The relationship between board characteristics and social responsibility with firm innovation

Hind Shafeeq Nimr Al-Maliki
Faculty of Economics and Administrative Sciences, Ferdowsi University of Mashhad, Mashhad, Iran
Mahdi Salehi
Ferdowsi University of Mashhad, Mashhad, Iran, and
Behzad Kardan
Faculty of Economics and Business Administration, Ferdowsi University of Mashhad, Mashhad, Iran

Abstract

Purpose – The present study aims to assess the potential impacts of board members’ characteristics, including connectedness and independence, on the level of the firm’s involvement in innovation and corporate social responsibility (CSR).

Design/methodology/approach – Variables of board members’ interlock and independence are selected for measuring the board characteristics and their association with innovation. The range of disclosure of social responsibility (SR) of the firms inside and outside the industries is also analyzed through descriptive-correlational. The selected sample includes 280 firm-years listed firms on Iraq Stock Exchange during 2012–2017 and 1,026 firm-years on the Tehran Stock Exchange. The hypotheses are examined using multivariate regression models and panel data.

Findings – The observations show that board interlock and independence in both countries are willing to improve firms’ innovation. Moreover, having controlled the industry index, the authors find that business environment innovation is willing to be transmitted into the firms through outside industry sources in Iran. In the Iraq country, regardless of industry index, the positive association between interlocked boards and firm innovation is established. Further analyses also articulate that board interlock is not considered a mechanism to transmit information and experiences about CSR activities.

Originality/value – This paper is a pioneer study to assess the relationship between board member characteristics and the firms’ innovation and SR both in Iran and Iraq. Also, it extends the literature by considering the industry index as a significant source of knowledge and experience to gain more precise results. Therefore, the current paper may contribute to the development of knowledge in this field of study.

Keywords Board interlock, Board independence, Firm innovation, Social responsibility

1. Introduction

The only survival way for organizations in today’s turbulent environment is to get along with environmental changes. Innovation for embracing changes and sometimes modifying changes is a useful and modern tool for current organizations. The current situation for firms is far more complicated than before, so organizations should be innovative for developing markets, attracting customers and entrepreneurship (Aghion et al., 2013). Innovation is a
basic factor in creating competition because it would lead to firm growth and future success (Tian and Wang, 2014).

On the one hand, business firms frequently promote innovation in products and processes to survive the competition. In today’s competitive world, firms’ survival relies on paying special attention to innovation (Seru, 2014). Hsu et al. (2014) defines the current business setting as a dynamic platform such that failure in planning and performing innovation would lead to a decrease in firm competitiveness (Atanassov, 2013; Balsmeier et al., 2014), gaining information seems essential for innovation development (Drucker, 1993; Hall et al., 2005).

There is a conflict of interest between managers and owners. Therefore, the presence and establishment of an effective and efficient board of directors would align managers’ and owners’ interests, enhancing operational performance and firm development (Masulis and Mobbs, 2014). The board of directors’ members can be interlocked, simultaneously serving on many boards in different firms. Having an interlocking board of directors might have several knock-on effects proposed by the previous literature. For instance, on the light side, Pfeffer and Salancik (2003) articulate that interlocked directors may transmit additional resources such as legitimacy, skills, information into the firm and provide some worthy links, including customers, suppliers, capital providers and other stakeholders for their companies.

Companies suffering from market pressures may be engaged in corporate social responsibility (CSR) activities to address their activities to society, leading to competitive advantages (Dhaliwal et al., 2011). The director’s Interlock characteristic may generate experience for companies in CSR activities and reporting to decline external pressures. Such a measure has led to the boards of directors’ demands to voluntarily disclose additional and non-financial information in their annual report in recent decades. To obtain the most efficient results, the board are supposed to check the retrospective and prospective consequences of these reports (Perry and Peyer, 2005; Villiers et al., 2011; Hafsi and Turgut, 2013; Boulouta, 2013).

Considering the above discussions, it is observed that this line of the literature proposes mixed findings related to the knock-on effects of the interlocked board of directors. Therefore, first, the present study attempts to provide a clear picture of the exact consequences of having interlocked directors. Second, one of the pioneer studies assessing the effects of board interlock and independence on the firms’ innovation and engagement in social responsibility (SR) activities, especially in emerging economies, including listed firms on Iran and Iraq Stock Exchange. Since the former studies mostly evaluate the other aspects of board interlocks, including resource seeking (Chin-Huat et al., 2003), signaling (Luffarelli and Awaysheh, 2018), monitoring (Carpenter and Westphal, 2001), accessing human capital (Johnson et al., 2011) and social cohesion (Burris, 2005). Thirdly, we discriminate between directors interlocked inside and outside the industry since it is expected that relative information to the domain of a firm’s activity must contribute greatly to the firms’ performance (Chang et al., 2006; Belenzon and Berkovitz, 2010). Hence, the present study seeks to answer the question of “whether the board interlock and independence can lead to an increase in innovation level and improve the social responsibility in firms or not.” Moreover, the comparison between the two countries’ findings may contribute to the literature due to different institutional settings governing the business environments.

2. Theoretical principles, literature review and hypothesis development

2.1 An interlock between board members and firm innovation

The analyses of internal and external users of financial statements about the economic consequences of research and development (R&D) costs show there is a significant relationship between R&D costs and future operational efficiency (Drucker, 1993; Hall et al., 2005). The frequent growth and change in markets, the decrease of products’ lifecycle, the
necessity for organizational flexibility and such changes give rise to the issue (Tian and Wang, 2014). Hsu et al. (2014) declares that the reported profit and loss from adjusted R&D costs indicate such expenditures’ resultant interests. Hope et al. (2017) conclude that technical innovation, product efficiency, external supervision and managerial motivational plans, due to competition increase, lower China’s systematic economic uncertainty.

An interlocking directorate occurs when a director of one firm’s board also sits on another company’s board. A firm can have one or more directors who sit on the boards of other firms. While firms can also be connected through social ties between directors based on executives’ shared educational background or past employment, our data do not allow us to identify such potential connections (Helmers et al., 2017). According to the network theory specifications, it is argued that a firm’s network position partially allocates the limitations and opportunities that the firm might face. This may influence strategic alternatives, information processes, corporate risk-taking and sheltering and provision of rare resources (Audretsch and Feldman, 1996; Storper and Venables, 2004). Therefore, the extended network capabilities might help firms have greater access to worthy information that might be considered to improve the firm’s performance by operating innovatively (Chuluun et al., 2017) and keeping pace with their competitors (Ahuja, 2000). To the extent that network connection, which may explain the level of innovation, incrementally plays a part as a channel for transmitting and facilitating the flow of skills, expertise, technology, R&D and other similarities (Andersson and Karlsson, 2007; Weterings and Ponds, 2009). Chuluun et al. (2017) show that network connectedness’s different characteristics affect firm innovation input and output, particularly firms in relatively intangible industries. Helmers et al. (2017) find that board interlocks have significant positive effects on both R&D and patenting. Considering the above discussion, we expect that board interlock is likely to transmit knowledge, expert, innovation, etc. into the firms. Thus the first hypothesis is conducted as follow:

\( H1. \) Having an interlocked board plays an ameliorating role in firm innovation.

