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RESEARCH ARTICLE

Striving for sustainable development at the top: Exploring the interplay of director and CEO values on environmental sustainability focus

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[Correction added on 28 March 2023, after first online publication: The initial of Dennis B. Veltrop, Janka I. Stoker and Floor A. Rink have been added in this version.]

Abstract

Drawing from research on strategic management and environmental psychology, this study investigates the role of independent directors' and CEOs' values in promoting sustainable development. We propose that their values may interactively shape directors' focus on environmental sustainability. We test our propositions with survey data from 176 directors and matching CEOs. Our results confirm that there is a significant positive relationship between directors' biospheric values and their environmental sustainability focus, which is further amplified by CEO egoistic values. In contrast to our expectations—and regardless of CEO values—directors' egoistic values appear to be unrelated to their environmental sustainability focus. As such, this research points to the importance of director and CEO values acting as substitutes rather than complements in shaping directors' environmental sustainability focus. Taken together, this study highlights the importance of considering both director and CEO values in promoting environmental policy at the top of the organization.

KEYWORDS

CEO values, corporate governance (CG), director values, environmental policy, sustainable development

1 | INTRODUCTION

Sustainable development is a major challenge for both society and business (COP, 2021; IPCC, 2019). As such, business leaders and governments all call upon firms to address environmental challenges. Strategic management scholars increasingly acknowledge that as key governance actors tasked with ensuring that CEOs act in the best interest of the organization (Fama & Jensen, 1983), independent directors play an important role in environmental sustainability (Aguilera et al., 2021; Bolourian et al., 2021; Endrikat et al., 2021). Yet, much is unknown about what drives directors' focus on environmental sustainability and about the influence that CEOs have on

directors in this regard. The focus of directors is crucial for companies' strategic orientation (Cho & Hambrick, 2006; Ocasio, 1997), making this an important issue.

As one of the most influential theories in strategic management research, upper echelon theory (Hambrick, 2007; Hambrick & Mason, 1984) posits that organizational outcomes are a reflection of the values and experiences of upper echelon actors. The core idea is that the values of those residing at the top of the organization shape how these actors interpret strategic situations (see also Cyert & March, 1963; March & Simon, 1958). As such, a considerable body of research links values of upper echelon actors to organizational outcomes (Boone et al., 2020; Chin et al., 2013; Petrenko et al., 2016;

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Takacs Haynes et al., 2017). Whereas the relationship between CEO values and environmental sustainability has received empirical support (Boone et al., 2020; Chin et al., 2013; Turker & Ozmen, 2018; Velte, 2020; Washburn et al., 2018), the relationship between director values and their environmental sustainability focus remains unclear. This is surprising, since environmental sustainability lies very much within the purview of the board given its long-term component and the board's role of ensuring that CEOs act in the long-term best interest of organizations (Jain & Jamali, 2016). It is therefore important to understand how directors' personal values shape their environmental sustainability focus.

In trying to understand how personal values shape such a focus, environmental psychological research identifies two sets of values that stand out (de Groot & Steg, 2008; Dietz et al., 2005; Stern et al., 1998). The first value set reflects goals that benefit things larger than oneself, such as the environment, so-called *biospheric values*. The second value set reflects goals that primarily benefit oneself, such as acquiring success, labeled *egoistic values*. As pro-environmental action is generally stimulated by biospheric values and inhibited by egoistic values (de Groot & Steg, 2007, 2008; Steg, Bolderdijk, et al., 2014), we anticipate that these values are also predictive of directors' environmental sustainability focus.

Psychological research further demonstrates that the effects of these values very much hinge on the social context in which individuals operate. Key actors within the social context may support or oppose ones values and thereby determine the likelihood of acting upon them (Steg, Bolderdijk, et al., 2014). Within a board context, this is a critical issue because CEOs naturally also hold biospheric and egoistic values (Agle et al., 1999). For directors that are tasked with scrutinizing CEO decision-making, it is impossible to carry out their duties in isolation from the CEO (Veltrop et al., 2021). Moreover, as leaders of organizations, CEOs have a large impact on the norms about what decision-making behavior is deemed appropriate (Gulati & Westphal, 1999; Hambrick et al., 2015; Westphal & Zajac, 1995, 2013). As such, directors are likely attuned to the values of the CEO; we thus anticipate that director and CEO values interactively shape directors' environmental sustainability focus.

Our study has three contributions. First, our work complements existing research on the role of upper echelon personal values in environmental sustainability and sustainable development (Boone et al., 2020; Chin et al., 2013; Turker & Ozmen, 2018; Velte, 2020; Washburn et al., 2018). While existing research focused on the CEO, this study emphasizes the role of director values. Second, by highlighting how director and CEO values *interactively* shape directors' focus on environmental sustainability, this paper contributes to research into how key governance actors jointly shape sustainable development (García-Sánchez et al., 2019; Oh et al., 2018). Third, by finding that among directors, biospheric values play a more important role than egoistic values, our study indicates that values play an important role for pro-environmental behavior in the private domain (Bouman et al., 2020; De Groot & Steg, 2007, 2008; Steg, Bolderdijk, et al., 2014) may not necessarily translate to sustainable development at the top of organizations.

2 | THEORY

2.1 | Directors' environmental sustainability focus and values

Environmental sustainability is a key aspect of the broader concept of Corporate Social Responsibility (CSR). It refers to corporate behaviors and strategies that “mitigate a firm's impact on the natural environment,” which include “implementing products, processes, and policies that reduce energy consumption and waste, us[ing] ecologically sustainable resources, and employ[ing] environmental management systems” (Walls et al., 2011: 73). As environmental sustainability focuses on long-term implications with sizable impact on the capital structure of the firm and its viability (Hart & Ahuja, 1996), it very much lies within the purview of the board of directors (e.g. Walls et al., 2012). Consistent with the notion that an organization's behavior is determined by how decision-makers distribute their focus (Hambrick & Mason, 1984; Ocasio, 1997), it is important to understand how directors' values shape their focus on environmental sustainability.

