An analysis of the two-way relationships between management practices and firm innovation

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Introduction

The purpose of this special issue is to provide insights into the application of the concept of innovation as a driver of productivity which is widely discussed in the literature (Dani et al., 2022; Novillo-Villegas et al., 2022; Wei et al., 2025). However, due to the absence of high-quality data, the role of management practices has remained empirically unexplored for a long time such as the practices used in operations, monitoring procedures targets, and incentives (Patyal & Koilakuntla, 2017; Bloom et al., 2012; Ahire & Dreyfus, 2000). In addition to innovation, an analysis of firm-level productivity should consider the quality of the firm's management practices (Bartz-Zuccala et al., 2018). Although they are not identical, there is a correlation between the two; every company uses management practices, but not every company innovates (Lööf & Heshmati, 2002; Younas, 2025).

By examining both innovation and management practices, this special issue combines both strands of research studies. Specifically, we invite papers that investigate whether both channels impact productivity significantly, with management practices directly affecting innovation and productivity, as well as indirectly through innovation. Furthermore, we would like to encourage papers that examine how innovation and developed countries to improve their management practices before they start copying foreign production methods (Bloom & Van Reenen, 2007; Kogan et al., 2017).

The notion that differences in management practices are the source of performance differences across firms constitutes one strand of literature (Bloom & Van Reenen, 2007; Kogan et al., 2017). The other strand of literature emphasizes innovative activities through the lens of R&D expenditure and associated intangibles as proxies for firm performance differences (Bartz-Zuccala et al., 2018).

With regard to the mentioned perspectives, it is important to note that studies centred on managerial practices overlook phenomenal innovative activities that plays a significant role in achieving the success of a firm. These innovative activities include, but are not limited to, research and development (R&D), patenting, and management of intangible assets. Consequently, R&D-based arguments become increasingly necessary and important, considering the fact that R&D activities play a crucial role in accounting for performance disparities that arise among various firms in the market (Bloom & Van Reenen, 2007; Hall & Mairesse, 1995).

One other crucial element that has been highlighted by Hall & Mairesse, (1995) and Bartelsman & Doms, (2000) is related to the influential role played by financial constraints on the research and development (R&D) efforts carried out by companies. This raises a key question: do those companies involved in R&D, and especially those that are innovation-driven, exhibit different levels of performance when we consider financial leverage? In other words, the primary goal of this special issue is to assess whether financial constraints actually are a barrier to innovation. If so, then how do these financial constraints get in the way of the innovation process? Firms with greater leverage ratios frequently face serious challenges in obtaining the financing required to conduct their innovation undertakings.

This is mainly due to the fact that the providers of finance, for example, investors and banks, mostly prefer investing in companies with tangible assets, as these assets can be used as collateral. Without these tangible assets, a company is largely perceived to be riskier, so potential investors will shy away or be very cautious before investing in it.

The special issue contributes to the literature in three important dimensions, starting with management practices as a driver of productivity. Operational processes, Innovation contributes to productivity at different levels of economic development, especially. Thirdly, financial constraints and their impact on innovation. Our focus here is on how financial leverage and access to capital affect a firm's ability to invest in R&D and innovation, especially when they do not have any collateral.

List of topic areas

This special issue should examine the relationship between management practices and firm innovation using various theories. Possible topics that merit exploration include the following, but are not exclusive:

- What effect do specific management practices (e.g., target setting, performance monitoring, incentive systems) have on a firm's ability to innovate and its overall productivity?
- Does innovation activity (e.g., R&D investment, patenting, and the development of intangible assets) mediate the relationship between management practices and firm performance?
- Do financial constraints have a disproportionate impact on innovation performance among high R&D intensity firms, and how does the availability (or unavailability) of tangible assets influence investor decisions?
- How do the impact of management practices and innovation on firm productivity vary across countries at various stages of economic development (e.g., least developed and advanced economies)?
- What are the theoretical paradigms offering the best, most overall descriptions of management quality-innovation strategy firm productivity interaction and how might such paradigms be analysed empirically via available data?

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Closing date for manuscripts submission: **30/11/2025**

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