\( H2. \) Having an interlocked board within the industry plays an ameliorating role in firm innovation.

\( H3. \) Having an interlocked board outside industry plays an ameliorating role in firm innovation.

2.2 Board independence and firm innovation

Board composition can contribute to the financial performance of the firms. If most board members were unbounded managers, the board would be more efficient (Bathula, 2015). If the board members are executive managers, they are less concerned about their primary duty and role in the firm as members of the board, namely supervision on executive managers and controlling them, so this significant role is less evident (Bathula, 2015).

Innovation is a leading factor for empowering firms to create value and preserve competitive advantage in the complicated and ever-changing environment (Fan and Wang, 2012). Hence, decision-makers should understand the significance of innovation and apply that in their organizations. In this regard, Kim and Luo (2017) argue that board independence will create economic added value and innovation. Lu and Wang (2018) document a positive effect of board independence on corporate innovation. One side of the literature argues that independent boards are likely to improve a firm’s performance by investing in R&D expenditures.

In contrast, some believe that firms adopting innovative strategies tend to select one or more measures that the customers in the industry recognize as an important item, which makes them posit themselves to respond to these demands for such important measures by producing innovative products (Porter, 1985), employing such a strategy requires companies...
to invest heavily in R&D activities (Mia and Clarke, 1999). It also suggests that managers pursue creative and innovative action freely to thrive and succeed in the long run. Therefore, the boards’ strict monitoring activities may limit managers from achieving these goals since such restrictions might reduce the manager’s ability to make wise decisions vital for the firm’s performance in the long run (Robinson and Mcdougall, 2001; Simerly and Li, 2000). As a result, managers are less likely to invest in risky projects, such as R&D investments, which have long-run outcomes (Baysinger and Hoskisson, 1990; Zahra, 1996). Gani and Jermias (2006) confirm that board independence has a more positive effect on performance for firms pursuing a cost-efficiency strategy than innovation. Coles et al. (2008) argue that firms with R&D investment must have a large representation of inside directors on their board. These members possess firm-specific knowledge that is crucial for the firm to succeed in a competitive environment.

According to the above discussions, we expect that board independence may improve the firm’s innovation through more efficient manager monitoring. In this regard, the fourth hypothesis is conducted as follows:

**H4.** Having an independent board plays an ameliorating role in firm innovation.

### 2.3 Board members’ interlock and social responsibility growth

Managers tend to show their optimal performance and extensively reflect the news, media and related events. CSR disclosure methods of the firm rely on the effects of economic activities of the society. The type of industry is among the factors that affect the SR disclosure of the firms. For example, in export-oriented industries, international clients’ pressure is a significant factor for SR disclosure. To show a favorable picture at the international level, these firms embark on CSR disclosure and not regulating, leading to missing the contracts (Belal and Owen, 2007; Islam and Deegan, 2008).

According to network theory, firms may imitate good (Srinivasan et al., 2018) and bad (Khanna et al., 2015) procedures from other firms in the same board network. One of the firm’s motivations to follow CSR activities might fulfill social expectations (Aguilera et al., 2007). Firms usually engage in CSR activities and reporting to alleviate external pressures and prevent social sanctions. One view, which is based on the institutional level, argues that regulations and laws form the firms’ social behaviors through mandatory power (Ali et al., 2017; Gallego-Alvarez and Quina-Custodio, 2017). In turn, forcing companies to legitimize their activities based on social requirements and SCR disclosure might be recognized as a reaction to cultural–cognitive and normative impact pressures (Cormier et al., 2005; Rupley et al., 2012). The other view suggests that CSR reporting could help firms protect their reputations for achieving business success (Graafland, 2018), motivating firms to engage in CSR activities (Chih et al., 2010). Therefore, CSR reporting aids firms to gain strategic resources and establish a competitive advantage reduces firms’ equity capital cost (Dhaliwal et al., 2011, 2014), provides positive capital among communities and stakeholders related to moralities, improves firms protection and reduces business risks (Luo and Bhattacharya, 2009). And reduce risks from the capital market, such as stock price crash risk (Kim et al., 2014).

Accordingly, interlock boards may help firms in two ways: (1) interlocked directors transmit other firms’ experiences in CSR activities and strategies to rectify the external pressures based on a mimetic view; (2) based on the communication mechanism view, they may transmit information, intelligence, knowledge, expertise and skill to issue CSR reports effectively. Therefore, board connectedness is an important mechanism to transfer knowledge in CSR activities and reporting into the firms and may play an allocative role in establishing corporate governance practices (Del Vecchio, 2010). Un et al. (2019) find that board interlocks positively affect firms’ CSR reporting. According to the above discussions, it
is expected that interlocked boards are more likely to be engaged in CSR activities and reporting. Thus the following set of hypotheses is conducted in this sense.

\( H5. \) Having an interlocked board plays an ameliorating role in firm CSR activities.

\( H6. \) Having an interlocked board inside the industry plays an ameliorating role in firm CSR activities.

\( H7. \) Having an interlocked board outside the industry plays an ameliorating role in firm CSR activities.

2.4 Board independence and social responsibility growth

According to previous findings, board independence may affect CSR activities through improved manager-monitoring quality. Since independent directors are not engaged in the firm’s daily activities, they can develop more objective advice. They do not possess financial interests as dependent directors (Coffey and Wang, 1998). Comparing internal and external directors, the former ones who usually consider the short-run financial objectives, the latter show different motivations, such as values and time horizons (Donnelly and Mulcahy, 2008; Post et al., 2011). They are more likely to take a long run horizon and follow stable development (Johnson and Greening, 1999). Thus, it is expected that independent directors take into account CSR activities compared to internal directors since such activities provide long-run benefits. Bahar Moghadam et al. (2013) showed that corporate governance mechanisms, except the manager's dual role in the board, positively and significantly associated with CSR. The level of disclosure in the selected firms is low.

As mentioned earlier, unbounded board members supervise executive managers’ decisions, and board composition can influence the firms’ financial performance. On the other hand, being independent would lead to more reliance on SR, which is likely to create a positive and significant relationship with SR. Huang et al. (2016) perceive that increased independence causes quality improvement as a criterion for CSR and decreases presenting auditors’ adjusted statements via increasing audit fees. Moreover, Eshleman and Lawson (2016) also show that increasing board independence, CSR and earnings quality will increase. Besides, Rodriguez et al. (2017) declare that the main determiner in creating costs is different credits obtained from different firms, although such a measurement may defect. Given the abovementioned fact, the eighth hypothesis is as follows:

\( H8. \) Having an independent board plays an ameliorating role in firm CSR activities.

3. Research methodology

Since the present study is conducted for 6 years, it is longitudinal in terms of time horizon. Since the user data are real and historical, it can be classified as a retrospective study. The main reason for choosing such a period is data availability. In this paper, the documentary method is used to collect information. The information of sampling companies was extracted from electronic archives of the Iraqi and the Tehran Stock Exchange’s official websites and the Website of the Comprehensive Database of all listed companies. Then, the extracted raw information is prepared in the Excel spreadsheet.