Personal values are cognitive representations of motivational goals that serve as guiding principles in people's lives, and as such affect a wide array of beliefs, attitudes, norms, and behaviors (Gardner & Stern, 1996; Schwartz, 1992). People differ in the importance they attribute to different values. Within a person, value hierarchies are stable over time and transcend situations (Daniel & Benish-Weisman, 2019; Rokeach, 1973).¹ As such, personal values of employees have been linked to organizational behaviors (Arieli et al., 2020), as well as more specifically to CSR engagement (Guan et al., 2022) and environmental strategy concerns (Walker & Mercado, 2016). Similarly, upper echelon research also finds that personal values impact CSR and environmental sustainability (Boiral et al., 2015; Fernández et al., 2006; Hemingway & Maclagan, 2004; Margolis & Walsh, 2003; Unsworth et al., 2013). As such, in the boardroom context, next to observable director characteristics such as professional background (Cosma et al., 2021) and board characteristics such as gender diversity (Arayakarnkul et al., 2022; García Martín & Herrero, 2020; Khatri, 2022) and board size (Uyar et al., 2021), personal values of directors and CEOs may determine of environmental sustainability focus. Directors' values may influence their environmental sustainability focus for one, because after weighing facts, probabilities, and alternatives, directors likely focus on the course of actions that best suits their values (Chin et al., 2013), and second because they unconsciously processing information in line with their values (England, 1967; Higgins & Molden, 2003).

2.2 | Biospheric and egoistic values as predictors of directors' environmental sustainability focus

Building on Schwartz' universal value system (Schwartz, 1992, 1994) and value-belief-norm theory (Stern et al., 1999), environmental

¹Values are conceptually different from personality traits (Parks & Guay, 2009). For robustness purposes, we conduct factor analyses to statistically distinguish values from the big five personality traits and control for personality traits.

psychology identifies two distinct value sets as key drivers for pro-environmental beliefs, attitudes, norms, and actions (Dietz et al., 2005; Steg, Bolderdijk, et al., 2014; Steg & De Groot, 2012). These value dimensions are orthogonal to one another, meaning individuals can score high on both types of values, high on one and low on the other, or low on both (de Groot & Steg, 2008; Schwartz et al., 2012).

The first value set relates to a concern for goals that benefit things larger than oneself and consists of “altruistic” values, which represent a concern for other people, and ‘biospheric’ values, which represent a concern for the environment. As biospheric values are most strongly linked to pro-environmental outcomes in different domains (de Groot & Steg, 2007, 2008; Nilsson et al., 2004; Steg et al., 2005), we analyze director biospheric values. The second value set relates to a concern for goals that benefit oneself and consists of “hedonic” values, which represent a concern for personal joy, and “egoistic” values, which represent a concern for personal success. Egoistic values often contradict long-term, pro-environmental benefits and have been linked to low pro-environmental beliefs, norms, and actions (Collins et al., 2007; Nordlund & Garvill, 2002, 2003; Schultz et al., 2005; Stern, 2000; Stern et al., 1995; Stern et al., 1998). Interestingly, CEO egoistic values are the key reason why directors are tasked with scrutinizing CEO decision-making to begin with, as self-interested CEOs may not necessarily act in the collective interest of the organization (Fama & Jensen, 1983).

In the boardroom context, we predict that director biospheric values stimulate directors to ascribe higher importance to pro-environmental aspects and that decision dilemmas will be evaluated with priority to biospheric consequences. Therefore, we propose that directors with high biospheric values are more focused on environmental sustainability (H1). We further propose that strong egoistic values let directors focus more on status and individual gain. Such egoistic considerations likely detract directors' focus on environmental sustainability (H2).

H1. Director biospheric values are positively related to their environmental sustainability focus.

H2. Director egoistic values are negatively related to their environmental sustainability focus.

2.3 | The moderating role of CEO values

The context in which individuals operate also affects whether they act upon their personal values. The Integrated Framework for Encouraging Pro-environmental behavior (IFEP) (Steg, Bolderdijk, et al., 2014) proposes that key actors within the social context signal norm-violating or norm-supporting behaviors, and costliness of pro-environmental actions (Maio, 2010; Verplanken & Holland, 2002). A person's biospheric values are more strongly related to pro-environmental outcomes in the presence of norm-supporting cues and non-costly consequences, and less strongly related to those

outcomes in the presence of norm-violating cues and costly consequences (Bouman et al., 2020; Keizer et al., 2008; Steg, Bolderdijk, et al., 2014).

As noted above, the CEO plays a central role for directors carrying out their board work. Research on directors and CEOs shows that CEO and director characteristics jointly shape the appropriateness of certain director behavior (Gulati & Westphal, 1999; Hambrick et al., 2015; Westphal & Zajac, 1995, 2013). As such, both CEOs biospheric and egoistic values will likely also affect directors' stance towards environmental sustainability (Walls & Berrone, 2017). On the one hand, we expect that CEO biospheric values will act as a cue for individual directors that a focus on environmental sustainability is desirable and legitimate. For a director with high biospheric values, CEO biospheric values present a norm-supportive cue, which strengthens the relationship between their own biospheric values and environmental sustainability focus. In this situation, directors will not expect costly consequences from a focus on environmental sustainability.

