



Board composition and forms of innovation: Does diversity make a difference?

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Abstract

Previous research brought evidence of the influence of board composition for bringing strategic resources for innovation (Zahra and Garvis, 2000; Huse, 2007; Mizruchi, 1996), as well as evidence of positive outcomes of board diversity (Kang et al., 2007; Bear et al., 2010; Ruigrok et al., 2007; Carter et al., 2003). Only a few studies have investigated the effects of various indicators of board diversity on innovation (Torchia et al., 2011; Miller and Triana, 2009). Boards need to pay attention to the various forms of innovation: research in innovation shows that introducing different types of innovation i.e. product, process, organizational, marketing can provide greater performance (Mairesse and Mohnen, 2005; Mohnen and Roller, 2005; Laursen and Foss, 2003).

In this article, we aim at exploring the relationship between board diversity and innovation, by taking various forms of innovation into consideration, and testing if board diversity leads to specific innovation forms. In this way, we will explore the relationship between several aspects of board diversity (gender and age) and the various forms of innovation (four types: product, process, organizational and marketing), from a sample of 176 French firms based on data from French Community Innovation Survey (CIS) in 2008. Data concerning board composition have been drawn from annual reports.

Our results show evidence of the influence of board diversity on all types of innovation except process innovation. We find significant evidence of a positive relationship between gender diversity on boards and marketing innovation, and a negative relationship between gender diversity and product innovation. Age diversity shows a positive relationship with product innovation, and a negative impact one on organizational innovation. Findings provide discussions for the impact of board diversity on innovation.

Key words: Board of directors – Board composition – diversity – gender – age – innovation forms.

Introduction

Board diversity

Diversity on boards has been receiving a growing attention for several years, as one of the most significant issue currently in corporate governance (Kang et al., 2007; Mahadeo et al., 2012, Bear et al., 2010). Corporate governance research has shown that the analysis of composition of boards needs to pay more attention to board roles, and board members' background and characteristics, beyond the traditional monitoring and control role (Ruigrok et al., 2007). Beyond its role of ensuring the alignment of interests between shareholders and managers, dominated by agency theory and focusing on the monitoring and controlling role of boards (Daily et al., 2003), research brought evidence that another crucial role of the board of directors is to provide resources to the firm, strategic advice, knowledge, resources and networking for the company (Hillman et al., 2000; Huse, 2007; Pfeffer, 1972; Mizruchi, 1996; Burt 1992).

In this perspective, many studies investigated the role of board heterogeneity and diversity on firm performance, as well as on firm strategy. Beyond the effect on firm performance, which received mixed evidence (Carter et al., 2003; Siciliano 1996; De Andres et al., 2005; Carter et al., 2010), diversity on board has also been associated with positive cognitive effects such as creativity, innovation, new ideas and insights (Goodstein et al., 1994; Ruigrok et al., 2007; Kang et al., 2007; Deutsch, 2005; Miller and Triana, 2009).