The study’s statistical population comprises all listed firms on the Tehran Stock Exchange and Iraq Stock Exchange. The statistical data and information related to listed firms in the statistical sample were collected during 2012–2017 for the Tehran Stock Exchange and Iraq Stock Exchange. Sample companies were selected using the systematic elimination method among the affiliated firms in the statistical population with the following exclusions:
(1) Since the financial and operational structures of banks, financial institutions, investment firms, intermediaries and holdings, are different from manufacturing companies, the mentioned industries are excluded.

(2) They should be active in the Tehran or Iraq Stock Exchange during the period of study; such a restriction is applied to the prevention of missing data and;

(3) The required financial information, especially the annexed notes to the board’s financial statements and general assembly annual reports, should extract required data.

It is worth mentioning that by considering the above-said conditions (171*6 = 1,026) and (46*6 = 276), firm-years remained for Tehran Stock Exchange and (46*6 = 276) firm-years for Iraq Stock Exchange, which are indicative of the real statistical population. This study hypothesized that selected firms are a random sample from a time interval, so the results are generalizable to similar Stock Exchange markets. Finally, an unbalanced panel data is employed in this study to analyze the data.

3.1 Fitted patterns for hypothesis testing and variables of the study
In this paper, multivariate regression models are used to analyze the research parameters as follows:

3.1.1 Model 1 (First, second and third hypothesis testing). To assess the impact of boards interlock on the firm innovation, the variables including $\beta_1$Interlocks$_{it}$, general measurement of interlock feature regardless of industry effect, $\beta_2$Interlocks_IND$_{it}$, considering the inside industry impact, and $\beta_3$Interlocks_OutIND$_{it}$, considering the outside industry effect, are employed in the Model 1.

$$\text{Innovation}_{it} = \beta_0 + \beta_1\text{Interlocks}_{it} + \beta_2\text{Interlocks}_\text{IND}_{it} + \beta_3\text{Interlocks}_\text{OutIND}_{it} + \beta_4\text{Growth}_{it} + \beta_5\text{INST}_{it} + \beta_6\text{B}_{\text{IND}}_{it} + \beta_7\text{ROA}_{it} + \beta_8\text{LEV}_{it} + \beta_9\text{Size}_{it} + \epsilon_{it}$$

3.1.2 Model 2 (Fourth hypothesis testing). To assess the impact of board independence on firm innovation, the variable $\beta_1\text{INDEP}_{it}$, is employed in Model 2.

$$\text{Innovation}_{it} = \beta_0 + \beta_1\text{INDEP}_{it} + \beta_2\text{Growth}_{it} + \beta_3\text{INST}_{it} + \beta_4\text{B}_{\text{IND}}_{it} + \beta_5\text{ROA}_{it} + \beta_6\text{LEV}_{it} + \beta_7\text{Size}_{it} + \epsilon_{it}$$

3.1.3 Model 3 (Fifth, sixth and seventh hypothesis testing). To assess the impact of interlock on the firm CSR, the variables including $\beta_1$Interlocks$_{it}$, general measurement of interlock feature regardless of industry effect, $\beta_2$Interlocks_IND$_{it}$, considering the inside industry impact, and $\beta_3$Interlocks_OutIND$_{it}$, considering the outside industry effect, are employed in the Model 3.

$$\Delta\text{CSRd}_{it} = \beta_0 + \beta_1\text{Interlocks}_{it} + \beta_2\text{Interlocks}_\text{IND}_{it} + \beta_3\text{Interlocks}_\text{OutIND}_{it} + \beta_4\text{Growth}_{it} + \beta_5\text{INST}_{it} + \beta_6\text{B}_{\text{IND}}_{it} + \beta_7\text{ROA}_{it} + \beta_8\text{LEV}_{it} + \beta_9\text{Size}_{it} + \epsilon_{it}$$

3.1.4 Model 4 (Eighth hypothesis testing). To assess the impact of board independence on firm CSR, the variable $\beta_1\text{INDEP}_{it}$, is employed, which is in Model 4.
\[ \Delta \text{CSRD}_t = \beta_0 + \beta_1 \text{INDEP}_t + \beta_2 \text{Growth}_t + \beta_3 \text{INST}_t + \beta_4 \text{B_IND}_t + \beta_5 \text{ROA}_t + \beta_6 \text{LEV}_t + \beta_7 \text{Size}_t + \epsilon_t \]

3.2 Dependent variables

The firm’s social responsibility growth (\(\Delta \text{CSRD}\)): This is calculated using the social disclosure checklist for each firm in the year \(t\). This checklist is designed for decoding qualitative information on the annual reports. SR is in six dimensions: environmental issues, products and services, human resources, customers, society responsibilities and energy. Content analysis of such disclosures is classified in the context of financial statements notes and board reports.

Firm innovation: market value to book value ratio is used to measure innovation in the firms under study.

3.3 Independent variables

Board members’ interlock (Interlocks): a virtual variable is used to measure the interlock of board members, equal to one of two firms having a common member on the board; otherwise, it will be zero.

Board members’ interlock inside the industry (Interlocks_IND): is 1 if two firms have a common member in the board inside the industry; otherwise, it will be zero.

Board members’ interlock outside the industry (Interlocks_OutIND): is 1 if two firms have a common member on the board in two different industries; otherwise, it will be zero.

Board independence (INDEP): this variable is calculated by dividing the number of unbounded members into total members. The board’s unbounded member or non-executive manager in the stock companies is a manager who is only responsible for membership in the board and is not physically present in the firm with no executive responsibility. Unbounded managers are only present at the board meeting times, mostly as senior managers’ consultants and have no other firm work relationships. Such managers are like lawyers who perform the firm’s authorities following the Regulations and Articles of Association.

3.4 Control variables

Firm growth (Growth): This is measured based on the firm’s sales changes in proportion to the previous year.

Return on assets (ROA): operational profit to the firm’s total assets.

Firm size (Size): natural logarithm of sales of the firm.

Institutional ownership (INST): the percentage of stock held by the insurance firms, financial and investment institutes, banks, state-owned firms and other sections of the state, which is calculated by dividing the number of institutional ownership stocks into total normal stocks of the firm at the beginning of the period.

Operational leverage (LEV): total liabilities of the firm to total firm assets.

Board size (B_IND): number of board members of the firm.

