BOARD INTERLOCKS AND IMITATION IN CORPORATE ACQUISITIONS: A LITERATURE REVIEW AND AVENUES FOR FUTURE RESEARCH

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Abstract

Interlocking directorates create the conditions for social embeddedness and represent a key driver of the diffusion of strategies and practices (Okhmatovskiy & David, 2012). Among the multiple focuses of analysis, board interlocks have been regarded as a source of inter-organizational imitation in the context of corporate acquisitions (Xia, Ma, Tong, & Li, 2018; de Sousa Barros, Cárdenas, & Mendes-Da-Silva, 2021). Imitation indeed has been acknowledged as one of the primary implications of interlocking directorates (Shropshire, 2010). This study, therefore, offers an in-depth summary and discussion of how interlocks of business elites influence corporate acquisitions. Multiple contributions are provided. First, the paper develops a thematic analysis in which multiple research focuses are identified, namely acquisition activity and emphasis, acquisition timing in mergers and acquisitions (M&A) waves, acquisition process, and acquisition premium. Second, it elaborates on a number of potential avenues for future research. Specifically, it identifies three main lines of inquiry related to the imitation scope, performance at both firm- and industry-level, and potential theoretical cross-fertilizations. Moreover, methodological considerations are discussed especially in terms of operationalization choices and their implications. To the best of the author's knowledge, this paper represents the first attempt to review the literature on the interlocks-acquisition field.

Keywords: Board Interlocks, Corporate Acquisitions, Isomorphism, Inter-Organizational Imitation, Literature Review

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1. INTRODUCTION

One of the most vibrant and fertile lines of inquiry in the literature on corporate governance is board interlocks (Gulati & Westphal, 1999; Zona, Gomez-Mejia, & Withers, 2018), defined as corporate ties that originate when two firms share a common board member (Davis, 1996). Thus, board interlock occurs when an organization's board member sits on the board of another organization (Mizruchi, 1996).

Board interlocks link organizations that would otherwise be disconnected (Kang, 2008) and reflect complex inter-organizational relationships that can help manage environmental uncertainty and dependence on external resources (Zona et al., 2018), provide access to unique information (Haunschild & Beckman, 1998; Kopoboru, Cuevas-Rodríguez, &

Pérez-Calero, 2020), enable the diffusion of practices (Westphal, Seidel, & Stewart, 2001; Shropshire, 2010), and activate learning processes (Beckman & Haunschild, 2002; Li, 2019). Indeed, a striking feature of board interlocks is that they represent exceptional learning opportunities for firms and a primary source of relational experience (Haunschild, 1993; Haunschild & Beckman, 1998; Cheng, Rai, Tian, & Xu, 2021).

Research has identified two main motivations for the formation of board interlocks. From a resource dependence theory perspective (Pfeffer & Salancik, 1978; Zona et al., 2018), board interlocks allow firms to create links that help address their dependence on external sources of resources. Indeed, studies have shown that firms are more likely to establish interlocks with firms in industries in which they have resource dependence and which hence affect their profits (Burt, 1979). Additionally, interlocks reduce uncertainty as they provide access to better information channels (Hillman, Zardkoohi, & Bierman, 1999; Mbanyele & Wang, 2021). Thus, from a resource dependence perspective, board interlocks may be regarded as a proxy of a firm's ability to secure critical resources. On the other hand, from a sociological perspective, interlocks have been considered as mechanisms that allow establishing social cohesion among firms (Cheng et al., 2021). In this view, the focus is not on a single firm's dependence on external resources but rather on the entire network configuration shaped by the various interlocks (de Sousa Barros et al., 2020).

