. They can have strong identification with the role of a government board of directors who represent the government and are entrusted with the duty to protect the government's interests. There is also a likelihood that they strongly identify with the role of a corporate director that advances their personal views rather than the government's. Government officials on board could also strongly identify with the SOEs, who usually have sat on the board longer than anyone and have a deeper understanding of the SOEs' mission and a rooted sense of belonging. Government officials on board are also likely to experience dual identifications, that is, with the roles of a government board of directors and a corporate director.

Second, the results also suggest that because government officials strongly identify with the role of a government board of directors, they feel accountable to the government and have a strong desire to protect the government's interests by performing the monitoring role as their primary board role, followed by resource provision and strategic planning. They have shown that the continuous acquisition of human capital, consisting of government- and SOE-related knowledge, is the essence of an effective government representative on the board. Their behavior is consistent with role identity theory, which provides insight into how their perceived identity as a government board of directors and their perceptions of their responsibilities determine their human capital acquisition and how they should perform their oversight roles that correspond to the perceived identity (Callero 1985; Stryker 1980; Zhu & Yoshikawa 2016). In other words, each identity should match their behavior.

This statement is also supported further by the findings of government officials who identified with either the role of a corporate director or SOEs and prefer to perform resource provision and strategic planning roles rather than monitoring tasks. It is understandable that when conflicting identifications occur and compete, the strongest and most contextually relevant identification triumphs and influences their behavior (Ashforth et al. 2008; Ashforth et al. 2001). In this context, government officials feel that the role of a corporate director or the SOE provides the most sense of belonging to them. Thus, even though they have a pre-existing role identity, that is as a government official, when there are conflicting identifications (i.e., government officials and corporate directors), the strongest identification will have the most influence on their oversight roles. Their human capital acquisition behaviors are influenced by these identifications. Those who strongly identify with the role of a corporate director seek SO -related knowledge enhancement because they want to embody the persona of a corporate director, while those who strongly identify with SOEs prefer to enhance both types of knowledge to contribute to board meetings, whether from the perspective of government or the requirements of SOEs. A dual-identification informant will use his or her judgment of contextual relevance and strength of identification to decide how to act, especially in relation to board oversight functions (Ashforth et al. 2001; Hillman et al. 2008; Zhu & Yoshikawa 2016).

THEORETICAL AND MANAGERIAL IMPLICATION

This study contributes to the literature on corporate governance, particularly to the understanding of board behavior from a socio-psychological perspective. Most of the existing literature has focused on demographic characteristics, political connections, and multiple directorships to predict firm performance and evaluate governance aspects (Frye & Iwasaki 2011; Lim 2021; Wang et al. 2019; Zavertiaeva & Lopez-Iturriaga 2020). While there are recent scholars who have examined the influence of role identity and identifications from a similar perspective (Huang et al. 2022; Shin & You 2022; Yoo & Koh 2022), these scholars have mostly focused on the identity of a corporate board member rather than a government director, who may have different expectations of their board oversight roles. Although Zhu and Yoshikawa (2016) also examined the perspective of a government board of directors in Chinese SOEs, it is important to note that the influence of China's strong and dominant politics likely has insignificant effects on government board identifications compared to the Malaysian democratic political scenario. Thus, this study expands the literature and provides insights into how the identity and identification of a government board of directors could affect their board oversight roles in a more volatile political situation.

Second, the corporate governance mechanisms of SOEs are most likely different from those of private corporations, so generalizing the results based on the latter entity is rather inaccurate. Thus, the findings of this study also enrich the understanding of corporate governance in the under-research context of emerging economies and state-owned enterprises, as most of the available literature is focused on corporate entity (Daiser et al. 2017; Okhmatovskiy et al. 2022; Papenfuß & Keppeler 2020). Third, the resource dependence theory assumes that a director is expected to provide resources to the firm, and to do so, he must equip himself with human capital. Under this theory, all directors are expected to voluntarily and continuously acquire knowledge and skills to improve their board functions (Hillman & Dalziel 2003; Pfeffer & Salancik 2003). However, the data presented in this study provides different perspectives and explanations for the differing outcomes.

