Social Learning in Information Technology Investment: The Role of Board Interlocks

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Abstract:
This study seeks to extend our understanding of information technology (IT) investment and return from a social learning perspective. We address social learning in the context of interlocks between corporate boards, which, theoretically, are a conduit for sharing knowledge and experiences about firms’ investment decisions. Using a large dataset of firm-years from 2001 to 2008, we find: (1) a focal firm’s IT investment is positively associated with that of interlocked firms (controlling for confounding factors including common contextual impact, conformity of similar firms and neighborhood firms, and reverse causality), a finding consistent with the view of social learning through board interlocks; (2) the component of a focal firm’s IT investment that is attributed to the influence of board interlocks has a positive relationship with the firm’s Tobin’s Q, suggesting benefits of social learning to IT investment return; and (3) board interlocks play a stronger role in influencing IT investment and the investment return when interlocked firms have superior IT-related knowledge, further corroborating a learning effect. Implications for research and practice are discussed.

Bio:
Arun Rai is Regents’ Professor of the University System of Georgia, J. Mack Robinson Chair of IT-Enabled Supply Chains and Process Innovation, and Harkins Chair of Information Systems, at the Robinson College of Business, Georgia State University. He co-founded the Center for Process Innovation that leverages interdisciplinary perspectives and industry-university partnerships to understand how IT innovation can address business and societal problems. His research has examined how firms can leverage information technologies in their strategies, interfirm relationships, and processes, and how systems can be successfully developed, implemented, and used. He serves as a senior editor at MIS Quarterly and has served as a senior editor at Information Systems Research and as an associate editor at MIS Quarterly, Information Systems Research, Management Science, and Journal of MIS. He was named Fellow of the Association for Information Systems in 2010 and Distinguished Fellow of the INFORMS Information Systems Society in 2014.