Although board interlocks have been traditionally considered as a means to pursue inter-organizational collusion (Pfeffer & Salancik, 1978; Esposito De Falco, Cucari, & De Franco, 2018) or bank control over corporate activities (Kotz, 1978), interlocking directorates have been increasingly regarded as an indicator of social embeddedness, that eventually create the conditions for exercising a social influence on corporate decisions (Granovetter, 1985; Davis, 1996). Multiple board memberships create the conditions for directors to exercise social influence over the board's decisions in such a way that "decisions at one board become part of the raw material for decisions at other boards" (Davis, 1996, p. 154), as they shape both the normative and the informational context in which corporate decisions are taken (Granovetter, 1985). Thus, several studies have explored the implications of multiple board memberships (Hundal, 2017; Hewa Dulige, Ali, Mather, & Young, 2020) and have shown that social ties among business elites have implications in terms of diffusion and transmission of practices between connected firms (Shropshire, 2010; Li, 2021). In particular, a key proposition in the literature on board interlocks is that, especially under conditions of environmental uncertainty and turbulence, mechanisms of social influence will lead firms to imitate the decisions of other firms to which they are connected (DiMaggio & Powell, 1983; Galaskiewicz, 1985).

Therefore, extensive academic efforts have been devoted to examining the role played by board interlocks in eliciting isomorphism in several decisions, among which corporate acquisitions have represented a central research territory. For instance, several studies have explored the effects of interlocking directorates on a number of firm-level aspects, including the firm's technological exploration (Li, 2019, 2021), new product introductions (Srinivasan, Wuyts, & Mallapragada, 2018), the adoption of environmental practices (Lu et al., 2021), and the establishment of international operations (Debellis & Pinelli, 2020; Gulati & Westphal, 1999). In this heterogeneous body of literature, management scholars have also regarded interlocking business elites as a social explanation for acquisition choices and have explored the importance of board ties in guiding acquisition behavior and performance (Haunschild, 1993; Cai & Sevilir, 2012; Xia et al., 2018; Peng & Wang, 2019; de Sousa Barros et al., 2021).

Over time, the progressive fragmentation of the literature on board interlocks has inspired occasional efforts to review the accumulated knowledge on the topic (Mizruchi, 1996; Lamb & Roundy, 2016). While prior reviews have addressed the antecedents and outcomes of interlock activities in general, this study offers an in-depth summary and discussion of how interlocks influence firms' acquisition behavior in terms of eliciting processes of inter-organizational imitation. Thus, this paper contributes to these efforts by specifically focusing on the role played by interlocks in the context of corporate acquisitions. Indeed, the diffusion of strategies and practices has been recognized as a key implication of interlocking directorates (Okhmatovskiy & David, 2012) and the acquisition literature is replete with empirical contributions investigating dynamics of observational learning and inter-organizational imitation. In this review, a unifying framework on this body of research is offered, which, to the best of the author's knowledge, represents the first attempt to review the literature produced in this specific field.

The rest of the paper is organized as follows. Section 2 provides a theoretical overview of board interlocks and inter-organizational imitation. Section 3 offers a thematic analysis, with a focus on the object of imitation. In Section 4 a review of the methodological approaches in terms of measurement issues is provided. Section 5 discusses potential research avenues. Finally, Section 6 concludes.

2. BOARD INTERLOCKS AS A SOURCE OF INTER-ORGANIZATIONAL ISOMORPHISM

A striking feature of board interlocks is that they represent exceptional learning opportunities for firms (Li, 2019; Cheng et al., 2021): both institutional theory and organizational learning theory suggest that, in addition to learning from direct experience, a learning process occurs from the experience of others (DiMaggio & Powell, 1983; Levitt & March, 1988). In this sense, board interlocks become a primary source of relational experience (Haunschild, 1993; Hauschiuld, Davis-Blake, & Fichman, 1994; Haunschild & Beckman, 1998).

Extant literature has provided diverse perspectives on both the antecedents and outcomes to interlocks' formation. From a firm's perspective, board interlocks create connections in order to address environmental uncertainty (Martin, Gözübüyük, & Becerra, 2015; Mbanyele & Wang, 2021), to minimize resource dependence (Simoni &

Caiazza, 2012; Zona et al., 2018), and to improve the firm's monitoring ability (Gulati & Westphal, 1999; Carpenter & Westphal, 2001; Handschumacher, Behrmann, Ceschinski, & Sassen, 2019).

