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CORPORATE DIRECTORS AND INNOVATION PERFORMANCE: A SYSTEMATIC LITERATURE REVIEW

Abstract:

The innovation literature underscores the importance of innovation to firm success and frequently identifies it as the key element of superior firm performance. As the role of corporate boards in major strategic decisions is increasing, their potential impact and involvement on their organization's innovation strategies has also expanded. An overall assessment of our knowledge about the link between corporate directors and innovation is a first step towards our capacity to understand their impact and suggest further research avenues on this important topic. In order to examine and synthesize the current academic literature regarding board of directors and innovation, we conducted a systematic literature review following the guidelines proposed by Tranfield et al. (2003): 1) formulating a research question; 2) establishing explicit criteria for inclusion and exclusion; 3) developing a strategy for locating writings; 4) review of the quality of selected writings; and 5) critical interpretation of the results.

This systematic literature review allowed us to provide an overview of the main concepts and methodologies used in this area of research. We were also able to both identify key inputs and processes leading to innovation and highlight research trends and avenues for future research. Overall results show that most studies have focussed on trying to establish links between board composition variables (such as diversity, independence, and background) and innovation performance. These results certainly underscore the importance of building boards with directors that possess the right mix of skills and competencies. They also emphasize the need for board education programs aimed to maintain and develop these abilities.

While the link between board characteristics and innovation is important, it does not provide much indication about the board's actual role in the innovation process. Our review showed that only a few articles have indeed examined specific processes that could hinder or promote innovation orientation and performance. The board's responsibilities such as auditing, strategy review, performance evaluation, risk management, CEO and top management nomination can be critical in shaping management's approach to innovation. Future research should focus on ways in which innovation issues can be introduced into the board's overall governance mission.

Keywords:

Board of directors; Innovation; corporate governance

JEL Classification: M10, G39