4. Research findings

First, to analyze and better understand the information, some central and data dispersion indices were studied, depicted in Tables 1 and 2. These tables illustrate Iraqi firms’ descriptive statistics during six years of study and 35 firms and the Iranian firms’ information during this period with 114 firms.
| Indicators | Iranian stock exchange firms | Iraqi stock exchange firms |
|------------|-----------------------------|-----------------------------|
| No. obs    | Mean | Median | Std. dev | Min | Max | No. obs | Mean | Median | Std. dev | Min | Max |
| ΔCSRD      | 1,026 | 1.513  | 0.100    | 0.095 | 0.365 | 1,000   | 0.000 | 0.000  | 0.000    | 0.000 | 0.000 |
| Innovation | 1,026 | 2.551  | 2.324    | 3.822 | 4.081 | 1,026   | 2.551 | 2.324  | 3.822    | 4.081 | 1.024 |
| INDEP      | 1,026 | 0.451  | 0.428    | 0.161 | 0.888 | 1,026   | 0.451 | 0.428  | 0.161    | 0.888 | 0.060 |
| size       | 1,026 | 13.229 | 12.329   | 13.320 | 2.024 | 1,026   | 13.229 | 12.329 | 13.320   | 2.024 | 5.940 |
| ROA        | 1,026 | 0.241  | 0.269    | 0.366 | 0.306 | 1,026   | 0.241 | 0.269  | 0.366    | 0.306 | 0.091 |
| LEV        | 1,026 | 0.688  | 0.634    | 0.541 | 0.950 | 1,026   | 0.688 | 0.634  | 0.541    | 0.950 | 0.187 |
| INST       | 1,026 | 5.119  | 5.000    | 5.000 | 11.000 | 1,026   | 5.119 | 5.000  | 5.000    | 11.000 | 3.000 |
| B_IND      | 1,026 | 5.119  | 5.000    | 5.000 | 11.000 | 1,026   | 5.119 | 5.000  | 5.000    | 11.000 | 3.000 |
| Interloks  | Numbers of 1 observations | 88  | 38  | 93  | 4  | 88  | 38  | 93  | 4  |
|             | Numbers of zero observations | 955 | 1,005 | 993 | 187 | 276 | 192 | 280 | 280 |
|             | Total observations | 1,043 | 1,043 | 1,043 | 1,043 | 280 | 280 | 280 | 280 |
|             | The percentage of 1 to total observations | 0.084372 | 0.038433 | 0.038433 | 0.038433 | 0.0014296 | 0.0014296 | 0.0014296 | 0.0014296 |
|             | The percentage of 0 to total observations | 0.915628 | 0.961567 | 0.961567 | 0.961567 | 0.9985714 | 0.9985714 | 0.9985714 | 0.9985714 |
|             | Std. dev | 0.278078 | 0.187456 | 0.213739 | 0.471825 | 0.118879 | 0.465062 | 0.118879 | 0.465062 |

Table 1. Descriptive statistics of non-indicative variables.
As can be seen in the Table, the average SR growth in listed firms on Iraq Stock Exchange is 0.104, which shows, on average, in these firms among the defined indices in the checklist of SR disclosure in each year, about 10% is added to the score of the previous year. In contrast, the average SR growth for listed firms on the Tehran Stock exchange is 0.153, which shows that about 15% is added to the previous year’s rank among the related indices each year. The results reveal that recent developments of the industry in Iran and the needs related to managers’ responsibility in different groups of stakeholders recently have caused the Iranian firms to be inclined toward more disclosure of SR reporting. Moreover, the innovation of Stock Exchange firms in Iraq and Iran has a mean of 2.301 and 2.551, respectively, indicating higher average innovation in the Iranian firms. On the other hand, the mean board members’ interlock in the Iranian and Iraqi firms is 0.181 and 0.104, respectively, which shows board members in the Iranian Stock Exchange firms about 18 and 10% a similar board.

4.1 Linearity test
The variance inflation factor (VIF) test is applied to estimate the linearity problem between explanatory variables. According to the reported statistics in Table 2, as the VIF indices of all variables are less than 10, there is no linearity problem for regression variables. It is noticeable that, according to the VIF test, if the results were more than 10, there would be a linearity problem in the variables.

4.2 Preferential model
This paper employs two-sided F-Limer and Hausman tests to select the most suitable statistical model for hypotheses testing. The obtained results are depicted in Table 3.

4.3 Hypothesis testing
Since panel data are used to test the hypotheses, it is necessary to assess the model fitting tests before model estimation; the results are presented in the tables. The results of hypotheses 1–3 (model 1) for sample firms are depicted in Table 4.

This Table shows that coefficients for the variable (interlocks) in the model for the Iranian and Iraqi firms are equal to 0.921*** and 0.286***, respectively, which shows that there is a significant relationship between this variable and innovation, so the first hypothesis is confirmed for both groups of Iranian and Iraqi firms. Such findings mean that having interlocked directors lead to greater innovation inside the firms. In line with the underlying theory and previous studies, it argues that interlocked directors are supposed to transmit

| Variable     | VIF | 1/VIF | VIF | Iraq | 1/VIF |
|--------------|-----|-------|-----|------|-------|
| roa          | 1.09| 0.919146 | 1.6 | 0.625719 |
| inst         | 1.09| 0.919769 | 1.19 | 0.839477 |
| Size         | 1.08| 0.926005 | 1.09 | 0.91884 |
| Indep        | 1.07| 0.93334 | 1.12 | 0.890845 |
| Growth       | 1.06| 0.947571 | 1.01 | 0.989727 |
| Bind         | 1.04| 0.956985 | 1.17 | 0.856818 |
| lev          | 1.04| 0.961006 | 1.53 | 0.652562 |
| Interlocks   | 1.01| 0.986871 | 1.08 | 0.922486 |
| Interlocks-d | 1.02| 0.983917 | 1.09 | 0.920102 |
| Interlocks-t | 1.01| 0.991297 | 1.03 | 0.974199 |
| Mean VIF     | 1.05|    | 1.19 |       |

Table 2.
The results of the variance inflation factor
information, knowledge, expert, skill and experiences into the company, which in turn increase the level of firms’ investment in innovative projects as well as R&D expenditures (Storper and Venables, 2004; Weterings and Ponds, 2009; Helmers et al., 2013, 2017; Eshleman and Lawson, 2016; Huang et al., 2016; Chuluun et al., 2017).

Moreover, the second and third hypothesis testing results for the Iranian and Iraqi firms are presented in Table 3. This Table contents show that coefficients for the variable of board interlock inside the industry (Interlocks_IND) in the Iranian firms’ model are equal to −1.192** and Iraqi firms are −0.348*** for outside the industry, respectively. This denotes a negative and significant relationship between the interlock board inside the industry and firm innovation in our full sample. In contrast, the findings of the (Interlocks_OutIND) variable show a positive and statistically significant association between out-of-industry interlocked directors and firms’ innovation due to the coefficients of 1.323*** and 0.216***, respectively. This means that only the companies listed outside the same industry allow their board directors to share information, knowledge, expertise and experience with firms in other industries. Whereas interlocked boards inside the industry are not likely to transmit innovation into the companies. One potential reasoning for such findings might be the firm’s protection of their classified information, such as innovative ideas, which are

|| Description | Hausman Statistic | Prob | F-Limer Statistic | Prob | Iran result |
|---|---|---|---|---|---|---|
|Iran preferential model tests| | | | | | |
|Model 1 | 37.95 | 0.000 | 5.18 | 0.000 | Panel with fixed effects |
|Model 2 | 39.07 | 0.000 | 4.60 | 0.000 | Panel with fixed effects |
|Model 3 | 6.10 | 0.6356 | 22.92 | 0.000 | Panel with random effects (GLS) |
|Model 4 | 4.29 | 0.8916 | 20.39 | 0.000 | Panel with random effects (GLS) |
|Iraq preferential model tests| | | | | | |
|Model 1 | 19.94 | 0.0106 | 3.72 | 0.000 | Panel with fixed effects |
|Model 2 | 400.88 | 0.000 | 3.30 | 0.000 | Panel with fixed effects |
|Model 3 | 13.19 | 0.1055 | 0.88 | 0.5367 | Panel with random effects (GLS) |
|Model 4 | 22.72 | 0.0069 | 0.81 | 0.6042 | Panel with fixed effects |