In terms of outcomes, the primary effects, as reported by Lamb and Roundy (2016) in their review of the literature, include the diffusion of strategies and practices (Okhmatovskiy & David, 2012; Zou, Xie, Meng, & Yang, 2019) and the access to unique information (Beckman & Haunschild, 2002), in addition to shaping the perception of the firm's quality (Kang, 2008) and the firm's performance (Horton, Millo, & Serafeim, 2012; Cai & Sevilir, 2012). The diffusion of strategies and practices occurs through an imitation process, by which firms replicate the decisions and actions that have already been taken by interlocked firms. In this sense, such diffusion may be regarded as a manifestation of isomorphism among firms.

Over the decades, isomorphism has represented a fundamental construct in organizational theories and, specifically, in population ecology and institutional theory. The population ecology perspective (Hannan & Freeman, 1977) recalls the Darwinian thesis that survival is a function of the isomorphism with external conditions: the persistence, in terms of survival vs. mortality, of organizations is contingent upon the extent to which they are able to adapt to the external environment. Thus, those organizations that are not able to compete for the necessary resources are selected out from the environment. As a direct consequence, those that are retained are logically isomorphic. Therefore, population ecology adopted a notion of isomorphism that has a competitive nature, since isomorphism is not a consequence of a deliberate choice to imitate but rather a sort of automatic implication of the "natural selection" process operated by the environment.

In contrast, the notion of isomorphism introduced in studies that focus on imitation via board interlocks has its roots in the institutional perspective, according to which isomorphism is a response to the pressures to obtain political power and institutional legitimacy (DiMaggio & Powell, 1983). From a conceptual point of view, in contrast with the focus on competitors typical of the population ecology approach (Hannan & Freeman, 1977), the concept of institutional isomorphism is based on the organizational field as a relevant unit of analysis. This embraces "those organizations that, in the aggregate, constitute a recognized area of institutional life" (Hannan & Freeman, 1977, p. 148). In other words, this perspective is based on both the connectedness between organizations in the form of transactions that tie them to one another and their structural equivalence, i.e., the similarity of positions within a given network. The result of institutional isomorphism is a process of homogenization "that forces one unit in a population to resemble other units that face the same set of environmental conditions" (DiMaggio & Powell, 1983, p. 149).

3. THEMATIC ANALYSIS ON BOARD INTERLOCKS AND ACQUISITIONS

Mimetic processes have been investigated in a number of corporate decisions, among which firms' acquisitions have represented by far one of the most fertile research grounds. Specifically, isomorphism in corporate acquisitions has been regarded as a potential conduit enabling firms to engage in a form of exploratory learning without incurring any costs and risks (Miner & Haunschild, 1995), to tap into the experience of other firms and, thus, to learn to acquire more successfully (Delong & Deyoung, 2007).

In this body of literature, the connection among business elites as a driver of corporate acquisitions was especially in vogue during the 90s and up to the first decade of the 2000s, with a number of top management journals (e.g., *Administrative Science Quarterly*, *Academy of Management Journal*, and *The Strategic Management Journal*) publishing contributions that became reference points in the field. More and more, we are currently facing a revival of academic interest in the effect played by interlocking directorates on both broad corporate-level decisions (Srinivasan et al., 2018; Li, 2019; Debellis & Pinelli, 2020; Li, 2021; Lu, Yu, Mahmoudian, Nazari, & Herremans, 2021) and specifically on acquisition decision-making and performance (Fuad & Sinha, 2018; Xia et al., 2018; de Sousa Barros et al., 2021).

Studies on the role played by board interlocks as a source of mimetic behaviors in corporate acquisitions have focused on multiple manifestations of imitation, namely acquisition activity, acquisition timing, acquisition process decisions, and acquisition premium.

