Board Diversity & Corporate Performance

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Abstract

This study examines the association between board diversity and corporate performance. When a board of directors exhibits diversity, it is taken to mean that the board is a mixture of both male and female directors. Traditionally as is shown by researchers boards are predominately made up of male directors with a distinct minority of female directors.

Gender mix of boards of directors has been in the past and present, and likely to be in the future an issue that receives a vast amount of attention. Given that boards of directors are increasingly coming under shareholder and stakeholder pressure to perform in extraordinary environments encompassing financial, social, political, economic, environmental and geographical, the question needs be examined and re examined; Does board diversity, ensure a corporation superior performance?

Key Words: Board Diversity Corporate Performance
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1. Introduction

Some authors note that, in spite of some progress during the past twenty years, corporate boards in the U.K., U.S. and Australia remain dominated by white males. They suggest that the homogeneity of corporate boards may raise significant ethical, political and economic issues, while women and minorities are continuing to become a larger proportion of the workforce (Daily *et al*., 1999; Singh *et al*., 2001; Carter *et al*., 2003; Singh and Vinnicombe, 2004; Grosvold *et al*., 2007). As found by Grosvold *et al*. (2007), board diversity has recently acquired a higher strategic salience within organisations for several reasons.

First, some institutional investors have implemented diversity screens as part of their investment practices and a commitment to diversity in employment practices is included in some socially responsible investment indices. Second, board diversity may be desired by customers, employees and other stakeholders for whom it is a demonstration of the sensitivity of management to stakeholder preferences, aspirations and concerns. Third, board diversity has been the subject of discussions for best practices in corporate governance. For example, the Higgs Report on the role and effectiveness of non-executive directors highlights the fact that "… the current population of non-executive directors is narrowly drawn" (Higgs, 2003, p. 13), and argues that "… a commitment to equal opportunities … is inevitably undermined if the board itself does not follow the same guiding principles" (Higgs, 2003, p. 42).

2. Literature Review

According to Brancato and Patterson (1999), there is a real debate between those who think we should be more diverse because it is the right thing to do and those who think we should be more diverse because it actually enhances shareholder value. Therefore, there are two important aspects to the issue of board diversity, i.e., equity and shareholder value. Some corporate leaders and other parties suggest that board diversity must be considered in the context of shareholder value (Carter *et al*., 2003). They state; we have to look at the connection between diversity, the success of the board, and a successful company, which means that the issue is going to make a difference to shareholders (Brancato and Patterson, 1999). Some commentators believe that a positive link exists between board diversity and firm performance. For example, based on the discussion in Cox and Blake (1991) and Robinson and Dechant

(1997) on workplace diversity, Carter *et al*. (2003) provided some points, which do not flow from any single theoretical framework, to explain why board diversity would enhance a firm's financial performance.

Rose (2007) proposed that a higher degree of diversity could serve as a positive signal to potential job applicants, thereby attracting well qualified persons outside the circles from which board candidates are usually recruited. Board diversity may increase the competition within the firm's internal labour market since women and ethnic groups know that they are not excluded from the highest positions which are available depending only on each person's skills and qualification. Board diversity may also serve as a positive signal to the firm's environment or stakeholders improving its reputation, and perhaps also matching the firm's internal organization with its environment creating symmetry.

One of the most significant governance issues currently facing corporate management, directors and investors is the demographic diversity composition of boards of directors (Carter et al., 2003). At the same time firms are challenged with an ever dynamic business environment where firm performance is becoming an increasing function of intellectual capital (IC) resources. The objective of this study is to empirically examine the linkage between a demographic diversity of a board of directors and a firm's IC performance. The link between demographic diversity and corporate governance is relatively new with very few studies conducted. Whilst adding to this body of literature this study diverges in two key ways. First, previous studies have defined firm performance in terms of returns of financial and physical capital (e.g., return on assets, return on equity). In contrast, firm performance is defined as the efficiency of value added by a firm's IC resources. Examine the demographic diversity – firm performance link within an IC lens is an important contribution given the growing recognition that IC resources are the pivotal force behind a firm's value creation in the new economic era. Second, analysis used for this study is from data hand collected from South African publicly listed firms. The few studies previous conducted primarily drew on data from United States sources. Whilst the Anglo-American model of corporate governance has been adopted in a number of nations, including South Africa, economic, political and social conditions may not enable findings based on United States data to be readily generalized to alternative domestic settings. Findings from this study will assist to build a wider international understanding of the linkage between demographic diversity and firm performance.