Table 3. The results of the statistical method preferential tests

| Variables | Obs | Coef | Std. Err | p-value | Obs | Coef | Std. Err | p-value |
|---|---|---|---|---|---|---|---|---|
|Interlocks | 1,026 | 0.921 | 0.225 | 0.000 | 276 | 0.286 | 0.025 | 0.000 |
|Interlocks_IND | 1,026 | −1.192 | 0.502 | 0.017 | 276 | −0.348 | 0.061 | 0.000 |
|Interlocks_OutIND | 1,026 | 1.323 | 0.411 | 0.000 | 276 | 0.216 | 0.040 | 0.000 |
|Growth | 1,026 | 0.899 | 0.401 | 0.031 | 276 | 0.191 | 0.098 | 0.051 |
|inst | 1,026 | −2.559 | 0.253 | 0.060 | 276 | 0.387 | 1.083 | 0.721 |
|Bind | 1,026 | 1.255 | 1.694 | 0.183 | 276 | 0.584 | 0.256 | 0.005 |
|roa | 1,026 | 2.40872 | 1.726 | 0.163 | 276 | 1.589 | 1.427 | 0.267 |
|Ley | 1,026 | 2.0872 | 0.767 | 0.007 | 276 | 0.241 | 0.048 | 0.000 |
|Size | 1,026 | 2.461 | 0.598 | 0.000 | 276 | −1.581 | 0.544 | 0.004 |
|_cons | 1,026 | −17.424 | 12.02 | 0.147 | 276 | 13.733 | 12.351 | 0.983 |

Table 4. The results of board interlock on innovation (Model 1)
expected to provide them competitive advantages. The results of the first model’s \( R^2 \) suggest that relatively 0.25 and 0.20 of the dependent variable’s changes are explained with independent and control variables, respectively, for Iran and Iraq populations. The models’ \( p \)-value demonstrates that at the 0.05 level, both countries’ models are statistically significant.

Furthermore, according to the reports of Table 5, it is illustrated that the coefficients of the variable (indep) in the model for both the Iranian and Iraqi firms are equal to 1.467*** and 0.484*, respectively.

This shows a significant relationship between this variable and firm innovation, so the study’s fourth hypothesis is confirmed for both Iranian and Iraqi firms. It denotes that board independence plays an efficient role in rectifying agency problems. According to previous findings, the efficient manager-monitoring by independent board’s members motivates the CEOs to make wise decisions in line with stakeholders interests, leading to firm’s innovation, as a result of considering long-run benefits of firms (Duchin et al., 2010; Brown et al., 2013; Knyazeva et al., 2013; Kim and Luo, 2017). The results of the second model’s \( R^2 \) suggest that relatively 0.28 and 0.24 of the dependent variable’s changes are explained with independent and control variables, respectively, for Iran and Iraq populations. The models’ \( p \)-value demonstrates that at the 0.05 level, both countries’ models are statistically significant.

According to Table 6, coefficients for the variable of board interlock in the Iranian and Iraqi firms’ models are equal to 0.096*** and 0.340***, respectively. This shows a positive and significant relationship between this variable and CSR in the Iranian and Iraq Stock Exchange. Therefore the fifth hypothesis is accepted for both Iranian and Iraqi firms. Such findings explore that interlocked directors are also motivated to obtain further information from other companies’ CSR reporting and are likely to transmit such information in the firm’s form of knowledge and experience. In this regard, Hazar and Dardour (2015), Graafland (2018) and Un et al. (2019) find that board interlocks positively affect firms’ CSR reporting.

Further analyses show that the Iranian and Iraqi firms’ variable (Interlocks_IND) coefficients are equal to -0.347** and -0.037**. The results for outside the industry (Interlocks_OutIND) are 0.021*** and 0.015*** for both countries listed firms, suggesting a positive and significant relationship between the interlock board in the outside industry firm CSR activities. The overall finding means only the companies competing outside the same industry allow their boards’ members to share information, knowledge, expertise and

| Variables | Iran Coef | Iran Std. Err | Iran p-value | Iran Obs | Iraq Coef | Iraq Std. Err | Iraq p-value |
|-----------|-----------|---------------|--------------|--------|----------|---------------|--------------|
| Indep     | 1.026     | 1.467         | 0.651        | 0.024  | 0.484    | 0.964         | 0.000        |
| Growth    | 1.026     | -0.8707       | 0.402        | 0.031  | 0.176    | 0.205         | 0.394        |
| inst      | 1.026     | -4.877        | 2.595        | 0.061  | 0.381    | 1.087         | 0.726        |
| Bind      | 1.026     | -2.252        | 1.695        | 0.184  | 0.584    | 0.206         | 0.050        |
| roa       | 1.026     | 2.406         | 1.730        | 0.164  | 1.513    | 0.169         | 0.000        |
| lev       | 1.026     | 2.897         | 0.768        | 0.007  | 0.582    | 0.241         | 0.015        |
| Size      | 1.026     | 2.463         | 0.598        | 0.000  | 1.589    | 0.544         | 0.004        |
| cons      | 1.026     | -17.46        | 12.03        | 0.147  | 13.968   | 12.43         | 0.262        |
| Coefficient of determination of the model (\( R^2 \)) | 0.2766 | 0.2387 |
| \( F \) Statistic of the model | 4.60 | 3.30 |
| The \( p \)-value of the \( F \) statistic | 0.000 | 0.0008 |

Table 5. The results of board independence on Innovation (Model 2)
experience with firms in other industries in case of CSR activities. While interlocked boards inside the industry are not likely to transmit CSR experiences to other companies. The results of the first model's $R^2$ suggest that relatively 0.23 and 0.21 of the dependent variable’s changes are explained with independent and control variables, respectively, for Iran and Iraq populations. The models’ $p$-value demonstrates that at the 0.05 level, the Iranian companies’ model is statistically significant.

Finally, the observations reported in Table 7 illustrates that the coefficients of the variable (indep) in the model for both Iranian and Iraqi firms are equal to 0.003** and 0.25***, respectively. This shows a positive and significant relationship between this variable and CSR, so the study’s eighth hypothesis is confirmed for Iranian and Iraqi firms. It denotes that board members’ independent monitoring significantly helps firms be involved in CSR activities and reporting. Since CSR reporting provides long-run benefits for companies and improves their reputation in front of public eyes, the independent board plays an alleviating role in decreasing agency conflicts through efficient manager-monitoring and considering firms’ long-run objectives. These results also conform to that of Maran Jori and Ali Khani (2014), who found a significant and positive relationship between board independence and

