

Top management teams with high social status increase innovation of a company

Submitted by: BlueSky Public Relations Ltd

Tuesday, 12 December 2023

Social status of top management in a company is positively associated with innovation due to greater access to resources for research and development (R&D), finds new research from UCD Lochlann Quinn School of Business (UCD Quinn School).

Professors Luca Pistilli and Alessia Paccagnini, both from UCD Quinn School, and Ali Radford from Aston Business School collected the financial, ownership, board, and patent data from S&P 1500 firms to study the impact of top management team (TMT) status on innovation. The TMT often includes those in C-suite roles such as CEO, CFO, etc.

Status was based on the number of outside directorships held by an individual, as sitting on the boards of other firms causes and conveys high status, as well as number of educational qualifications. Innovativeness was measured by the number of patents granted to a firm in a given year.

The researchers find that high-status TMTs are associated with increased innovation as they are likely to have greater access to resources for R&D which can be directed toward innovative activities.

This occurs due to high-status individuals having leadership capabilities that foster a work environment receptive to innovation, as well as being more able to attract the best talent to the company.

Additionally, high-status TMTs are more risk-prone; a tendency towards high-risk activity increases investment in R&D which in turn enhances innovation.

Interestingly, while high-status TMTs increase the market value of granted patents, it has little to no impact on the scientific value of the patents. Therefore, while high-status TMTs may increase the financial returns of an organisation, additional innovation based on the original patents does not necessarily increase.

Professor Pistilli says, "Although adding high-status managers to TMTs increases innovation output and market value, for non-profits or social enterprises where scientific value is more important than market value, investing in high-status members may not be the most effective strategic decision. Thus, when deciding on TMT composition, non-profits and social enterprises should focus more on the specific peculiarities required for the achievement of their social/environmental mission, rather than being dazzled by social status."

These findings were first published in the journal R&D Management.

/ENDS

For more information, a copy of the research paper, or to speak with Prof Pistilli, please contact Georgina at georgina@bluesky-pr.com