As the principal strategic decision-making and monitoring mechanism of a firm one can intuitive conclude that it is of utmost important to ensure a demographic diversity approach is instituted at the board of director level. Presently, demographic diversity is one of the most significant corporate governance issues currently facing firms having taken on a high profile following reports in the popular press (Campbell, 1996), shareholder proposals from advocacy groups (TIAA-CREF, 1997), policy statement from major institutional investors (Brancato and Patterson, 1999) and comments in major corporate governance reform reports (Blue Ribbon Committee, 1999; Higgs, 2003). Proponents suggest greater demographic diversity can enhance a firm's competitive advantage in a number of ways such as through cost savings (Cox and Blake, 1991; Robinson and Dechant, 1997). Also, a more diversified board of directors can provide a source of inspiration and unity with the firm's workforce (Campbell, 1996). Proponents of the so-called "pessimistic" view of demographic diversity, however, challenge the proposed benefits of more diverse boards (Pfeffer, 1983; McCain, et al., 1983, O'Reilly et al., 1989; Zenger and Lawrence, 1989). Specifically, the "pessimistic" view suggests that as diversity increases communication and understanding between board members diminishes. Consequently, group cohesion declines, thereby, having a negative affect on the board's decision making and monitoring capacities.

In their study Smith et.al (2005) state that during the latest decade, there has been an increasing focus on the gender of top executives and boards of directors of firms. The proportion of women reaching top positions is still very low in most countries, though it has been increasing in for instance the US and in some European countries. Some governments, like in Sweden and Norway, have even introduced regulations of the gender composition of the boards of directors of private firms in order to improve equal opportunities. In Norway, the government has decided that for large Norwegian firms at least 40% of the members of the boards of directors must be women in 2005. This seems to have had a major impact on the recruitment practices for Norwegian board members, see Hoel (2005). According to Hoel, the proportion of women in Norwegian listed firms increased from about 6% in 2000 to 22% in 2005. Parallel to this discussion, focus has been on good corporate governance in many countries (see for instance for the US TIAA-CREF (2004) and for Denmark Nørby Johansen et al. (2001)). One of the aspects of good corporate governance is diversity management. If it is actually the case that more women (or minority groups) as top

executives or members of boards of directors have a positive effect on shareholder value and firm performance, this may be a strong argument for having more women in top management.

In their study, they analyse whether female top executives and women on boards of directors have any significant effect on firm performance measured by alternative performance measures. The study examines the relationship between management diversity and firm performance for the 2500 largest Danish firms observed during the period 1992– 2001. Management diversity is defined as the proportion of women among the highest ranking CEOs in firms and on boards of directors. We estimate various panel data models of firm performance and control for factors that are traditionally found to affect firm performance e.g. firms' age, size, sector, export orientation. They find that after controlling for these observed factors, the proportion of women among top executives and on boards of directors tends to have a significantly positive effect on firm performance. A large part of this effect is attributed to the female managers with the best qualifications in terms of education, and for the female board members it appears that the ones representing the staff have the largest positive impact on firm performance. However, when controlling for unobserved firm-specific factors, the effect often turns insignificant. This may reflect that until now very few Danish firms have had women at the CEO level, and thus panel estimates of the performance effects of female CEOs are determined with a large statistical uncertainty. An alternative explanation may be, that the relatively few firms who hire women at the top level of their organization are firms which are also doing well on a number of other unmeasured characteristics (for instance good working conditions and work environment, a more focussed recruitment policy etc.). Another crucial issue is the direction of causality (i.e. do women on boards really affect firm performance or is it actually the case that better performing firms are more likely to hire women?). Therefore, tests for causality between the gender proportion on boards of directors and firm performance are performed. They find that the positive relationship is due to board diversity affecting firm performance, not the opposite.