| Variables       | Iran   | Std. Err | $p$-value | Obs  | Iraq   | Std. Err | $p$-value |
|-----------------|--------|----------|-----------|------|--------|----------|-----------|
| Interlocks      | 1.026  | 0.022    | 0.000     | 276  | 0.027  | 0.0105   | 0.01      |
| Interlocks_IND  | 1.026  | -0.347   | 0.015     | 276  | -0.037 | 0.016    | 0.024     |
| Interlocks_OutIND | 1.026 | 0.021    | 0.004     | 276  | 0.015  | 0.008    | 0.05      |
| Growth          | 1.026  | 0.018    | 0.036     | 276  | 0.001  | 0.0006   | 0.004     |
| inst            | 1.026  | -0.006   | 0.004     | 276  | 0.065  | 0.046    | 0.155     |
| Bind            | 1.026  | -0.002   | 0.002     | 276  | 0.004  | 108      | 0.656     |
| roa             | 1.026  | -0.002   | 0.001     | 276  | 0.031  | 0.062    | 0.607     |
| Ley             | 1.026  | 0.055    | 0.012     | 276  | 0.009  | 0.0034   | 0.004     |
| Size            | 1.026  | 0.088    | 0.005     | 276  | 0.035  | 0.017    | 0.047     |
| _cons           | 1.026  | 0.03     | 0.021     | 276  | 0.433  | 0.257    | 0.093     |
| **Coefficient of determination of the model ($R^2$)** | 0.2341 |          |          |      | 0.2101 |          |          |
| **$F$ Statistic of the model** | 169.59 |          |          |      | 3.920  |          |          |
| **The $p$-value of the $F$ statistic** | 0.000  |          |          |      | 0.8645 |          |          |

| Variables       | Iran   | Std. Err | $p$-value | Obs  | Iraq   | Std. Err | $p$-value |
|-----------------|--------|----------|-----------|------|--------|----------|-----------|
| Indep           | 1.026  | 0.003    | 0.002     | 276  | 0.025  | 0.001    | 0         |
| Growth          | 1.026  | 0.009    | 9E-04     | 0.313| 276    | 0.005    | 0.007     |
| inst            | 1.026  | -0.005   | 0.004     | 0.208| 276    | 0.098    | 0.042     |
| Bind            | 1.026  | -0.002   | 0.002     | 0.313| 276    | -0.002   | 0.007     |
| roa             | 1.026  | -0.002   | 7E-04     | 0.010| 276    | 0.065    | 0.051     |
| Ley             | 1.026  | 0.009    | 0.003     | 0.004| 276    | 0.023    | 0.008     |
| Size            | 1.026  | 0.008    | 0.004     | 0.055| 276    | 0.03     | 0.000     |
| _cons           | 1.026  | 0.030    | 0.022     | 0.166| 276    | -0.257   | 0.446     |
| **Coefficient of determination of the model ($R^2$)** | 0.2497 |          |          |      | 0.272  |          |          |
| **$F$ Statistic of the model** | 466.15 |          |          |      | 0.810  |          |          |
| **The $p$-value of the $F$ statistic** | 0.000  |          |          |      | 0.6042 |          |          |
CSR activities. The results of the first model’s $R^2$ suggest that relatively 0.25 and 0.27 of the dependent variable’s changes are explained with independent and control variables, respectively, for Iran and Iraq populations. The models’ $p$-value demonstrates that at the 0.05 level, the Iranian companies’ model is statistically significant.

5. Discussion and conclusion
The present study is concerned about the influence of board members’ characteristics, including connectedness and independence, on the firm’s innovation and CSR activities.

The obtained results from hypothesis testing show that board interlock and independence in both countries are willing to improve firms’ innovation. It means that in emerging economies, companies are likely to share their knowledge, experience, skills, and generally, the items that might be applicable to improve firms’ innovation through their common boards’ members. Moreover, having controlled the industry index, we find that business environment innovation is willing to be transmitted to firms through outside industry sources in Iran and Iraq. However, competitors inside the same industry are demotivated to share their innovative information and CSR sources because they are likely to provide comparative advantages. Such findings mean that the board of directors’ characteristics determine firms’ performance through two channels. First of all, interlocked board members transmit innovative ideas and novel production procedures and are willing to improve firms’ performance. Second, independent boards also establish efficient manager-monitoring strategies and improve firms’ outcomes.

Further analyses also articulate that board interlock might be considered a mechanism to transmit information and experiences about CSR activities. The findings suggest a significant and positive association between board interlock and CSR activities in the two countries. Supportively, after controlling the industry index, the results show that Iranian and Iraqi firms’ interlocked boards are likely to improve CSR activities based on their observation throughout outside industry sources. Finally, the results determine a positive relationship between board independence and CSR activities in both countries. These findings also denote that the independent board plays an alleviating role in reducing agency conflicts between stakeholders and managers. According to the literature, such a role is established through efficient manager-monitoring policies (Knyazeva et al., 2013; Kim and Luo, 2017). They are more likely to take a long run horizon and follow stable development (Johnson and Greening, 1999; Liao et al., 2015) and make a proper balance between short-run and long-run objectives, resulting in a positive rectifying impact of CSR and financial performance (Liao et al., 2015).

The current study provides implications for equity owners, the board of directors’ members and society. Equity owners may increase their wealth by establishing efficient corporate governance by appointing interlocked and independent board members. They can improve the companies’ financial performance by transmitting innovation from other companies and establishing an efficient manager-monitoring policy. The board members can enhance their knowledge, experience and reputation by working in several companies simultaneously, improving companies’ financial and operational performance under their supervision. According to our findings, individual practitioners can improve production at the macroeconomic level by sharing knowledge, experience, and generally, innovative ideas, from which the whole society can benefit.

The main limitation of this study comes from data unavailability from market companies. We expect that if the data of other companies competing out of Stock Exchange markets were available, the different results might become to a conclusion.

The current paper recommends that future researchers investigate the interlock board’s potential effect on establishing internal control functions appointing audit firms.
Aghion, P., van Reenen, J.M. and Zingales, L. (2013), “Innovation and institutional ownership”, *American Economic Review*, Vol. 103 No. 1, pp. 277-304.

Aguilera, R.V., Rupp, D.E., Williams, C.A. and Ganapathi, J. (2007), “Putting the s back in CSR: a multilevel theory of social change in organizations”, *Academy of Management Review*, Vol. 32 No. 3, pp. 836-863.

Ahuja, G. (2000), “The duality of collaboration: inducements and opportunities in the formation of interfirm linkages”, *Strategic Management Journal*, Vol. 21 No. 3, pp. 317-343.

Ali, W., Frynas, J.G. and Mahmood, Z. (2017), “Determinants of CSR (CSR) disclosure in developed and developing countries: a literature review”, *CSR and Environmental Management*, Vol. 24 No. 4, pp. 273-294.

Andersson, M. and Karlsson, C. (2007), “Knowledge in regional economic growth: the role of knowledge accessibility”, *Industry and Innovation*, Vol. 14 No. 2, pp. 129-149.

Atanassov, J. (2013), “Do hostile takeovers stifle innovation? Evidence from antitakeover legislation and corporate patenting”, *Journal of Finance*, Vol. 68 No. 3, pp. 1097-1131.

Audretsch, D.B. and Feldman, M.P. (1996), “R&D spillovers and the geography of innovation and production”, *American Economic Review*, Vol. 86 No. 3, pp. 630-640.

Bahar Moghadam, M., Sadeghi, Z. and Safarzadeh, S. (2013), “Investigation the association of corporate governance mechanism on CSR disclosure”, *Quarterly of Financial Accounting*, Vol. 5 No. 20, pp. 90-107, (In Persian).

Balsmeier, B., Buchwald, B. and Stiebale, J. (2014), “Outside directors on the board and innovative firm performance”, *Research Policy*, Vol. 43 No. 10, pp. 1800-1815.

Bathula, H. (2015), “Board characteristics and firm performance: evidence from New Zealand”, *Journal of Management*, Vol. 20, pp. 172-186.

