

Using a large panel data of corporate directors of S&P 1500 firms over the period of 1996 to 2010, we report that innovative firms with large patent portfolios are more central in the network of corporate boards. Directors serving on central boards and innovative firms are more likely to receive higher compensation and be hired as directors for other firms. We find that firms with increased centrality from adding directors inside the network are more likely to improve subsequent innovation capability. Overall, our results are consistent with the hypothesis that diffusion of information on innovation activities via shared director(s) can be a major driving force of the formation and dynamics of the network of corporate boards.

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