Smith et.al (2005) further state that ; there are a number of arguments in favour of diversity of board members to be found in the previous literature, see for instance Bantel and Jackson (1989) and Murray (1989). Carter et al. (2003) list 5 positive arguments from a 'business case perspective' and also discuss diversity management in a principal agent framework. Among the arguments pro diversity management is that a more diverse board of directors (or executive board) is able to make decisions based on the evaluation of more alternatives compared to a more homogenous board. A heterogenous board compared to a homogenous board is able to have a better understanding of the market place of the firm, and furthermore diversity increases creativity and innovation. Diversity management may also improve the image of the firm and in this way have positive effects on firm performance and shareholder value if the positive image has positive effects on customers' behaviour. Beside the arguments listed in Carter et al. (2003), another argument for aiming at a more diverse composition of board members is that if only male individuals are potential candidates for the boards, the selection of board members will take place from only this selected distribution of qualifications, and on average this implies a much lower quality than if the candidates are selected among the best from the distribution of both men and women (or include minority groups). However, there may also be arguments against diversity management. If a heterogenous board produces more opinions and more critical questions, this may be time consuming and may not be as effective as a more homogenous board of directors, especially if the firm is operating in a highly competitive environment where the ability to react quickly to market shocks is an important issue. A culturally, ethnically or gender diverse board may experience more conflicts, and even though the decisions may have a better quality in the end, this may not balance the negative effects of a more slow decision-making process if the market place of the firm demands quick responses, see Hambrick et al. (1996). Thus, based on theory, the answer concerning the financial effects of diversity management and women on boards is undetermined a priori. Predictions from the previous empirical evidence are ambiguous. Most of the empirical studies have been based on US data,[1] and most of the studies include only the largest firms. Shrader et al. (1997) analyse the 200 largest US firms and they are unable to find any significantly positive relationship between the percentage of female board members and firm performance (measured by ROA and ROE). They even find significantly negative relations in some

cases. Kochan et al. (2003) also find no positive relations between gender diversity in management and firm performance for US companies.

Contrary to these findings, Catalyst (2004) and Adler (2001) find positive correlations between 'female-friendly' US Fortune 500 firms and the performance of these firms. Carter et al. (2003) also find a significantly positive effect of the percentage of women and minorities on boards of directors and firm value after controlling for a number of other factors which may affect firm value. The study by Carter et al. (2003) also controls for the direction of causality by estimating an IV-model, see below. A recent study by Bell (2005) based on a large sample of US firms find that women in top management (female top CEO or board members) have a positive effect on the payment of the executives of the firms, and further, these firms also tend to have a higher proportion of women at lower management levels.

Erhardt et .al (2003) state; as women and minorities are continuing to become a larger proportion of the workforce in comparison to white males, corporations are beginning to experience significant changes in pools of potential candidates as high-ranking officer positions (Holton, 1995; Burke, 1997; Conyon and Mallin, 1997; Burke and Nelson, 2002). The diversification of these resource pools may impact the composition of boards of directors and subsequently corporate governance (Shrader *et al*. 1997). While diversity within boards of directors may be a highly visible effort to demonstrate an absence of discrimination, it is unclear if diversity within boards of directors has an impact on organisational performance. The diversity literature suggests diversity adversely impacts group dynamics, but improves group decision-making.

However, this research has not been conducted with boards of directors nor has it investigated the impact of board of director diversity on organisational performance. Their research is designed to investigate the impact of diversity within boards of directors on firm performance.

To examine the relationship between board of director diversity and firm performance, they first discuss the concept of diversity and then relate diversity to group and organisation performance. Ultimately, they examine specific relationships between board diversity and firm performance.