Baysinger, B. and Hoskisson, R.E. (1990), “The composition of boards of directors and strategic control: effects on corporate strategy”, *Academy of Management Review*, Vol. 15, pp. 72-87, available at: https://scirp.org/reference/referencespapers.aspx?referenceid=1869155.

Belal, A.R. and Owen, D. (2007), “The views of corporate managers on the current state of, and future prospects for, social reporting in Bangladesh: an engagement based study”, *Accounting, Auditing and Accountability Journal*, Vol. 20 No. 3, pp. 472-494.

Belenzon, S. and Berkovitz, T. (2010), “Innovation in business groups”, *Management Science*, Vol. 56, pp. 519-535.

Boulouta, I. (2013), “Hidden connections: the link between board gender diversity and corporate social performance”, *Journal of Business Ethics*, Vol. 113 No. 2, pp. 185-197.

Brown, J.R., Martinsson, G. and Petersen, B.C. (2013), “Law, stock markets, and innovation”, *The Journal of Finance*, Vol. 68 No. 4, pp. 1517-1549.

Burris, V. (2005), “Interlocking directorates and political cohesion among corporate elites”, *American Journal of Sociology*, Vol. 111 No. 1, pp. 249-283.

Carpenter, M.A. and Westphal, J.D. (2001), “The strategic context of external network ties: examining the impact of director appointments on board involvement in strategic decision making”, *Academy of Management Journal*, Vol. 44, pp. 639-660.

Chang, S., Chung, C. and Mahmood, I. (2006), “When and how does business group affiliation promote firm innovation? A tale of two emerging economies”, *Organization Science*, Vol. 17, p. 637.

Chih, H.-L., Chih, H.-H. and Chen, T.-Y. (2010), “On the determinants of CSR: international evidence on the financial industry”, *Journal of Business Ethics*, Vol. 93 No. 1, pp. 115-135.

Chin-Huat, O., Wan, D. and Kee-Sing, O. (2003), “An exploratory study on interlocking directorates in listed firms in Singapore”, *Corporate Governance: An International Review*, Vol. 11 No. 4, p. 322.

Chuluun, T., Prevost, A. and Upadhyay, A. (2017), “Firm network structure and innovation”, *Journal of Corporate Finance*, Vol. 44, pp. 193-214.
Coffey, B.S. and Wang, J. (1998), “Board diversity and managerial control as predictors of corporate social performance”, Journal of Business Ethics, Vol. 17 No. 1, pp. 1595-1603.

Coles, J.L., Daniel, N.D. and Naveen, L. (2008), “Boards: does one size fit all?”, Journal of Financial Economics, Vol. 87 No. 2, pp. 329-356.

Cormier, D., Magnan, M. and Van Velthoven, B. (2005), “Environmental disclosure quality in large German companies: economic incentives, public pressures or institutional conditions?”, European Accounting Review, Vol. 14 No. 1, pp. 3-39.

Del Vecchio, N. (2010), “Réseaux de conseils d’administration et adoption de pratiques de gouvernance d’entreprise”, Revue Française De Gestion, Vol. 202 No. 3, pp. 145-161.

Dhaliwal, D.S., Oliver Zhen, L., Tsang, A. and Yong George, Y. (2011), “Voluntary non-financial disclosure and the cost of equity capital: the initiation of CSR reporting”, Accounting Review, Vol. 86 No. 1, pp. 59-100.

Dhaliwal, D., Li, O.Z., Tsang, A. and Yang, Y.G. (2014), “CSR disclosure and the cost of equity capital: the roles of stakeholder orientation and financial transparency”, Journal of Accounting and Public Policy, Vol. 33 No. 4, pp. 328-355.

Donnelly, R. and Mulcahy, M. (2008), “Board structure, ownership, and voluntary disclosure in Ireland”, Corporate Governance: An International Review, Vol. 16 No. 3, pp. 416-429.

Drucker, P.F. (1993), Postcapitalist Society, HarperCollins Publishers, New York.

Duchin, R., Matsusaka, J.G. and Ozbas, O. (2010), “When are outside directors effective?”, Journal of Financial Economics, Vol. 96 No. 2, pp. 195-214.

Eshleman, J.D. and Lawson, B. (2016), “Audit market structure and audit pricing. Accounting horizons, forthcoming”, Accounting Horizons, Vol. 31 No. 1, pp. 57-81.

Fan, J.P. and Wong, T.J. (2012), “Corporate ownership structure and the informativeness of accounting earnings in East Asia”, Journal of Accounting and Economics, Vol. 33 No. 3, pp. 401-426.

Gallego-Alvarez, I. and Quina-Custodio, I.A. (2017), “CSR reporting and varieties of capitalism: an international analysis of state-led and liberal market economies”, CSR and Environmental Management, Vol. 24 No. 6, pp. 478-495.

Gani, L. and Jermias, J. (2006), “Investigating the effect of board independence on performance across different strategies”, The International Journal of Accounting, Vol. 41 No. 3, pp. 295-314.

Graafland, J. (2018), “Does CSR put reputation at risk by inviting activist targeting? An empirical test among European SMEs”, CSR and Environmental Management, Vol. 25 No. 1, pp. 1-13.

Hafsi, T. and Turgut, G. (2013), “Boardroom diversity and its effect on social performance: conceptualization and empirical evidence”, Journal of Business Ethics, Vol. 103 No. 3, pp. 385-402.

Hall, B.H., Jaffe, A.B. and Trajtenberg, M. (2005), “Market value and patent citations”, RAND Journal of Economics, Vol. 36 No. 1, pp. 16-38.

Hazar, B.B. and Dardour, A. (2015), “Investigating the relationship between director’s profile, board interlocks and CSR”, Management Decision, Vol. 53 No. 3, pp. 553-570.

Helmers, C., Patnam, M. and Rau, P.R. (2013), “Do board interlocks increase innovation? Evidence from natural experiments in India”, Working Paper, University of Cambridge.

Helmers, C., Patnam, M. and Rau, P.R. (2017), “Do board interlocks increase innovation? Evidence from a corporate governance reform in India”, available at: https://ssrn.com/abstract=2309082.

Hope, O.K., Thomas, W.B. and Vyas, D. (2017), “Stakeholder demand for accounting quality and economic usefulness of accounting in US private firms”, Journal of Accounting and Public Policy, Vol. 36 No. 1, pp. 1-13.

Hsu, P.H., Tian, X. and Xu, Y. (2014), “Financial development and innovation: cross-country evidence”, Journal of Financial Economics, Vol. 112 No. 1, pp. 116-135.

Huang, T.C., Chang, H. and Chiou, J.R. (2016), “Audit market concentration, audit fees, and audit quality: evidence from China”, Auditing: A Journal of Practice and Theory, Vol. 35 No. 2, pp. 121-145.
Islam, M.A. and Deegan, C. (2008), “Motivations for an organisation within a developing country to report social responsibility information: evidence from Bangladesh”, Accounting, Auditing and Accountability Journal, Vol. 21 No. 6, pp. 850-874.

