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

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Abstract: This study uses a social learning perspective to extend our understanding of information technology (IT) investment and return. We investigate social learning in the context of interlocks between corporate boards, which are a conduit for sharing knowledge and experiences of firms’ IT investments. Using a large dataset of firm-years from 2001 to 2008, we find that (a) there is a positive relationship between a focal firm’s IT investment and that of its interlocked firms, (b) this positive relationship is amplified by the interlocked firms’ IT capability, but only if the focal firm and its interlocked firms engage in high communication intensity via board meetings, and (c) the component of the focal firm’s IT investment that is attributable to board interlock influence is positively related to the firm’s Tobin’s Q, but only if the focal firm and its interlocked firms engage in high communication intensity via board meetings. Collectively, these findings support our central thesis: social learning can play a significant role, through board interlocks, in influencing a firm’s IT investments and enhancing their payoff, but attaining such benefits requires incorporating onto the board those firms with high IT management capability and strengthening communications of the focal firm with the interlocked firms.

Bio: Arun Rai is permanent Regents’ Professor of the University System of Georgia and holds the Robinson and Harkins Chairs at Georgia State University’s Robinson College of Business (RCB). He is the Editor-in-Chief of the MIS Quarterly, a Fellow of the Association for Information Systems, and a Distinguished Fellow of the INFORMS Information Systems Society. His research has examined how organizations can leverage information technologies in their strategies, relationships, and processes, and how digital innovations can address business and societal problems. Co-founder of RCB’s Center for Process Innovation, which leverages industry-university partnerships for research, he has collaborated with corporations and government agencies in the United States, Asia, and Europe. His former Ph.D. students hold leadership positions at major journals, universities, and professional organizations. He serves on the Board of Directors of Apollo Indraprastha Medical Corporation and Apollo Health and Lifestyle Limited.