Acquisition activity

Research attention in this area has been devoted to the extent to which a firm's acquisition propensity and acquisition activity reflect the propensity and activity by tied-to firms. Haunschild and Miner (1997) identified different imitation modes, namely frequency-based imitation, trait-based imitation, and outcome-based imitation — which have been later re-examined in various studies (Haunschild & Beckman, 1998; Moatti, 2009; Tseng & Chou, 2011; Francis, Hasan, Sun, & Waisman, 2014). Frequency-based imitation relates to the imitation of practices carried out by a large number of firms, e.g., the number of acquisitions made by other firms in the same target country (Francis et al., 2014), the percentage of peers that have announced an acquisition (Tseng & Chou, 2011), or again the number of other firms using an investment bank as an advisor (Haunschild & Miner, 1997). From a methodological point of view, the number of acquisitions executed or announced by firms tied to the focal firm through board interlocks proxies the experience of the model, and the number of acquisitions initiated by the focal firm or the likelihood that the acquiring firm will complete or abandon an announced acquisition captures the extent to which frequency-based imitation occurs (Haunschild, 1993). For example, building on a sample of acquisitions by Brazilian firms executed between 2000–2015, de Sousa Barros et al. (2021) show that firms that are more connected in the network, i.e., that have a higher degree of centrality, are more likely to execute acquisitions. In other words, a greater number of board ties is associated with a greater number of undertaken acquisitions, thus supporting the view that at increasing network centrality, selection problems and information asymmetry are reduced. This result is consistent with Singh and Schonlau (2009), who suggested that a greater centrality improves boards' connectedness, thus leading to greater acquisition activity and better post-acquisition performance. Similarly, Xia et al. (2018) find that cross-border acquisition activity in a given foreign country is positively associated with the number of cross-border acquisitions executed by the interlocked firm(s) in the same country, thus pointing to the effective role of interlocks as conduits of information that reduce perceived uncertainty.

Trait-based imitation reflects the replication of some actions of those firms showing some peculiar characteristics, e.g., the largest firm in the industry (Tseng & Chou, 2011). Outcome-based imitation describes the mimesis of behaviors and processes that have apparently led to successful results in other firms. For instance, outcome-based imitation has been measured in terms of acquisition premiums associated with a given investment bank (Haunschild & Miner, 1997) and the excess returns of peers around the announcement (Tseng & Chou, 2011).

The magnitude of network effects has been further acknowledged thanks to the examination of second-degree phenomena. Compared to first-degree imitation, which relates to the imitation of the contents of a specific policy decision, second-degree imitation occurs when "firms imitate an underlying decision that can be adapted to multiple policy domains, rather than imitating specific policies of tied-to-firms" like in first-degree imitation (Westphal et al., 2001, p. 717). Building on this distinction, in a longitudinal study on 500 firms in the five years 1990–1994, Westphal et al. (2001) build on social learning theory and suggest that firms tend to imitate the mimetic behavior of tied-to-firms.

Drawing on personality psychology, Zhu and Chen (2015) examine the impact of CEO narcissism and prior experience on the imitation of corporate strategy in terms of both acquisition emphasis, as measured by the total value of acquisitions conducted in a given year, and international diversification. Their findings suggest that when deciding upon the firm's acquisition activity, narcissistic CEOs tend to be more influenced by their own prior experiences if compared to the experiences of other directors. This occurs because narcissism leads individuals both to interpret their past behavior very positively to maintain their high self-esteem — i.e., motivational aspect of narcissism — and to believe that they can learn more than others from the same learning opportunity, i.e., the cognitive aspect of narcissism. Thus, highly narcissistic CEOs reduce the extent to which the behaviors of tied-to-firms are imitated in focal acquisitions.

Acquisition timing in M&A waves

A nascent research interest, though still meager in terms of a number of contributions, is directed to the role that board interlocks may have on a firm's behavior within a mergers and acquisitions (M&A) wave. In particular, Fuad and Sinha (2018) use a simulation-based methodology and argue that interlocks affect the timing a firm will enter a merger wave. Thanks to their connectedness with other directors, interlocked board members may provide superior and more reliable information on market conditions, which may ultimately lead to early entry in the wave compared to later entry, with positive effects on performance.

Acquisition process

Literature has emphasized that board interlocks provide information advantages that become particularly helpful especially in the pre-acquisition phases (de Sousa Barros et al., 2021): interlocking directorates facilitate the selection and filtering of relevant information and can provide access to information about potential candidates for acquisition, thus substantially reducing search costs (Nahapiet & Ghoshal, 1998). Furthermore, interlocks reduce information asymmetry, thus lessening transaction costs and adverse selection issues associated with potential opportunism by target firms and contributing to selecting better acquisition opportunities (Zhang, 2016).