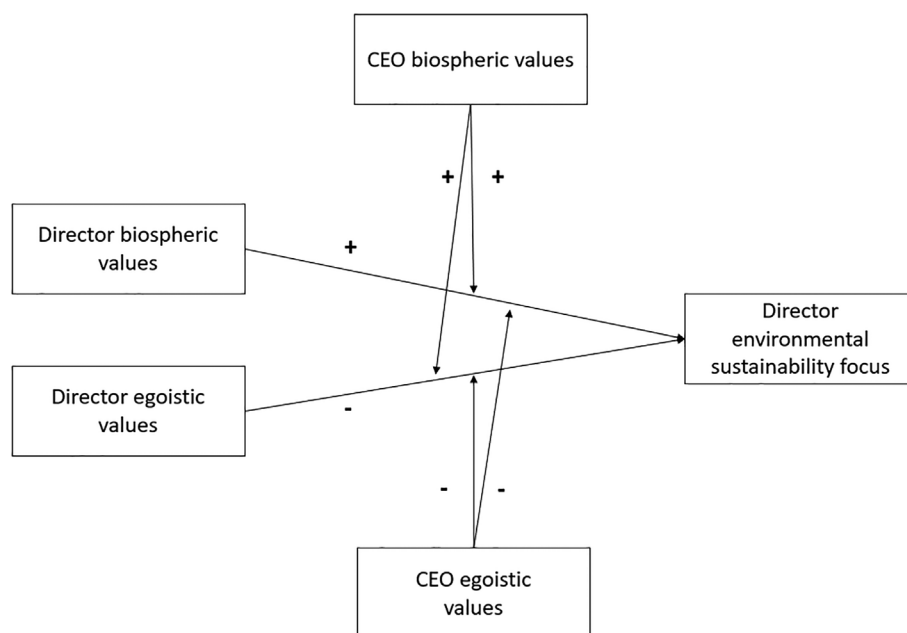
On the other hand, egoistic values of a CEO will possibly have an opposite effect. Research shows that directors that go against CEO views are likely to be socially sanctioned (McDonald & Westphal, 2010; Stern & Westphal, 2010; Westphal & Khanna, 2003; Westphal & Zajac, 2013). Following this line of reasoning, we argue that CEO egoistic values signal a costliness for focusing on environmental sustainability and translate into a norm-violating cue for the same director. They will thus weaken the positive relationship between director biospheric values and director environmental sustainability focus. Combined we hypothesize the following:

H3a. CEO biospheric values strengthen the positive relationship between director biospheric values and director environmental sustainability focus.

H3b. CEO egoistic values weaken the positive relationship between director biospheric values and director environmental sustainability focus.

Although fewer studies have focused on the boundary conditions of the relationship between egoistic values of individuals and environmental sustainability, in line with the above outlined IFEP, recent studies find that people with anti-environmental views engage in less pro-environmental actions when persons from their social context also endorse anti-environmental views (Bouman et al., 2020; Brick et al., 2017). Translated to the context of the boardroom, this would imply that the effect which egoistic values of directors have on their environmental sustainability focus can either be endorsed or weakened by CEO values. Mirroring our hypotheses 3a and 3b, we expect that CEOs with strong egoistic values provide norm-supportive cues and low costliness for directors that have strong egoistic values themselves (H4a), whereas CEO biospheric values provide a norm-violating cue and indicate high costliness for directors with strong egoistic values (H4b). We

FIGURE 1 Conceptual model.



thus arrive at the following hypotheses (Figure 1 provides our conceptual model):

H4a. CEO egoistic values strengthen the negative relationship between director egoistic values and director environmental sustainability focus.

H4b. CEO biospheric values weaken the negative relationship between director egoistic values and director environmental sustainability focus.

3 | MATERIALS AND METHOD

3.1 | Procedure and sample

We explore our hypotheses with survey data of directors and CEOs from the Dutch housing sector. Dutch firms have a two-tier structure in which the management board (including the CEO) is formally separated from the supervisory board (comprising non-executive directors). The tasks of supervisory board members are very similar to those of non-executive directors within a one-tier structure (Van Ees et al., 2003). For parsimony, we refer to supervisory board members as directors and to the supervisory board as the board. The main task of Dutch housing corporations is to build, rent, and maintain affordable housing. Housing corporations are autonomous and financially independent enterprises and as such have to make a return on their investments to ensure their survival. They have both financial as well as non-financial goals. When we collected our data, there were 430 housing corporations in the Netherlands with 2.4

million houses and a total capital of 32.6 billion euros (Rijksoverheid, 2021).

The survey is part of an ongoing research collaboration with the professional association for non-executive directors (VTW) and executive directors (NVBW) in the Dutch housing sector. Given the uniqueness of the data, the survey includes several themes from which we included all constructs that were added to study environmental sustainability focus. The institutions supported our research by ensuring that the survey was attuned to directors and CEOs, and distributing and endorsing the survey among 1283 directors and 221 matching CEOs in their network. We stimulated participation by offering respondents individual feedback reports. Additionally, we ensured the confidentiality, as only the researchers could match the responses to individual directors (Westphal & Stern, 2007). Lastly, we aimed to increase participation by sending two rounds of personalized reminders to participants after 1.5 and 3 weeks.

Initially, 495 directors and 125 CEOs participated. Our analyses require matched director and CEO ratings from the same organization. We therefore excluded participants for whom we did not have matching CEO or director responses (284 directors, 25 CEOs). Next, we excluded participants with missing data on the main constructs ($n = 8$). With this matched sample, we ascribed the relevant CEO value scores to individual directors. Given that our analysis is conducted at the director level, we excluded the CEOs ($n = 98$). Lastly, we excluded directors with missing values on the control variables ($n = 29$). This led to a final sample of 176 directors from 93 housing corporations. A total of 67% of our sample were male, and the average age was 59.32 years ($SD = 7.99$). Directors held on average 1.72 board positions ($SD = 1.08$) and spent on average 6.86 h/week on their board

positions (SD = 4.99). Per housing corporation, on average 1.89 directors responded (minimum 1, maximum 5).