Previous research on diversity typically follows two general distinctions: the observable (demographic) and the non-observable (cognitive). Examples of observable diversity are generally gender, age, race and ethnicity and examples of non-observable diversity are knowledge, education, values, perception, affection and personality characteristics (Maznevski, 1994; Milliken and Martins, 1996; Pelled, 1996; Boeker, 1997; Watson *et al*., 1998; Kilduff, *et al*., 2000; Petersen, 2000; Timmerman, 2000). However, most research on diversity and its effects on performance focus on observable or demographic diversity.

Thus, they define diversity as the representation of both ethnic and gender differences on boards of directors.

Their study considers demographic diversity as it directly reflects the increasing numbers of women, Hispanic, Black and Asian Americans entering into the management labour market (Conyon and Mallin, 1997). There is research that suggests that diversity is increasing – especially by gender. Daily *et al*. (1999) conclude, for a study of Fortune 500 firms, that women have made significant progress in terms of assuming seats on boards of directors, but have not in terms of taking CEO positions. Bilimoria (2000) reports that even though the number of female board members is increasing slightly, few companies actively recruit females and there is still sex bias, stereotyping and tokenism on boards where women serve. Mattis (2000) concludes that women board members are increasing in numbers but the changes are small and incremental.

While this research focuses more on gender rather than racial diversity, the evidence suggests that the composition of boards of directors in American corporations is beginning to increasingly reflect the changes in workforce diversity (Burke, 1995).

The extant literature offers at least two general conflicting perspectives regarding the relationship between diversity and group performance.

Some researchers suggest that diversity leads to a greater knowledge base, creativity and innovation, and therefore becomes a competitive advantage (Watson *et al*., 1993). Bantel (1993) investigated the relationship between the demographic nature of high-level management groups and strategic clarity in retail banks. Bantel's findings also demonstrated that greater education and functional background diversity in top management teams led to better strategic decision-making.

Simons and Pelled (1999) reported similar results in their study on executive diversity.

Their findings suggested that both educational level and cognitive diversity were associated with positive effects on organisational performance.
However, they argued that experience diversity had a negative impact on return on investment and overall organisational performance.
Simons and Pelled argued that the negative relationship of experience diversity and performance was due to informal communication among top teams.
Elron (1996) examined the relationships of cultural heterogeneity and member diversity with group cohesion and found no relationship. However, the results indicated a positive relationship between cultural heterogeneity and levels of issue-based conflict. In terms of performance, both issue-based conflict and cohesion were positively related to team performance, which was also tied to organisational performance.
Others have investigated board diversity and performance and found positive results. For example, Siciliano (1996) used data from 240 YMCA organisations to construct and compare multiple measures of board member diversity. The findings revealed higher levels of social performance and fundraising when board members exhibited greater occupational diversity. The results also demonstrated that gender diversity played a role in organisation's level of social performance.
Maznevski (1994) examined the literature on group diversity and challenged previous research findings that homogeneous decision making groups perform better than diverse ones. She argued that diversity has the potential to considerably benefit group decision making.
The keys to improved performance are integration and communication. According to her conclusions from this literature review, enhanced integration and communication help determine the performance of a diverse group.
In contrast, other researchers suggested that diversity can potentially be a disadvantage in terms of group performance. For example, Hambrick *et al*. (1996) conducted a longitudinal study on the effects of diversity on top management team performance in 32 major US airlines. Diversity was measured by functional, educational and tenure heterogeneity.
Their findings indicated that homogeneous top-management teams actually outperformed heterogeneous ones. They also reported that heterogeneous teams were slower in their actions and responses and less likely than homogenous teams to respond to competitors' initiatives. The explanation they offered was that in a

heterogeneous group individuals were more likely to disagree, thereby weakening the team consensus.

Knight *et al*. (1999) also found that demographic diversity was negatively related to consensus. They further suggested that greater time and effort was necessary for heterogeneous teams to reach decisions, ultimately reducing team performance.