As reported by Zhang (2016), while several scholars have acknowledged the positive effects of board interlocks in terms of reduced information asymmetry, reduced transaction costs, and changed mechanisms of information communication, a number of studies have suggested negative implications of board ties. For instance, Ishi and Xuan (2010) argue that the social embeddedness derived by interlocks leads to a familiarity bias which, in turn, reduces the overall quality standard of due diligence, increases the chances that synergies will be overestimated, and leads acquirers to ignore potentially more attractive opportunities. Furthermore, other studies have found a positive association between interlocks and agency conflicts, wherein executives connected by personal relations may guide decisions in their boards towards acquisitions that maximize their own interests at the expense of their companies' interests (Jensen, 1986). In addition to familiarity bias and agency conflicts as drivers of negative performance effects of interlocks following corporate acquisitions, research has also shown that another potential source of negative performance is the case in which directors simultaneously serve on multiple boards (Lamb & Roundy, 2016). In this case, indeed, busy directors are forced to selectively allocate their attention, thus causing an uneven distribution of their time and efforts across the diverse boards on which they sit (Core, Holthausen, & Larcker, 1999; Li & Ang, 2000). This may result in weaker governance, which, in turn, has negative performance consequences (Guerra & Santos, 2011). Furthermore, as identified by Hundal (2017), the negative effect of directors' busyness holds for both inside and outside directors.

Acquisition premium

Inter-organizational relationships based on interlocking directorates have also been recognized as a potential driver of the acquisition premium, with implications on firm performance (Cai & Sevilir, 2012). Indeed, premium decisions represent a crucial aspect that significantly affects the potential for value creation. Studies investigating the effects of interlocks on premium decisions have shown that the premium paid in a focal acquisition tends to be related to the premium(s) paid by interlock partners (Haunschild, 1993).

Further examining such effects, Cai and Sevilir (2012) suggest that when two firms share a common board member before a deal announcement, which they define as a first-degree connection, the acquiring firm will be able to acquire at a more favorable premium prime. Indeed, in addition to the information advantage derived by the board tie, the existence of a board connection between acquirer and target may discourage other potential bidders. Additionally, even in the case of outside bidders competing for the target, interlocks may place the tied acquirer in an advantaged position in terms of access to valuable and unique information and greater bargaining power in negotiation compared to non-tied firms. Cai and Sevilir (2012) also identify another case of board connection, which they define as a second-degree connection, that occurs when one director from the acquirer and one director from the target have been serving on the board of a third firm before the deal announcement. Second-degree connections have positive implications as well on the premium and, in turn, on the announcement returns; however, the deals executed between firms having board interlocks based on second-degree connections tend to be associated with a greater value creation compared to first-degree connections. The reason is that the mechanisms through which superior returns are obtained are different: while in first-degree connections, the common director represents both the acquirer's and the target's shareholders, in second-degree connections, the two connected directors represent their respective firm's shareholders. Hence, connected directors in second-degree connections are more likely to execute deals only if they are expected to generate superior combined returns.

Table 1 displays the various research focuses and the main relationships developed in studies that address the impact of board interlocks on corporate acquisitions.

Table 1. Overview of representative studies on the effects of board interlocks on imitation in corporate acquisitions

Research focus	*Main findings*	*Representative studies*
Acquisition activity	The likelihood of completing an acquisition and the number of undertaken acquisitions (acquisition activity) increases at increasing acquisitions executed by interlock partners.	Haunschild (1993), Haunschild and Beckman, (1998), Westphal et al. (2001), Xia et al. (2018), de Sousa Barros et al. (2021)
	The role played by interlocks in affecting the total value of acquisitions completed by a focal firm is reduced in the presence of highly narcissistic CEOs.	Zhu and Chen (2015)
Acquisition scope	The choice of the product scope in a focal acquisition reflects the number of acquisitions of the same type (horizontal, vertical, conglomerate) executed by tied-to-firms.	Haunschild (1993)
Acquisition timing	Interlocked acquirers are more likely to enter M&A waves earlier rather than later.	Fuad and Sinha (2018)
Acquisition process	Positive effect of board interlocks on the quality of the target selection process in terms of reduced search costs, transaction costs, and potential opportunism.	Zhang (2016), de Sousa Barros et al. (2021)
	Negative effect of board interlocks on the quality of the target selection process due to a familiarity bias that leads to a superficial due diligence and an overestimation of synergies.	Ishi and Xuan (2010)
Acquisition premium	The premium paid in the focal acquisition reflects the average premium paid by tied-to firms.	Haunschild et al. (1994), Beckman and Haunschild (2002), Cai and Sevilir (2012)