3.2 | Measures

3.2.1 | Main measures

Values of directors and CEOs were measured with the Environmental-Schwartz value survey (E-SVS; de Groot & Steg, 2008; Stern et al., 1998), which is an adapted and shortened version of the SVS (Schwartz, 1994). The E-SVS is well validated (Bouman et al., 2018; de Groot & Steg, 2007, 2008; Steg, Perlaviciute, et al., 2014). In this method, participants are presented with 16 different values and indicate on a 9-point scale (−1 = “opposed to my values” to 0 = “not important” to 7 = “of supreme importance”) how important each value is as a guiding principle in their lives. Respondents were prompted to vary their responses to ensure variation between their answers. *Director and CEO biospheric values* were measured with the four items “protecting the environment,” “unity with nature,” “respecting the earth,” and “preventing pollution” (Cronbach's alpha = .82). *Director and CEO egoistic values* were measured with the five items “social power,” “wealth,” “authority,” “being influential,” and “ambition” (Cronbach's alpha = .64).

Director environmental sustainability focus was measured by asking directors “To what extent do you see it as a central task of your board to ensure commitment to sustainability” (7-point Likert scale ranging from 1=“to a small extent” to 7=“to a large extent”). We were able to use a single-item measure because for our sample environmental sustainability focus is a clear construct since the Dutch housing sector clearly defined in the Dutch Housing Act (Woningwet, 2015) what exactly constitutes environmental sustainability. Research demonstrates that single-item measures are appropriate for constructs that are unambiguous to respondents (Allen et al., 2022). In these cases, single-item measures may have the same predictive validity as multiple-item measures and are therefore preferential to more extensive measures (Bergkvist & Rossiter, 2007). Another important benefit of the single-item measure is that it does not cause irritation from asking high-profile respondents to answer multiple similar questions (Wanous et al., 1997).

3.2.2 | Control variables

We included control variables both at the director and CEO level to increase estimation precision and minimize the risk of omitted correlated variables. First, we control for *monitoring focus* and *advice-giving focus* to test if director values affect their environmental sustainability focus beyond their focus on other fundamental board roles (for a review, see Daily et al., 2003). We measure monitoring- and advice-giving focus with items based on Van Dijk and Kluger (2011). Each construct was measured with four items (monitoring example: “To what extent do you see it as a central task of your

board to supervise the internal control?”, Cronbach's alpha .63; advice-giving example: “To what extent do you see it as a central task of your board to think along to find solutions for problems?”, Cronbach's alpha .69). Additionally, we control for *altruistic* and *hedonic values* of directors and CEOs because those have been linked to environmental outcomes (Steg, Perlaviciute, et al., 2014). Both were measured via the E-SVS. Altruistic values were assessed with the items “equality,” “a world at peace,” “social justice,” and “helpfulness” (Cronbach's alpha .58). Hedonic values were measured with the items “pleasure,” “enjoying life,” and “gratification for oneself” (we dropped the last item for internal consistency reasons; Cronbach's alpha .78).

Furthermore, we control for potentially relevant demographic variables of directors. On the individual level, we control for *gender*, given that meta-analyses suggest a positive relationship between female directors and CSR variables (Byron & Post, 2016; Endrikat et al., 2021). We control for *age*, as age has been linked to higher environmental focus (Hafsi & Turgut, 2013). We also control for the *number of board positions* held at the time of the survey and in total, because of indicated connections with environmental sustainability (de Villiers et al., 2011). Lastly, we control for *work time*, thus time directors spend on their board positions, as the ability to devote requisite time has been linked to task focus (Hambrick et al., 2015).

3.3 | Data analysis

After ensuring adequate model fit with confirmatory factor analyses, assessing internal validity of constructs, and cleaning the data, we conducted our main analyses. Given that directors and CEOs are nested in housing corporations, we employed mixed-effects multilevel analyses (Preacher et al., 2010). Our empirical model features director-level predictors—director biospheric and egoistic values (level 1), board level moderators—CEO biospheric and egoistic values (level 2)²; and a director-level dependent variable—director environmental sustainability focus (level 1). As an upper-level variable moderates the association between lower-level predictor and outcome, our model presents a cross-level interaction which is tested with a random slope mixed-mixed effect model (Heisig & Schaeffer, 2019; Rabe-Hesketh & Skrondal, 2008). Additionally, following recommendations by Aiken et al. (1991), we mean-centered the variables before computing interaction terms. All relationships were tested in a regression-based framework using STATA 17.³

²CEO values are level 2 variables as self-rated CEO values were ascribed to all directors of the corporation.

³To calculate cross-level interactions, we used `xtset` and `xtregress` (`xtset groupID, xtreg DV IV##moderator controls, re robust`). The same results were obtained when estimating the model with the `xtmixed` command (`xtmixed DV IV##moderator controls || groupID: CEO variable, vce(robust)`).

TABLE 1 Confirmatory factor analyses board tasks.

Factor structure	χ^2	df	RMSEA (90% CI)	CFI	TLI	SRMR	$\Delta\chi^2$ (Δ df)
Baseline model: three factors	116.994	24	.093 (.076, .110)	.850	.775	.063	
Model 1: two factors	309.129	26	.156 (.140, .172)	.544	.368	.154	192.135 (2) ***
Model 2: two factors	422.236	26	.184 (.169, .200)	.361	.115	.172	305.242 (2) ***
Model 3: two factors	504.712	27	.199 (.184, .214)	.230	-.027	.189	387.718 (3) ***

Notes: $\Delta\chi^2$ and Δ df refer to the differences relative to the baseline model, CFA computed with $n = 450$ directors. RMSEA, root-mean-square error of approximation; CFI, comparative fit index; TLI, Tucker–Lewis index.

Model 1: environmental sustainability focus and monitoring focus one factor.

Model 2: environmental sustainability focus and advice-giving focus one factor.

Model 3: all items one factor.