Understanding the director identifications provides an alternative avenue for how they could potentially influence their human capital acquisition and board oversight roles. Some directors, such as government officials, are more likely to be appointed to the board because their position in office allows them to bring needed expertise to the boardroom, leading to much-anticipated improvements in the governance aspects of Malaysian SOEs. However, this study provides evidence that the critical aspect of governance is director identification, particularly with the role of government directors, which leads to greater acquisition of human capital (e.g., government- and SOE-related knowledge) and effectively performs expected tasks such as monitoring, provision of resources, and strategic planning. In contrast, government officials who identify more closely with the corporate director role and SOEs are more likely to focus on other board responsibilities rather than monitoring and inhibiting their overall required board functions. It is essential to understand that government officials can be affected by their strongest identification, and any conflicting identifications may negatively affect their expected oversight roles. Therefore, when appointing government officials as board members, the relevant authority could consider the director identification aspects of government officials board appointments rather than focusing on their professional experience and position in the office. Remedial measures such as training to strengthen identification with the role of government directors as well as government policies and procedures could be beneficial.

CONCLUSIONS

The insufficient research on the reasons for directors' behaviors and the lack of understanding of how role identities and social groups influence their acquisition of human capital and their board oversight roles from the perspective of socio-psychology compels this study to investigate the following: (1) how GBOD perceives their identifications, and (2) how their identifications may influence their acquisition of human capital and board oversight roles. Regarding the first research objective, this study finds that the government board of directors of Malaysian SOEs is likely to identify with different role identities and social groups, and they are not guaranteed to feel accountable to the government. Their identification may also be diverse. The second objective's findings also confirm that different identifications, depending on the strength of the identification, and aligned identifications are likely to have positive effects on human capital acquisition and the board's oversight function, while divergent identifications may have negative consequences. Our findings reveal that government officials who strongly identify with the role of a government board of directors tend to acquire government- and SOE-related knowledge and assist them in performing monitoring, resource provision, and strategic planning roles. Those who strongly identify with other than the role of the government board of directors seem to perceive the importance of being equipped with both types of knowledge differently (e.g., government- and SOEs-related knowledge) and decrease their much-anticipated board task, which is the monitoring activity. Theoretically, with in-depth inputs from the informants, this study provides evidence to corporate governance literature to understand why directors behave in certain ways, specifically government directors that are likely to be influenced by their identifications with their human capital acquisition and board functions. Practically, the insights from this study

could help relevant government authorities in their efforts to improve the quality of corporate governance in Malaysian SOEs, especially with regard to the appointment of government representatives to the board of directors. Although this study provides valuable insights from direct communications with government directors, it is not free of limitations. The COVID-19 pandemic may have an unaccounted effect on certain directors and their roles in the SOEs. Most SOEs are not able to hold face-to-face board meetings, which could affect their identifications and skew their insights. While this study focuses on the multiple identifications of the government board of directors, future research could provide interesting insights if a comparison is made between government representatives and retirees, politicians, and industry representatives.

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Sharifah Azlina Syed Anuar (corresponding author)
UKM Graduate School of Business
Universiti Kebangsaan Malaysia
43600 UKM Bangi, Selangor, MALAYSIA.
E-Mail: zp04574@siswa.ukm.edu.my

Noradiva Hamzah
Faculty of Economics and Management
Universiti Kebangsaan Malaysia
43600 UKM Bangi, Selangor, MALAYSIA.
E-Mail: adibz@ukm.edu.my

Mohd Mohid Rahmat
Faculty of Economics and Management
Universiti Kebangsaan Malaysia
43600 UKM Bangi, Selangor, MALAYSIA.
E-Mail: mohead@ukm.edu.my