

# MISQ Archivist

## Examining the Effects of Interfirm Managerial Social Ties on IT Components Diversity: An Agency Perspective

*Ling Xue, Ke Yang, and Yuliang “Oliver” Yao*

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### Abstract

Using a sample of U.S. firms and their IT suppliers compiled from multiple sources, we empirically examine the effect of interfirm managerial social ties (IMSTs) on IT components diversity and the conditions when such an effect may be escalated or mitigated. The key findings are that when firms are connected with more IT suppliers through IMSTs and when IMSTs are more evenly distributed over connected IT suppliers, the firms face higher IT components diversity internally. In addition, the positive relationship between IMSTs and IT components diversity is stronger in IT infrastructure components than in IT applications/services components, and stronger in the firms with centralized IT decision making than in the firms with decentralized IT decision making. Our findings reveal a potential dark side of IMSTs from the perspective of agency theory. Corporate decision makers with broader and more diversified social connections with IT suppliers are more likely to recruit IT suppliers in a way that escalates the diversity of IT components within the firm and jeopardize the overall IT standardization endeavor of the firm.

**Keywords:** Interfirm managerial social ties, agency theory, IT components diversity, IT supplier, social embeddedness