*** $p < .001$.

4 | RESULTS

4.1 | Confirmatory factor analysis⁴

First, we assessed whether environmental sustainability focus is distinct from general monitoring and advice-giving focus. We do this to eliminate possible concerns that focusing on environmental sustainability may be part of boards' monitoring and/or advice-giving role. Therefore, we evaluate the convergent and discriminant validity. We began by testing a three-factor model in which the constructs are separated. As suggested by Hair et al. (1998), the overall model's Chi square, the comparative fit index (CFI), the Tucker–Lewis Index (TLI), and the root-mean-square error of approximation (RMSEA) were used to assess the model fit. Results show that the proposed model has an acceptable fit: $\chi^2(24) = 181.724$, $p = .000$; $CFI = .852$; $TLI = .779$; $RMSEA = .105$. Additionally, all factor loadings were significant at $p < .05$, thereby providing evidence for convergent validity. Next, we contrasted the baseline model with two-factor models which combine (a) environmental sustainability focus with monitoring focus, and (b) environmental sustainability focus with advice-giving focus, as well as with a one-factor model combining all constructs. Given that the three-factor model yielded the best model fit (Table 1), the discriminant validity of environmental sustainability focus was confirmed.

4.2 | Descriptive statistics

Table 2 provides summary statistics and correlations. The correlation results show that director environmental sustainability focus was significantly positively correlated with directors' biospheric values but not significantly correlated with their egoistic values. Director altruistic values, monitoring focus, and CEO hedonic values were significantly positively correlated with director environmental sustainability focus. Further, director biospheric values were significantly positively correlated with director altruistic and hedonic values and age. Lastly,

director egoistic values were significantly positively correlated with hedonic values, as well as monitoring- and advice-giving focus.

4.3 | Hypothesis testing

Before testing our hypotheses, we assessed the baseline model (Model 1, Table 3) in which the control variables and CEO biospheric and egoistic values were regressed on environmental sustainability focus. Results show that directors' environmental sustainability focus was significant and positively related to their monitoring focus ($\beta = .20$, $p = .027$), their altruistic values ($\beta = .36$, $p = .002$), and CEO hedonic values ($\beta = .23$, $p = .045$). Consistent with our first hypothesis, Model 2 (Table 3) revealed a significant positive relationship between director biospheric values and their environmental sustainability focus ($\beta = .251$, $p = .013$). Contrary to our second hypothesis, Model 2 depicted a non-significant relationship between director egoistic values and their environmental sustainability focus ($\beta = -.023$, $p = .798$).⁵

Next, we hypothesized that the relationship between director biospheric values and their environmental sustainability focus is strengthened by CEO biospheric values (H3a) and weakened by CEO egoistic values (H3b). Contrary to hypothesis 3a, the results from Model 3 (Table 3) showed a non-significant interaction between director biospheric and CEO biospheric values ($\beta = .024$, $p = .657$). Regarding hypothesis 3b, the results (Model 3) showed a significant interaction between director biospheric values and CEO egoistic values ($\beta = .082$, $p = .024$). Marginal effect analysis revealed that at medium and high levels of CEO egoistic values, the simple slope effects were significant and increasing in size (mean: $dy/dx = .19$ (.08), $p = .018$; 1SD above: $dy/dx = .28$ (.08), $p = .001$), while at low levels

⁵We conducted several robustness checks. First, we tested hypotheses 1 and 2 with the larger director sample (including directors without matching CEO data, $n = 404$). The results replicate the positive and significant relationship between director biospheric values and environmental sustainability focus ($\beta = .241$, $p = .001$) and the negative but non-significant relationship based on egoistic values ($\beta = -.060$, *n.s.*). For conciseness, we excluded personality traits from the main analyses. When additionally controlling for the big five, the results remain unchanged ($n = 176$ directors: biospheric values: $\beta = .29$, $p = .015$, egoistic values: $\beta = -.05$, *n.s.*).

⁴We conducted additional confirmatory factor analyses to distinguish values from personality traits. The results confirm our model.

TABLE 2 Descriptive statistics and correlations.

Variables	M	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) Director environmental sustainability focus	6.03	.88	-															
(2) Biospheric values	5.52	.82	.30	-														
(3) egoistic values	4.34	.79	.03	.09	-													
(4) CEO biospheric values	5.49	.73	-.08	-.02	-.04	-												
(5) CEO egoistic values	4.44	.79	.04	-.00	-.01	.08	-											
(6) Altruistic values	5.95	.61	.26	.51	.02	.05	-.00	-										
(7) Hedonic values	5.73	.88	.10	.20	.26	.08	.08	.27	-									
(8) CEO altruistic values	5.99	.51	.07	.09	-.02	.49	-.03	.06	.15	-								
(9) CEO hedonic values	5.75	.86	.19	.02	-.06	.21	.19	-.03	.20	.37	-							
(10) Monitoring focus	5.36	.86	.19	-.00	.25	-.10	.01	.12	.09	-.03	.00	-						
(11) Advice focus	5.05	.85	.07	.06	.17	-.17	-.00	.07	.02	-.00	-.02	.51	-					
(12) Gender ¹	.67	.47	.05	.05	.10	-.07	.02	.04	.05	-.02	.02	.22	.09	-				
(13) Age	59.32	7.99	.08	.18	.09	-.12	-.18	.16	-.16	.06	-.17	.07	.18	.36	-			
(14) Nr board pos current	1.72	1.07	.06	-.03	.05	-.18	.04	.07	-.03	-.14	.08	-.01	.19	.04	.13	-		
(15) Nr board pos total	2.82	2.04	-.01	-.13	.05	-.11	-.02	.01	-.10	-.04	-.02	-.01	.17	.05	.28	.65	-	
(16) Work experience	8.56	7.31	-.03	-.02	-.02	-.02	-.06	.01	-.05	-.03	-.02	.16	.14	.17	.24	.12	.39	-

Notes: listwise correlations with $n = 176$; $p < .05 = \mathbf{bold}$, $p < .10 = \mathbf{italics}$; ¹ gender: 1 = male 0 = female.