4. METHODOLOGICAL ASPECTS

Delving into the methodological aspects, several considerations may be made. First, studies exploring the role of board interlocks as drivers of imitation in corporate acquisition decisions are all quantitative in nature; therefore, interesting issues arise concerning the operationalization choices and their implications.

In terms of operationalization, research on the imitation of acquisition activity, which represents by far the most fertile research line on this topic, has used the number of acquisitions executed or announced by firms tied to the focal acquirer through board interlocks as a proxy of the experience of the model, while the number of acquisitions initiated by the focal captures the extent to which frequency-based imitation occurs (Haunschild, 1993; Haunschild & Miner, 1997). Thus, a key issue in the operationalization of these variables relates to the time horizon of observation. Specifically, the decision of how many retrospective years should be considered carries substantial implications. The majority of studies select a limited time horizon in terms of the number of years before the focal acquisition, i.e., mostly three years, either including or excluding the year of the focal acquisition. Selecting a short time span implies assuming that recent experience is more relevant and/or valuable than past experience. This in turn may imply that the value of experience may depreciate (Delong & Deyoung, 2007). Furthermore, considering vs. excluding the focal year may have implications as well: while including acquisitions executed in the focal year enables one to account for very recent experience, on the other hand, such recent acquisitions may have not yet provided lessons about the firm's effectiveness in managing the deal.

Another interesting methodological consideration concerns studies on the acquisition premium. Indeed, significant interest has been devoted to the extent to which the premium paid by interlocked firms influences the premium paid in the focal acquisition. Premium experience of other firms is operationalized as either the average premium paid by tied-to firms in the three years prior to the focal acquisition (Haunschild et al., 1994) or as the standardized coefficient of variation, where the coefficient is the standard deviation of the partner premiums divided by the mean partner premium (Beckman & Haunschild, 2002). It is worth noting that this approach has been further extended by Malhotra, Zhu, and Reus (2015), though outside the specific research focus on board interlocks. Specifically, they suggest that the premium in an acquisition may be predicted based on prior premiums and an anchoring effect. Anchoring is a heuristic that consists in relying on a piece of information that serves as a reference point for the decision. In the face of an anchor, decision-makers engage in a confirmatory search where information that may disconfirm prior beliefs about the anchor is likely ignored. The predicted premium is operationalized by Malhotra et al. (2015) as follows:

$$P_t = \mu\pi_t + \delta\underbrace{(P_{t-1} - \pi_{t-1})}_{\text{Vicarious learning}} + \lambda\underbrace{(P_{t-1} - \pi_t)}_{\text{Anchoring effect}} + \epsilon_t \qquad (1)$$

The first term of the equation captures the effect of control variables; the second term is the unexplained residual of the deal premium at $t - 1$, and the third term captures the anchoring effect after controlling for potential vicarious learning. Extending such an approach to the research on board interlocks may be particularly insightful. Indeed, because the acquisition premium is characterized by great uncertainty, the premium paid by other firms is likely to become the anchor to which the premium paid by the focal firm tends to stick.

Overall, while there has been an extensive empirical contribution of quantitative nature, the adoption of qualitative research approaches may shed more light on the inner-workings and the decision-making dynamics at the board level. For instance, research has suggested that group polarization (Zhu, 2013) and board heterogeneity in terms of gender diversity (Ossorio, 2020) may play a role in shaping acquisition decisions. Therefore, research in this area might further explore how specific board-level characteristics of interlocking directorates affect acquisition choices and performance.