Johnson, B.R., Connolly, E. and Carter, T.S. (2011), “Corporate social responsibility: the role of Fortune 100 companies in domestic and international natural disasters”, Corporate Social Responsibility and Environmental Management, Vol. 18 No. 6, pp. 352-369, doi: 10.1002/csr.253.

Johnson, R. and Greening, D. (1999), “The effects of corporate governance and institutional ownership types on corporate social performance”, Academy of Management Journal, Vol. 42 No. 5, pp. 564-580.

Khanna, V., Kim, E.H. and Lu, Y. (2015), “CEO connectedness and corporate fraud”, Journal of Finance, Vol. 70 No. 3, pp. 1203-1252.

Kim, R. and Luo, W. (2017), “Customer concentration and earnings management: evidence from the Sarbanes-Oxley act”, available at: https://ssrn.com/abstract=2970368.

Kim, Y., Li, H. and Li, S. (2014), “CSR and stock price crash risk”, Journal of Banking and Finance, Vol. 43, pp. 1-13.

Knyazeva, A., Knyazeva, D. and Masulis, R., W. (2013), “The supply of corporate directors and board independence”, Review of Financial Studies, Vol. 26 No. 6, pp. 1561-1605.

Liao, L., Luo, L. and Tang, Q. (2015), “Gender diversity, board independence, environmental committee and greenhouse gas disclosure”, The British Accounting Review, Vol. 47 No. 4, pp. 409-424, doi: 10.1016/j.bar.2014.01.002.

Luffarelli, J. and Awaysheh, A. (2018), “The impact of indirect corporate social performance signals on firm value: evidence from an event study”, CSR and Environmental Management, Vol. 25 No. 3, pp. 295-310.

Lu, J. and Wang, W. (2018), “Managerial conservatism, board independence and corporate innovation”, Journal of Corporate Finance, Vol. 48, pp. 1-16.

Luo, X. and Bhattacharya, C.B. (2009), “The debate over doing good: corporate social performance, strategic marketing levers, and firm-idiosyncratic risk”, Journal of Marketing, Vol. 73 No. 6, pp. 198-213.

Maranjory, M. and Alikhani, R. (2014), “Social responsibility disclosure and corporate governance”, Accounting and Auditing Review, Vol. 21 No. 3, pp. 329-348, available at: https://acctgrev.ut.ac.ir/article_52385.html.

Masulis, R.W. and Mobbs, S. (2014), “Independent director incentives: where do talented directors spend their limited time and energy”, Journal of Financial Economics, Vol. 111 No. 2, pp. 406-429.

Mia, L. and Clarke, B. (1999), “Market competition, management accounting systems and business unit performance”, Management Accounting Research, Vol. 10, pp. 137-158.

Perry, T. and Peyer, U. (2005), “Board seat accumulation by executives: a shareholder’s perspective”, Journal of Finance, Vol. 60 No. 4, pp. 2083-2123.

Pfeffer, J. and Salancik, G.R. (2003), The External Control of Organizations: A Resource Dependence Perspective, Stanford University Press.

Porter, M.E. (1985), Competitive Advantage, Free Press, New York.

Post, C., Rahman, N. and Rubow, E. (2011), “Green governance: boards of directors’ composition and environmental CSR”, Business and Society, Vol. 50 No. 1, pp. 189-223.

Robinson, K.C. and Mcdougall, P.P. (2001), “Entry barriers and new venture performance: a comparison of universal and contingency approaches”, Strategic Management Journal, Vol. 22, pp. 659-685.

Rodriguez, C., Paula, I., Emiliano, R.B. and Estibaliz, B.L. (2017), “Market power and audit market collusion: the Spanish case”, Academia Revista Latinoamericana de Administración, Vol. 30 No. 3, pp. 344-361.

Rupley, K.H., Brown, D. and Marshall, R.S. (2012), “Governance, media and the quality of environmental disclosure”, Journal of Accounting and Public Policy, Vol. 31 No. 6, pp. 610-640.
Seru, A. (2014), “Firm boundaries matter: evidence from conglomerates and R&D activity”, Journal of Financial Economics, Vol. 111 No. 2, pp. 381-405.

Simerly, R.L. and Li, M. (2000), “Environmental dynamism, financial leverage and performance: a theoretical integration and an empirical test”, Strategic Management Journal, Vol. 21 No. 1, pp. 31-49.

Srinivasan, R., Wuyts, S. and Mallapragada, G. (2018), “Corporate board interlocks and new product introductions”, Journal of Marketing, Vol. 82 No. 1, pp. 132-150.

Storper, M. and Venables, A.J. (2004), “Buzz: face-to-face contact and the urban economy”, Journal of Economic Geography, Vol. 4 No. 4, pp. 351-370.

Tian, X. and Wang, T. (2014), “Tolerance for failure and corporate innovation”, Review of Financial Studies, Vol. 27 No. 1, pp. 211-255.

Un, W., Li, X., Geng, Y., Yang, J. and Zhang, Y. (2019), “Board interlocks and the diffusion of CSR reporting practices: the role of market development”, Corporate Social Responsibility and Environmental Management, Vol. 27 No. 3, pp. 1333-1343, doi: 10.1002/csr.1887.

Villiers, C., Naiker, V. and Van Staden, C.J. (2011), “The effect of board characteristics on firm environmental performance”, Journal of Management, Vol. 37 No. 6, pp. 1636-1663.

Weterings, A. and Ponds, R. (2009), “Do regional and non-regional knowledge flows differ? An empirical study on clustered firms in the Dutch life sciences and computing services industry”, Industry and Innovation, Vol. 16 No. 1, pp. 11-31.

Zahra, S.A. (1996), “Technology strategy and financial performance: examining the moderating role of firm’s competitive environment”, Journal of Business Venturing, Vol. 11 No. 3, pp. 189-219.

Further reading
Adams, R.B., Hermelin Benjamin, E. and Weisbach, M.S. (2010), “The role of boards of directors in corporate governance: a conceptual framework and survey”, Journal of Economic Literature, Vol. 48 No. 1, pp. 58-107, available at: https://www.jstor.org/stable/40651578.

Coles, J., Daniel, N. and Naveen, L. (2012), “Board advising”, Unpublished Working Paper, Arizona State University.

Fama, E. and Jensen, M. (1983), “Separation of ownership and control”, Journal of Law and Economics, Vol. 26 No. 2, pp. 301-325.

Galbraith, J. (1973), Economics and the Public Purpose, New American Library, New York, ISBN: 13: 978-1579700683.

Hubert, B.H. and Lasse Folke, H. (2019), “Toxic ties: corporate networks of market control in the European chemical industry, 1960-2000”, Social Networks, Vol. 58, pp. 24-36.

Lu, Y.J., Abeysekera, I. and Cortese, C. (2015), “CSR reporting quality, board characteristic and corporate social reputation: evidence from China”, Pacific Accounting Review, Vol. 27 No. 1, pp. 95-118.

Wang, J. and Dewhirst, H.D. (1992), “Boards of directors and stakeholder orientation”, Journal of Business Ethics, Vol. 11 No. 2, pp. 115-123.

Corresponding author
Mahdi Salehi can be contacted at: mehdi.salehi@um.ac.ir

For instructions on how to order reprints of this article, please visit our website: www.emeraldgrouppublishing.com/licensing/reprints.htm
Or contact us for further details: permissions@emeraldinsight.com