TABLE 3 Regression results on environmental sustainability focus.

DV = environmental sustainability focus	Model 1				Model 2				Model 3				Model 4			
	B	SE	t	p	B	SE	t	p	B	SE	t	p	B	SE	t	p
Constant	2.03	1.10	1.86	.064	2.00	1.17	1.70	.088	2.40	1.20	2.01	.045	.96	1.19	.81	.420
Covariates																
CEO biospheric values	-.16	.13	-1.30	.192	-.14	.12	-1.14	.253	-.11	.09	-1.27	.204	-.11	.09	-1.17	.244
CEO egoistic values	.02	.09	.20	.840	.01	.10	.12	.907	-.00	.08	-.05	.963	.00	.08	.05	.959
Altruistic values	.36	.12	3.08	.002	.20	.14	1.47	.142	.22	.14	1.60	.109	.21	.14	1.48	.139
Hedonic values	.00	.07	.02	.987	-.01	.07	-.15	.877	-.01	.07	-.10	.923	-.01	.07	-.10	.923
CEO altruistic values	.06	.17	.33	.742	.03	.16	.17	.864	.03	.16	.18	.858	.03	.17	.18	.857
CEO hedonic values	.23	.12	2.01	.045	.22	.11	1.98	.048	.22	.12	1.87	.062	.23	.12	2.01	.045
Monitoring task focus	.20	.09	2.21	.027	.23	.09	2.58	.010	.23	.09	2.54	.011	.24	.09	2.72	.007
Advice task focus	-.10	.13	.72	.471	-.11	.13	-.91	.365	-.11	.13	-.86	.391	-.11	.12	-.90	.366
Age	.01	.01	.77	.439	.00	.01	.44	.660	.01	.01	.49	.625	.01	.01	.55	.584
Gender ¹	-.04	.16	-.25	.800	-.02	.15	-.15	.880	-.01	.15	-.09	.930	-.04	.15	-.29	.775
Nr of board positions currently	.04	.08	.47	.642	.03	.08	.37	.711	.03	.08	.40	.693	.03	.08	.34	.735
Nr of board positions in total	-.02	.04	-.60	.550	-.00	.04	-.05	.960	-.01	.03	-.21	.836	-.00	.04	-.11	.915
Work experience	-.01	.01	-.88	.377	-.01	.01	-1.06	.289	-.01	.01	-1.18	.237	-.01	.01	-.98	.329
Main predictors																
Biospheric values					.25	.10	2.48	.013	.18	.08	2.39	.017	.25	.10	2.48	.013
Egoistic values					-.02	.08	-.26	.798	-.00	.08	-.02	.983	-.02	.06	-.31	.753
Director biospheric * CEO biospheric values									.02	.05	.44	.657				
Director biospheric * CEO egoistic values					.09	.04	2.34	.019								
Director egoistic * CEO egoistic values													.04	.06	.61	.541
Director egoistic * CEO biospheric values													-.03	.06	-.55	.581
Model fit																
R ² overall (within, between)					.16 (.21, .11)				.20 (.28, .11)				.21 (.30, .11)			
WaldChi ² , Prob > chi ²					50.70 (13), .000				65.61 (15), .000				92.50 (17), .000			

Notes: Results based on n = 176 participants clustered in 93 housing corporations. p < .05 = bold, p < .10 = italics.
¹Gender: 1 = male 0 = female.

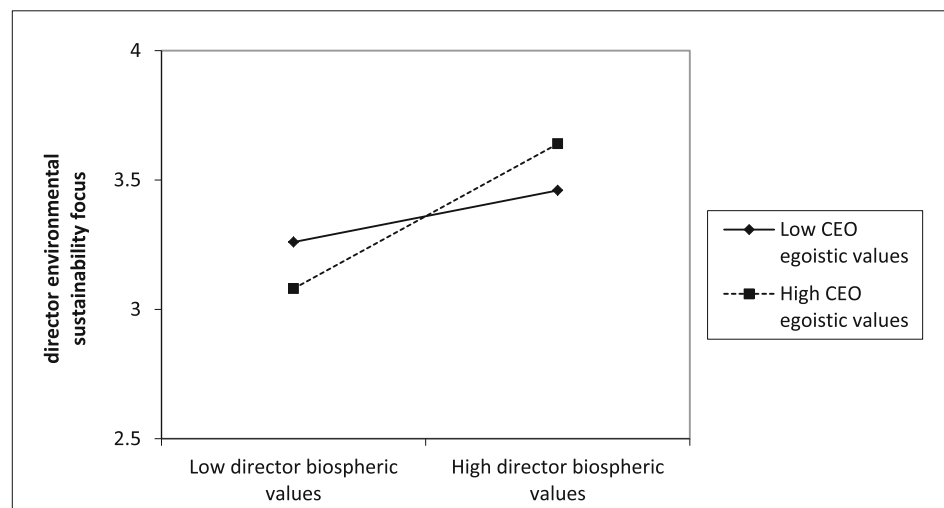


FIGURE 2 Moderation CEO egoistic values * director biospheric values.

of CEO egoistic values (-1 SD), the simple slopes were not significant ($dy/dx = .10$ [.09], $p = .312$). Figure 2 depicts the interaction.

Our fourth set of hypotheses suggested that the negative relationship between director egoistic values and their environmental sustainability focus is strengthened by CEO egoistic values (H4a) and weakened by CEO biospheric values (H4b). Contrary to both hypotheses, the results of Model 4 (Table 3) showed a non-significant interaction between director egoistic values and CEO egoistic values ($\beta = -.028$, $p = .657$) and between director egoistic values and CEO biospheric values ($\beta = -.038$, $p = .566$).⁶

5 | DISCUSSION

Incorporating environmental sustainability concerns into companies' strategies is one of nowadays grandest challenges. Although directors have considerable influence on firms' sustainability strategies (Aguilera et al., 2021; Bolourian et al., 2021; Endrikat et al., 2021), much remains unknown about what determines their focus on environmental sustainability. In this study, we combined insights from strategic management, environmental psychology, and corporate governance literature and assess the role of directors' and CEOs' personal values.