Treichler (1995) came to a conclusion similar to Knight *et al.* and Hambrick *et al*. Treichler concludes that workforce diversity requires higher expenditures due to increased initiatives and coordination to accommodate the needs of different types of employees, and has the potential to increase work group conflict and communication difficulties. In sum, these authors point to the potential negative effects of diversity due to the difficulty of integrating these resources into an effective harmonised group or team.

In sum, it appears that there is equivocal evidence about the effects of diversity on group performance. Diversity both enhances performance by increasing decision-making capacity, but detracts from group performance by increasing conflict. However, none of this research addresses diversity within boards of directors. Consequently, an important research question becomes – *to what extent do these issues impact the relationship between diversity on boards of directors and firm performance.*

Most studies addressing diversity and firm performance use workforce diversity as opposed to diversity within boards of directors.

One study addressing diversity at organisational levels was conducted by Murray (1989). Murray used 84 Fortune 500 food and oil companies to investigate heterogeneous versus homogeneous groups and their effect on organisational performance. Diversity was measured as a composite of age, educational degree, average tenure and occupational history. Findings showed that performance and diversity is related to the type of market the organisation is operating in. Specifically, homogenous groups were more effective than heterogeneous groups during intense market competition. Heterogeneous groups were more effective in dealing with organisational change, suggesting that these groups may better respond to rapid dynamic changes in the market. A limitation with Murray's (1989) study was that diversity was measured via the surrogates' age, educational degree and tenure. While these are undoubtedly important, it may be that racial and ethnical diversity are more informative and relevant to the demographic make-up of the current workforce.

Shrader *et al*. (1997) examined firm financial performance with gender diversity at the middle- and upper-management, and at the board of director levels for large firms. They found general organisational effects, but few top-level diversity effects on performance and, in general, reported a positive link between women (diversity) in management positions with firm financial performance. Shrader *et al.* explain the positive performance relationship by suggesting that these companies were recruiting from a relatively larger talent pool, and subsequently recruited more qualified applicants regardless of gender.

In a more recent study conducted by Richard (2000), the relationship between organisation-wide diversity, business strategy and firm performance was examined in the context of the banking industry. Performance was measured by productivity return on equity, and market performance measured from 64 banks in three states. Study results showed that diversity added value and was perceived as a relative competitive advantage for banks.

Focusing specifically on boards of directors, Catalyst (1995) reported that of the top 100 US companies in terms of revenue, 97 had at least one woman board member. In an earlier study by Catalyst (1993), 82 per cent of the 50 most valuable Fortune 500 firms were found to include at least one woman director on the board.

In another recent work, Burke (2000a) found significant correlation coefficients between the number of women directors and revenue, assets, number of employees and profit margins for Canadian firms. Therefore, the findings of the section above indicate that profitable firms may be amenable to diverse director appointments.

In summary, the existing literature suggests that workforce diversity impacts firm performance.

However, few studies have investigated the possible connections diverse boards might have with firm performance. Moreover, most previous studies are focused exclusively on gender diversity Given the current literature suggesting that diversity tends to generate higher creativity, innovation and quality decision-making at individual and group levels, this study posits that similar findings may be found at the executive board of director level, where these characteristics are most critical. As board functioning is highly related to organisational performance (Zahra and Pearce, 1989), the question becomes whether increased demographic diversity on boards affects overall company performance. In this vein,

Finkelstein and Hambrick (1996) outlined two key functions for boards that are highly related to the performance of the organisation.

First, boards are commonly the most influential actors determining strategy direction and decision-making inherent in their structural position. Second, boards fulfil a monitoring role that may include: representing shareholders, monitoring proper use of organisations' wealth, response to takeover threats and management work.

In light of Finkelstein and Hambrick's work, Fondas (2000) argues that the presence of women directors helps a board execute its strategic function because their experience is often closely aligned with company needs. For example, she notes that women may have a slight edge over men in terms of impacting strategic planning. Consequently, women can potentially help the board fulfil its strategic role.