5. FUTURE RESEARCH AVENUES

This review highlights several potential avenues for future research. Below, a research agenda is outlined and, specifically, three main research directions are proposed: research aimed at extending our knowledge on the imitation scope in acquisitions, research on the performance implications of isomorphism at both firm- and industry-level, and research on potential theoretical cross-fertilizations especially with research on the effect played by path dependence on acquisition decisions.

5.1. Research avenues on the imitation scope in acquisitions

Studies on the mimetic effects of board interlocks in acquisitions have focused on the effects on acquisition activity (Westphal et al., 2001; Xia et al., 2018; de Sousa Barros et al., 2021) and acquisition emphasis (Zhu & Chen, 2015), the timing of acquisitions within a wave (Fuad & Sinha, 2018), the effects either positive (Zhang, 2016) or negative (Ishi & Xuan, 2010) on the acquisition process, and premium decisions (Haunschild, 1993; Haunschild et al., 1994; Cai & Sevilir, 2012).

More broadly, studies devoted to imitation in acquisitions from other sources beyond board interlocks have explored many additional imitation bases, including, for instance, the type of acquisitions in terms of product relatedness (Yang & Hyland, 2006) or geographic scope (Yang & Hyland, 2012), governance (Moatti, 2009) and ownership (Yang, 2009; Yang & Hyland, 2012) decisions, and location decisions (Baum, Li, & Usher, 2000). This set of studies has identified both peers (Delong & Deyoung, 2007; Tseng & Chou, 2011; Francis et al., 2014; Malhotra et al., 2015) and network partners (Westphal et al., 2001; Beckman & Haunschild, 2002) as additional potential sources of imitation. Such studies may inspire future research on imitation via board interlocks and open up research opportunities especially in terms of extending the imitation scope to include also additional decisions that characterize the acquisition process.

5.2. Research avenues on the performance implications of isomorphism in acquisitions

Empirical studies on the role of board interlocks on isomorphic responses in acquisitions have almost exclusively focused on their network effects on acquisition choices, thus partially overlooking the potential performance implications. Existing literature has identified multiple performance implications of interlocking directorates, including for instance international joint ventures formation (Debellis & Pinelli, 2020), new product introductions (Srinivasan et al., 2018), technological exploration (Li, 2019, 2021), and the adoption of environmental practices (Lu et al., 2021).

This review suggests interesting research avenues related to the effects on performance at both firm- and industry-level.

At the firm-level, performance results are still mixed: while multiple benefits associated with interlocks have been acknowledged, several studies have highlighted also negative implications. For instance, Ishi and Xuan (2010) argue that the social embeddedness derived by interlocks leads to a familiarity bias, which reduces the overall quality standard of due diligence, increases the chances that synergies will be overestimated, and leads acquirers to ignore potentially more attractive opportunities. Furthermore, other studies have found that interlocks encourage agency conflicts, as executives connected by personal relations may guide decisions in their boards towards acquisitions that maximize their own interests at the expense of their companies' interests (Jensen, 1986). Research has also shown that another potential source of negative performance is directors simultaneously serving on multiple boards (Lamb & Roundy, 2016) as they are forced to selectively allocate their time and efforts across the diverse boards on which they sit, which ultimately weakens the quality of governance (Li & Ang, 2000).

At the industry-level, the adoption of the institutional perspective raises a number of implications. In their original conceptualization, DiMaggio and Powell (1983) argued that normative isomorphic forces create the conditions for homogenization of perceptions about the external environment. Therefore, firms' survival and prosperity rest on the ability to become isomorphic with their relevant environment. The power of interlocks becomes especially relevant in the context of acquisitions, which per se determine significant industry-level structural changes. In view of the above, this review suggests interesting research avenues related to the effects on performance heterogeneity. Imitation is indeed assumed to be a mechanism that erodes performance heterogeneity within an industry (Lippman & Rumelt, 1982). The main reason is the expropriative effect grounded in neoclassical economic theory (Schmalensee, 1985): imitation logically implies an increased similarity between the imitator and its model, and this expropriation of practices and traits erodes a firm's competitive advantage, ultimately causing a convergence of profitability. Opposite to this argument, Posen and Martignoni (2018) proposed that imitation may rather enhance the performance heterogeneity in the industry because, after imitation, the imitating firm engages in experiential learning efforts to both refine the imitated practices and fill the remaining gaps. These opposite lines of reasoning may deserve investigation in the context of acquisitions; in particular by examining whether the post-acquisition performance of firms connected via board interlocks tends to converge or rather diverge.

