

**BOARDS OF DIRECTORS, INNOVATION, AND PERFORMANCE:
AN EXPLORATION AT MULTIPLE LEVELS**

by

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Abstract

This dissertation investigates the dynamics of the innovation process within Fortune 1000 firms. Fortune 1000 firms typically have sophisticated processes for developing long-term or discontinuous innovations. However, scholarship has not previously established which decision-making approaches correlate with innovation success in such firms.

The primary research question of this dissertation investigates the boundary of agency theory within the firm. Using agency and stakeholder theoretic perspectives, it is hypothesized that innovation thrives in firms which combine a board of directors operating in accordance with a high agency theoretic or shareholder focus together with an innovation governance board operating deeper within the firm that employs a strong orientation to the stakeholder theoretic behavior. Data has been tested on 98 large firms. The results suggest that the relationship between board of director's behavior and the firm's overall innovativeness is mediated by innovation decision-making boards that promote projects that are large in scope, are careful to include the input of diverse constituencies within the firm, exhibit patience with financial results and engage in frequent and informal interactions with their innovation project teams. Firms exhibiting high board of director shareholder orientation in combination with loyalty to mandate, patient financial capital disposition, inclusiveness, and project team interaction as described above for innovation governance board decision making prove to be the most

innovative as measured by the 2007 Fortune 1000 survey of perceived innovativeness and other internal measures. For firm innovativeness, consolidated managerial power and behavior is frequently present at the upper levels of the firm, but must be broken down at deeper levels of the firm. Finally, this research offers implications to large firm innovation decision-makers as to how to proceed if the intent is to offer commercializably successful innovation offerings.