Burke (2000b) offers some additional practical reasons why firms should consider adding qualified women to the board. He notes that in general there are not currently enough talented directors to go around. CEOs are rejecting invitations to join boards at increasing rates. And men currently serving on boards do not have the time to take on additional responsibilities.

This makes the continuing reliance on male CEOs for board members less practical and potentially dilutes quality. Therefore, firms should expand their searches beyond the traditional talent pools. He also notes that women can add important symbolic value both inside and outside the organisation, linking the firm with other constituencies.

Similarly, Selby (2000) interviewed women board members from top US firms and observed that by including gender diversity on their boards firms concomitantly included diversity in other experiences and values. She notes that the "questioning culture" of a board can be influenced, in a positive respect, by having women board members. Bilimoria and Wheeler (2000) and Mattis (2000) are supportive of the above, stating that women directors help foster competitive advantage by dealing effectively with diversity in labour and product markets. Bilimoria and Wheeler see women directors as champions for change because they tend to be younger than their male counterparts and are open to relatively newer ideas and approaches to doing business.

Mattis indicates the board should reflect the diversity of the firm's customer base and labour pool. These arguments may well apply to racial diversity as well as gender diversity.

3. Hypothesis

Bilimoria (2000) recommends that the corporate bottom-line impact of demographically diverse directors be examined specifically.

Additionally, Bilimoria and Wheeler (2000) call for research empirically examining the relationship between the presence of women on boards and firm outcomes. Burke and Mattis (2000) recommend research examining the differences in various types of performance for firms achieving diversity in the management ranks. And Davidson (2002) asks for research examining both racial and gender effects on work outcomes. Zahra and Pearce (1989) in their review of boards of directors and the relationship with performance did not identify a single study of demographic diversity at the board level.

However, because strategic decision-making is crucial for boards of directors, it seems logical to expect that organisations with higher levels of board of director diversity will demonstrate higher levels of performance than organisations with less diverse executive boards. Thus, the following general hypothesis is proposed: *Greater diversity among board members increases organisational performance.*

METHOD

Sample

Data for this study was gathered from 350 companies, from three countries, between 2000 – 2012* *projected using three year rolling averages for corporate performance. The corporations were selected randomly from all sectors and converted back to the USD$ as at 30th June for each year of the sample.

Measures

Independent Variables

In this study, board diversity was measured using the percentages of *Female and Male* Directors and as well *Executive and Non Executive* Directors.

Dependent Variables

In this study, was used five measures of corporate performance being; *EBIT, NPAT, ROA, ROE and ROTC.*

Control Variables

In this study, the control variable used was the *independence of the Chair-person.* Coding used was *0* to denote a *Non Independent Chair* and *1* to denote an *Independent Chair.*

4. Results

TABLE 1 MULTIPLE REGRESSION

	DF	F	SIG	ADJ R2
EBIT				
AUS	45	76.226	.000	.774
UK	59	9.082	.000	.369
US	77	3.176	.000	.071
NPAT				
AUS	45	26.198	.000	.534
UK	59	5.197	.000	.233
US	77	3.728	.000	.087
ROA				
AUS	45	3.268	.000	.094
UK	59	1.985	.000	.067
US	77	3.604	.000	.084
ROE				
AUS	45	.490	.998	-.024
UK	59	.278	1.000	-.055
US	77	.654	.991	-.012
ROTC				
AUS	45	1.734	.002	.032
UK	59	.779	.886	-.016
US	77	1.093	.274	.003

Design Intercept: Chair + EDP + NED + MD + FD

Chair = Chair Independent (1) Non Independent (0)
EDP = Executive Director #
NED = Non Executive Director #
MD = Male Director #
FD = Female Director #

TABLE 2 BOARD DIVERSITY

	EDP	NEDP	MDP	FDP	AV BRD SIZE
AUS	28.96%	71.04%	95.26%	4.74%	6.76
UK	40.57%	59.43%	92.57%	7.43%	11.62
US	28.28%	71.72%	87.82%	12.18%	12.77