In line with our first hypothesis, we find a positive association between director biospheric values and their environmental sustainability focus. This finding underpins prior environmental psychology research, which identifies biospheric values as a core predictor for pro-environmental beliefs and actions (de Groot & Steg, 2007, 2008; Steg, Bolderdijk, et al., 2014). Whereas prior work is based on individuals' choices in personal spheres (e.g., consumer choices or donations), we extend this research to the boardroom context. In so doing, our findings also complement strategic management research by pointing towards the importance of directors' biospheric values in shaping

directors' attention (Chin et al., 2013; Washburn et al., 2018). To our knowledge, we are the first to zoom in on *directors'* values and show that they too experience value-focus congruence, and even do so with regard to the important outcome of sustainability practices. Likewise, we complement behavioral corporate governance research, which assesses how directors' focus on their role varies depending on personal characteristics and situational circumstances (Hambrick et al., 2015; Veltrop et al., 2021). We enrich this stream by adding biospheric values as a relevant personal characteristic and working with a CEO holding strong egoistic values as a situational circumstance affecting director functioning.

Drawing on the IFEP (Steg, Bolderdijk, et al., 2014), we expected that this positive relationship between director biospheric values and environmental sustainability focus would be weakened by CEO egoistic values and strengthened by CEO biospheric values. In contrast to our expectation, we found that this relationship was significantly strengthened by CEOs' egoistic values. This finding is not in line with the findings in environmental psychology, which might indicate that the specific characteristics of the boardroom context are even more important than we initially expected. Interestingly, this result can be explained from a corporate governance perspective. As a critical governance mechanism, directors are tasked with scrutinizing CEO decision-making (Daily et al., 2003). Their fundamental role lies in ensuring that the CEO acts in the best interest of the organization, and thus even warrants a strong focus on environmental sustainability. From a monitoring perspective, it appears that directors with strong biospheric values offset the possible deteriorating effects of CEO egoistic values by focusing more on environmental sustainability. Thus, while norm-violating cues may generally decrease people's tendency to act congruent with their biospheric values in their personal spheres (Bouman et al., 2020; Cialdini, 2003; Keizer et al., 2008), in a boardroom setting, when tasked with monitoring, such egoistic cues of a CEO actually *increase* the proclivity of directors to act upon biospheric values.

Our findings also more generally contribute to the ongoing discussion on whether governance mechanisms act as complements or

⁶For all reported results, the same result patterns were achieved with the *xtmixed* calculation approach.

substitutes in promoting sustainability outcomes (García-Sánchez et al., 2019; García-Sánchez et al., 2022; Misangyi & Acharya, 2014). Our findings indicate that directors with strong biospheric values may increase their focus on environmental sustainability, in order to substitute for a potential lack of CEO focus on these topics. Board of directors act to counterbalance CEO egoistic motives, which supports the substitution notion (Oh et al., 2018). This finding also adds to the understanding about the interplay between directors and CEOs, and the importance of the monitoring part of the director's role.

Crucially, we do not find support for our hypotheses 2, 3a, and 4ab. We propose a couple relating explanations for this result. First, sector specifics might have contributed to the diverging results. Our sample of respondents consists of CEOs and directors from the Dutch housing sector. This sector has to deal with a governmental environmental sustainability focus (Netherlands Ministry of Economic Affairs, 2019). This might make it practically impossible for directors to ignore environmental concerns and thus cause a floor effect in responses (Uttl, 2005; Wang et al., 2008). Additionally, it may make it socially undesirable to express a low focus on environmental sustainability, which could lead to response biases due to social desirability effects (van de Mortel, 2008). Moreover, recent research indicates that people underestimate others' biospheric values (Bouman et al., 2020; Hanel et al., 2018). In case directors systematically underestimate CEO biospheric values, this might in part explain why we found no moderating effects of CEO biospheric values on either relationship.

5.1 | Limitations and future research

Like most studies, our study has several limitations. We begin with practical limitations. First, given the difficulty to gain survey data from directors and CEOs (Leblanc & Schwartz, 2007), and the collaboration requirements from external partners, we assessed environmental sustainability focus with a single item. Clearly, this item was useful for our specific sample. Moreover, research shows that single-item measures can capture the essence of variables and particularly values (Allen et al., 2022; Sandy et al., 2017). At the same time, given that environmental sustainability concerns will likely remain an emerging theme in the upcoming decade (Sepasi et al., 2021), future research might utilize scales which consider more subdimensions of environmental sustainability (environmental strengths versus weaknesses, Bolourian et al., 2021), or of wider sustainable development dimensions.

Second, both director values and their environmental sustainability focus were rated by directors, making common-source bias a possible concern. Importantly, however, for the interaction between director and CEO values, this is less problematic, as interaction effects cannot be artificially created by common source/method variance (Evans, 1985), but in fact only deflate estimated interaction effects (Podsakoff et al., 2012; Siemsen et al., 2010). Additionally, we had to rely on voluntary participation and cannot fully rule out self-selection

bias (i.e., participating directors and CEOs systematically differing from those who did not sign up).

On a theoretical level, despite our study focusing on the director level, we acknowledge that boards are “dynamic social systems” (Lorsch, 2017: 2). As such, intra-board interactions and group dynamics affect the functioning and focus of directors (Boivie et al., 2016) in ways we cannot capture because we only collected survey data and could not be actually present at meetings of boards and CEOs. In providing first evidence that directors' biospheric values and CEO egoistic values jointly shape directors' focus on environmental sustainability, our research can be seen as a first step. Future studies can build upon this by additionally assessing intra-board dynamics between directors and CEOs, by collecting more qualitative or even observational interaction data.