5.3. Research avenues on the nexus between isomorphism and path dependence

While the benefits of isomorphism in acquisitions have been extensively explored, interesting lines of inquiry may be established thanks to theoretical cross-fertilizations. For instance, literature on acquisitions has suggested that acquisition decisions, e.g., in terms of acquisition likelihood, acquisition activity, and acquisition type among others, are subject to path dependence (Amburgey & Miner, 1992; Collins, Holcomb, Certo, Hitt, & Lester, 2009). This body of literature suggests that firms tend to be consistent over time in their strategic decisions, thus replicating previous courses of action, especially if they have proved to be successful. As an example, focusing on the business relatedness of prior acquisition experience, Yang and Hyland (2006) build on the concept of repetitive momentum and suggest that the likelihood of an unrelated acquisition is positively associated with a firm's experience in previous unrelated acquisitions while constrained if the firm's experience is in related acquisitions.

It, therefore, seems that path dependence and isomorphism may actually act as contrasting pressures on a firm's behavior: while path dependence emphasizes the historical path internal to the firm, institutional theory directs attention to the external field. In the context of acquisitions, where separate evidence has been found of both path dependence and institutional isomorphism in explaining acquisition decisions, it would be particularly interesting to investigate whether board decisions are more influenced by their own previous decisions or by the social networks in which they are embedded.

6. CONCLUSION

Corporate acquisitions have represented a fertile research setting for the exploration of isomorphic decisions by firms and board interlocks have been regarded as a key source of diffusion of practices (Westphal et al., 2001; Shropshire, 2010; Okhmatovskiy & David, 2012). By offering unique learning opportunities thanks to the observation and involvement in the decision-making processes of other firms, interlocking directorates represent crucial drivers of a focal firm's acquisition decisions (Haunschild, 1993; Haunschild & Beckman, 1998).

The vast literature on board interlocks has been occasionally systematized in previous reviews (Mizruchi, 1996; Lamb & Roundy, 2016). However, the contributions in the specific research field of mergers and acquisitions surprisingly still need to be analyzed. In view of increasingly fragmented and interdisciplinary studies, reviewing the literature is of primary importance to map existing knowledge, trace the boundaries of a line of inquiry, and identify new research avenues that may contribute to extending that body of knowledge further (Tranfield, Denyer, & Smart, 2003). Thus, this paper contributes to the existing review efforts by specifically focusing on the role played by interlocks in the context of corporate acquisitions: compared to prior reviews which have addressed the antecedents and outcomes of interlock activities in general, this study offers an overview and discussion of how interlocks influence firms' acquisition behavior in terms of eliciting processes of inter-organizational imitation.

This paper is not without limitations. First, while this review addresses a number of thematic areas and levels of analysis, it may not be fully comprehensive due to its unsystematic nature. Indeed, this review paper follows an established tradition in management research as it adopts a narrative, unsystematic approach. However, such an approach implies that the review may actually not be exhaustive and replicable as it is not based on an explicit article selection protocol. Secondly, it is worth noting that this paper identified a number of research avenues. However, the development of a theoretical framework with a set of testable propositions was out of the scope of this study. Thus, future research efforts could be directed at conceptualizing explicit research propositions for empirical investigation.

This literature review, therefore, provides a theoretical and thematic positioning of research in this area, based on which it identifies several potential avenues for further research. Specifically, three main trajectories are defined. First, future studies might extend the imitation scope by exploring new behaviors and decisions being subject to isomorphic dynamics. A second research development may involve the impacts of mimetic processes in acquisitions in terms of performance at both firm- and industry-level. Finally, interesting contributions may derive from cross-fertilizations with the literature on path dependence: the understanding of the role played by social embeddedness derived from board interlocks and by board members' own experience indeed offers fertile ground for further exploration. Overall, this paper may be considered as a first attempt to organize the body of literature on the role played by board interlocks in corporate acquisitions.

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