

IMPACT OF BOARD DIVERSITY ON FIRM PERFORMANCE; A CASE OF SRI LANKAN MANUFACTURING COMPANIES

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The purpose of this paper is to examine the impact of board diversity on the firm performance of Sri Lankan listed Manufacturing Companies. Regression analysis was used over 28 listed manufacturing companies on the Colombo Stock exchange from 2013 to 2017. The dependent variable was firm performance measured by Tobin Q and ROS. The independent variables were bio demographic diversity and job-related diversity. The bio-demographic diversity of the director board measured by gender, age, and race, and job-related diversity measured on functional, education, and organizational tenure, proxied by the Blau and Shannon indices. The study collected panel data from manufacturing organizations and gathered data was analyzed using SPSS. Descriptive statistics, ANOVA, correlation and regression analysis were conducted answer the research questions. The result of the study indicated that gender diversity has significant positive impact on firm financial performance. But age, race diversities had an insignificant impact on firm performance. Accordingly, the study did not support the impact of bio-demographic diversity on the firm performance of manufacturing companies in Sri Lanka. The regression further indicated significant negative impacts of functional, educational, and organizational tenure diversities to firm performance; accordingly, the study confirmed the impact of job-related diversity of the director board on the firm performance of manufacturing companies in Sri Lanka. As women represent half the population in Sri Lanka, more positive affirmative strategies must be announced to improve their contributions to the public. Furthermore functional, education and organizational tenure had a negative impact therefore policymakers should have to introduce policies to balance that diversity within the organizations. As women progress in society, their contributions towards nation-building will be significant. In addition to that job diversity dimensions also should have to manage at an optimum level to enhance the firm performance. Studies on the impact of board diversity on firm performance have been conducted from the perspective of a few developed countries and most studies explored gender diversity's impact on firm performance only. This study contributes to the literature by examining such an issue in a developing economy by employing bio demographic diversity and job-related diversity.

Keywords: *Bio demographic diversity; Job related diversity; Firm performance; Colombo Stock exchange*