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Corporate Governance Paradigms and Innovation: An Exploration Across European Industries

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ABSTRACT

Extant research provides inconclusive insights into aggregate impacts of corporate governance paradigms on innovation activity at the industry level since previous findings are partly contradicting and scattered around single corporate governance mechanisms, individual industries, and/or isolated firm samples. Moreover, the multi-dimensional nature of innovation as a phenomenon at the intersection of national and industrial dynamics remains usually disregarded. Drawing on data from the 10th Community Innovation Survey, which has been executed among enterprises throughout Europe, this paper employs a twoway multi-covariate ANCOVA to explore the impacts of corporate governance paradigms on innovation activity within 34 industries in 33 European countries. Despite commonly acknowledged comparative advantages of the Anglo-Saxon corporate governance paradigm to shareholders, the statistically significant results presented in this paper clearly indicate that each German and French corporate governance paradigm induces a higher innovation activity at the industry level. Additionally, statistically significant impacts of innovation systems specific to a given industry as well as of innovation enablers "finance and support" and "research systems" at the country level are observed. In contrast, the innovation enabler "human resources" and the interaction between corporate governance paradigms and industries have no or no statistically significant impact on innovation activity at the industry level.

Keywords: Innovation Activity, Innovation Enablers, Innovation Systems, Origin of Law, Statistical Analysis