JOINING FORCES: BOARD CHAIR AND TMT CHARACTERISTICS AS ANTECEDENTS FOR BOARD STRATEGIC INVOLVEMENT (SUMMARY)

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JOINING FORCES: BOARD CHAIR AND TMT CHARACTERISTICS AS ANTECEDENTS FOR BOARD STRATEGIC INVOLVEMENT

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Principal Topic

So far, corporate governance research has mainly focused on large companies, studying to a large extent the board’s control function (Gabrielsson and Huse, 2004). Boards in small firms have an important role to play beyond the control function, as they contribute to strategic decision making (Brunninge et al., 2007). Boards often assist small firms by asking probing questions and helping formulate and decide upon strategic alternatives (Judge and Zeithaml, 1992). This is especially the case for academic spin-offs which are facing a number of challenges related to the early stage nature of their technology, the homogeneity of the management team’s human capital and access to financing (Knockaert et al., 2011). In this paper, we study the antecedents of board strategic involvement (BSI) in academic spin-offs, focusing on the role of the top management team (TMT) characteristics and board chair characteristics. Specifically, building on collective effort and conflict theories, we hypothesize for direct and indirect effects of board chair and TMT characteristics on BSI. We study two important characteristics related to the board chair, namely CEO/chair duality and chairperson industry experience. At TMT level, we focus on TMT size and diversity.

Method

Our study builds upon a database of 300 spin-off companies in Norway, the FORNY database. Data were collected using a questionnaire sent to the firms’ CEO in the autumn of 2008. Full responses were received from 135 academic spin-out companies, resulting in a response rate of 45%.

Results and Implications

We find that TMT diversity and board chair industry experience positively affect BSI, whereas TMT size and CEO/chair duality negatively affect BSI. We further find that board chair industry experience positively moderates the relationship between TMT size and BSI whereas CEO/chair duality reinforces the TMT diversity-BSI relationship. Our results have implications for practitioners, including high tech entrepreneurs, venture capitalists and technology transfer officers. It further responds to calls for more research on determinants of BSI in small firms (Fiegener, 2005; Machold et al., 2011) and research uniting TMT and board perspectives (Nielsen, 2010).

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