Given the complexity of studying how the interplay between director and CEO values shapes directors' environmental sustainability focus, it is beyond the scope of this research to also incorporate the role of specific board characteristics (Arayakarnkul et al., 2022; Cosma et al., 2021; García Martín & Herrero, 2020; Khatri, 2022; Orazalin, 2020; Uyar et al., 2021), strategic motives (Babiak & Trendafilova, 2011), or sector and country influences (Orazalin & Mahmood, 2021) on directors' environmental sustainability focus. As these factors clearly also influence environmental sustainability focus and outcomes, future research may extend our findings to the role of these factors in combination with director and CEO values.

Finally, our survey only captures directors' *intentions* regarding environmental sustainability instead of objective behavioral or higher-level outcomes (e.g., board-level initiatives, or firm-level performance). Therefore, our research might suffer from the intention-behavior gap (Sheeran & Webb, 2016). At the same time, intentions are considered the most important predictor of behavior (Sheeran, 2002). Further, research exists on how director intention to engage in certain behavior forms behaviors (Hambrick et al., 2015; Hillman et al., 2008) and how board behavior influences firm outcomes (Van Ees et al., 2009); thus, what we added is an interdisciplinary model that outlines how focus and intentions are formed by personal values. Notwithstanding, we encourage future larger-scale studies to detangle when these intentions actually lead to board level environmental sustainability initiatives, organizational strategies, and outcomes.

5.2 | Practical implications

Policymakers, society, and politics call upon organizations to focus on environmental sustainability. Our results indicate that although directors on average report a high focus on environmental sustainability, the extent of this depends on both director and CEO values.⁷ Thus, they should receive attention in practice to understand the drivers of organizational environmental policies.

⁷We acknowledge that directors' focus on environmental sustainability may also be affected by other factors, from their cultural heritage to sector norms, and legal injunctions. Yet, attention and focus are ultimately anchored in personal values (Adams & Licht, 2021).

First, our findings can be used to make informed decisions about the composition of boards. As such, biospheric values can be assessed in the selection of future board candidates in the form of interview questions. When testing candidates' expertise and overall suitability for a board position, this may be done by boards themselves and also by executive search agencies tasked with finding suitable board candidates, and central regulating authorities aiming to ensure sustainable development of a sector. Ensuring strong biospheric values among newly selected directors likely increases the centrality of environmental sustainability considerations in the boardroom. In relation, our finding with respect to egoistic values of a CEO underscores the importance of attention to CEO values. It suggests that boards should also consider CEO values in the selection process. In this regard, it is important to regard board and top management team composition in conjunction. Diversity in values might benefit the boardroom to ensure both focus on environmental sustainability and good financial performance, making it worthwhile to counterbalance homophily tendencies prevalent among corporate elites (Westphal & Zajac, 1995).

As mentioned, values are relatively stable over time and cannot easily be changed. At the same time, environmental psychological research suggests that situational cues can activate biospheric values (Steg, Bolderdijk, et al., 2014), for instance, by highlighting pro-environmental norms within a particular setting. Directors may be stimulated to focus on environmental sustainability by highlighting that other organizations prioritize environmental goals. Benchmarking against other organizations may facilitate this. Organizations can compare their sustainability performance with that of their peers and use this information to spend more attention on sustainability targets. Through director training and executive teaching programs, it is possible to increase the cognitive accessibility of such values, affecting the way directors prioritize these values in boardroom dilemmas (cf. Maio & Olson, 1998; Verplanken & Holland, 2002). In a broader sense, directors' biospheric values are also likely more activated when their focus on environmental sustainability is externally rewarded, for example, in directors' remuneration packages (van Zanten, 2022). Currently, this is not necessarily given, as a focus on short-term financial performance is the current status quo. Yet, such a system would further decrease the costliness of acting upon ones biospheric values, making monitoring environmental sustainability likely more attractive for directors.

6 | CONCLUSION

Residing at the upper echelon of organizations, directors are tasked with scrutinizing CEO decision making to ensure that the CEO acts in the best interest of the organization. With growing calls for organization to also focus on addressing environmental challenges, the board's role nowadays also encompasses ensuring commitment to environmental sustainability initiatives, for example, through monitoring strategic developments, implementing best practices, and increasing accountability and transparency (Frias-Aceituno et al., 2013; Orazalin & Mahmood, 2021). Via this role, boards have considerable

influence on the environmental sustainability strategies of companies (Aguilera et al., 2021; Bolourian et al., 2021; Endrikat et al., 2021). As such, both the CEO and the boards make up the governance system by which a firm is directed and controlled to make proper strategic decisions that promote sustainable business practices.

While boards' focus on environmental sustainability is influenced by many factors, ranging from country-level differences to organization/ and board-level differences (Aguilera et al., 2021). Yet, what drives directors' environmental sustainability focus within the confines of the board has remained an open question. In this study, we combined insights from environmental psychology, corporate governance, and strategic management literature to explore the interrelated roles of personal values of directors and CEOs, as possible drivers of directors' environmental sustainability focus. Our findings clearly support a positive relationship between directors' biospheric values and their environmental sustainability focus, which is amplified by CEO egoistic values.

These findings provide guidance for future research and practice as they highlight (1) the merit of applying environmental psychological insights to the upper echelon of organizations while considering the specifics of the professional context and (2) the importance of considering director and CEO values in conjunction for a more complete picture into the black box of director decision-making. Although our study is the first to show this interaction effect between directors and CEO values and therefore further research is warranted, our results indicate that the moderating effect of others' values critically depends on the context. They thus emphasize the need to further test environmental sustainability assumptions in the boardroom context, as directors' monitoring role significantly differs from the roles that the participants hold in prior environmental psychology studies.

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