EBIT

The results of *EBIT* as the *DEPENDENT VARIABLE* and the *INDEPENDENT VARIABLES* as shown under *TABLE 1* show that there is a high degree of correlation between these variables with a high degree of explanation of movement within the *DEPENDENT VARIABLES* by the *INDEPENDENT VARIABLES* in *AUSTRALIA* and *THE UNITED KINGDOM* showing ADJUSTED R2 of .774 and .369 respectively, with the *UNITED STATES* showing .071 which indicates very low explanation of movements within the *DEPENDENT VARIABLES* by the *INDEPENDENT VARIABLES.*

NPAT

The results of *NPAT* as the *DEPENDENT VARIABLE* and the *INDEPENDENT VARIABLES* as shown under *TABLE 1* show that there is a high degree of correlation between these variables with a high degree of explanation of movement within the *DEPENDENT VARIABLES* by the *INDEPENDENT VARIABLES* in *AUSTRALIA* and *THE UNITED KINGDOM* showing ADJUSTED R2 of .534 and .233 respectively, with the *UNITED STATES* showing .087 which indicates very low explanation of movements within the *DEPENDENT VARIABLES* by the *INDEPENDENT VARIABLES.*

ROA

The results of *ROA* as the *DEPENDENT VARIABLE* and the *INDEPENDENT VARIABLES* as shown under *TABLE 1* show that there is a high degree of correlation between these variables with a low degree of explanation of movement within the *DEPENDENT VARIABLES* by the *INDEPENDENT VARIABLES* in *AUSTRALIA* and *THE UNITED STATES* showing ADJUSTED R2 of .094 and .084 respectively, with the *UNITED KIGDOM* showing .067 which indicates very low explanation of movements within the *DEPENDENT VARIABLES* by the *INDEPENDENT VARIABLES.*

ROE

The results of *ROE* as the *DEPENDENT VARIABLE* and the *INDEPENDENT VARIABLES* as shown under *TABLE 1* show that there is a low degree of correlation between these variables with a low degree of explanation of movement within the *DEPENDENT VARIABLES* by the *INDEPENDENT VARIABLES* in *AUSTRALIA* and *THE UNITED STATES* showing ADJUSTED R2 of -.024 and -.012 respectively, with the *UNITED KIGDOM* showing -.055 which indicates very low explanation of movements within the *DEPENDENT VARIABLES* by the *INDEPENDENT VARIABLES.*

ROTC

The results of *ROTC* as the *DEPENDENT VARIABLE* and the *INDEPENDENT VARIABLES* as shown under *TABLE 1* show that there is a low degree of correlation between these variables with a low degree of explanation of movement within the *DEPENDENT VARIABLES* by the *INDEPENDENT VARIABLES* in *AUSTRALIA* and *THE UNITED STATES* showing ADJUSTED R2 of .032 and .003 respectively, with the *UNITED KIGDOM* showing -.016 which indicates very low explanation of movements within the *DEPENDENT VARIABLES* by the *INDEPENDENT VARIABLES.*

5. Conclusions

The above results show that board diversity has a direct impact on *EBIT* and *NPAT*, but have a lesser impact on *ROA, ROE* and *ROTC*, though the results are mixed, because when we take into account the board diversity percentages from *TABLE 2* which show that the countries being *AUSTRALIA* and *THE UNITED KINGDOM* that show the smaller board sizes and inclusion of female participation on boards, these countries show the greatest correlation between *DEPENDENT VARIABLES* and *INDEPENDENT VARIABLES*.

The only real conclusion that the author is able to draw based on the data and analysis, is that given that boards worldwide are so dominated by *MALE/NON EXECUTIVE DIRECTORS*, and is, that the input and participation of *FEMALE* directors is being completely masked and not shining through.

In closing there is such a fine line between board diversity and board composition that the two can be readily interchanged and massaged synonymously to achieve the best board possible for any given corporation.

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