IMPACT OF BOARD DIVERSITY ON FIRM PERFORMANCE: EVIDENCE FROM LISTED MATERIAL COMPANIES IN SRI LANKA

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ABSTRACT

The study aims to investigate the impact of board diversity on firm performance through board meetings based on listed material companies listed at the Colombo Stock Exchange in Sri Lanka. Diversity of the director board is measured through 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—firm performance measured through Tobin Q and Return on Sales. The number of board meetings conducted per year was taken as a mediating variable. Listed material companies at Colombo Stock Exchange from 1985 to 2019 were the population from which twenty-eight firms that have been operating from 2013 to 2017 were filtered as the sample. Annual reports, published financial documents collected required data, and on which gender index, age index, race index, functional index, education index and organization tenure index were calculated separately. Multiple regression analysis was used to measure the direct and indirect impact of board diversities on firm performance. The light of the regression indicated a significant positive impact of gender diversity on firm performance; however, age and race diversities had an insignificant impact. Further, the impacts of functional, education and organizational tenure diversities to firm performance were negative. Finally, the study found a significant indirect impact of bio-demographic and job-related diversities to firm performance through board meetings confirming the mediating effect of the board meeting. Accordingly, policymakers and authorizes listed material firms should identify the escalating trend of women participation, educational improvement in the director board and ought to take necessary actions to maintain appropriate diversity levels in terms of bio demographic and job-related to enhance the firm performance.

Keywords: *bio demographic diversity, board meeting, firm performance and job-related diversity*

INTRODUCTION

Over the last decade, it seems that the female labour force has been increasing in both developed and developing countries. According to the World Bank statistic, the female labour force in Australia, Belgium, Bhutan and Indonesia increased by 22%, 33%, 36%, 18% and 14% respectively from 1990 to 2018. In many countries, it was noted that the female entrance to higher education has also increased significantly than that of in 2000. Resulting, women have joined to both public and private sector organization as employees irrespective of the position and field of the organization. How long the trend has spread those women to represent now top management and director board (Rupawaththa & Gunasekara, 2016). This movement has been slowly but steadily increasing globally (Pathan & Faff, 2013). The Director board is the backbone of the organization as it holds the responsibility for leading, directing and managing the firm protecting shareholders' interest; hence, it is deemed as an essential mechanism of the company (Abdullah, 2004). The director board, its composition and behaviour are imperative for an organization to success (Abdullah, 2004). Therefore, today most of the organisations restructured their board composition based on different diversification basis. Accordingly, the director board, its composition and their behaviors are imperative for an organization to success (Abdullah, 2004). Diversified director board reflects the right mix of skills, knowledge and experience to manage firms even in the turbulent environment (Wellalage & Locke, 2013).

Diversification involves differences among people in terms of age, gender, knowledge, experience, attitude, values and personality that are visible and invisible in human life. This heterogeneity can be scientifically grouped as job-related diversity and bio-demographic diversity (Simons & Rowland, 2011). Job-related diversity means diversification of employees concerning the jobs he/she involves that covers job experience, functional expertise, intelligence, values, competency and organisation tenure. In contrast, bio-demographic diversity includes demographic differences among people such as gender, age, race that are relatively stable and visible; therefore, demographic diversity is known as observable diversity (Kilic & Kuzey, 2016). According to the socially constructed myths, organizations apprehension to recruit educated and experienced females for managerial positions. Therefore, the balance diversity of the board of directors is still a question in Sri Lanka.

In Sri Lanka, manufacturing companies are the largest contributor to the industry sector, and the second-largest contributor to the Sri Lankan Gross Domestic Product (Central Bank of Sri Lanka, 2017). Hence, the economic performance of the county largely depends on manufacturing sector effectiveness. Identification of areas and avenues to improve the business performance of the manufacturing sector is timely, essential and imperative. Hence, the study aims to explore the impact of Director Board diversity on the financial performance of listed material firms at Colombo Stock Exchange in Sri Lanka.

The rest of the sections is structured as follows: Section two provides a theoretical framework, section three illustrates the conceptual model study used, while section four assesses the impact of board diversity on firm performance through a board meeting. The last section contains concluding remarks.

LITERATURE REVIEW

In the past, business organizations did not pay their attention to board diversity, consequently, the concept had not been discussed and explored well by academic. With behavioural finance, the concept of board diversity came to space and from which it has been receiving increasing attention of academic and even business professionals. Now, people competitively define it and explore every single bit of the diversity without a common consent, resulting, scholars have defined board diversity differently in terms of meaning and context.

Organization's performance directly links to the board functioning (Zahra & Pearce, 1989). Erhardt et al. (2003) emphasized that board diversity makes a strong foundation to uplift creativity, innovations and quality decisions at the board meeting. According to Finkelstein et al. (1996), strategic direction and decision-making, monitoring of shareholders, use of firms' wealth, recruitment process and top management works are more relevant to the firm performance. Many previous studies on board diversity have confirmed the impact of the demographic diversity of board to firm's strategy designing and performance. Consequently, later, most of the studies touched the demographic diversity of the director board rather than other diversity categories (Hambrick, 2007). Accordingly, Fama and Jensen (1983) pointed out that board independence is ensured through great board diversity. Not only that, at a discussion, generally female directors are willing to ask many questions than that of male directors (Konrad et al., 2008). Tajfel and Turner (1986) claimed that identical group members create fewer emotional conflicts, but they more cooperative in the board room. However, Brown-Kruse and

Hummels (1993) were against to the previous ideas. Organisation humanity cost is high when women are more selfish than men, but humanity cost is low when the men are more selfish than women (Andreoni & Vesterlund, 2001). Cox and Blake (1991) mentioned that female directors increase the cost of the firm through absenteeism and turnover. Moreover their arguments often create opinion conflicts that reduce organization performance (Julizaerma & Sorib, 2012).

As firms' performance is influenced resource pool of the firm, directors should have to pay more attention to develop lucrative connections between external constitutes to confirm business survival in a volatile market (Hillman et al., 2007). Board of directors is a strategic connecting tool of the firm; hence, a greater board diversity may add more benefits to the firm than homogeneous groups (Hillman et al., 2007). Farrell and Hersch (2005) claimed that better-performing organizations usually have more females on the board. However, a number of studies evident that the structural diversity of the board is very weak in emerging countries (Ararat et al., 2015).

Fernandez and Thams (2018) investigated board diversity and stakeholder management. The result of the study emphasized that board gender, nationality and race/ ethnicity diversities affect the effective stakeholder management; further study identified that gender and nationality impact to stakeholder management is moderated by board experience. Anazonwu, et al., (2018) identified that board member nationality, the proportion of women directors and proportion of non-executive directors do not have a significant positive relationship with environmental, social governance, through a study which measured the impact of corporate board diversity on sustainability reporting at manufacturing firms in Nigeria. However, multiple directorships have a significant relationship with environmental, social governance.

RESEARCH METHODOLOGY

The study was a basic, explanatory and quantitative type one followed the deductive research method. The dependent variable of the study was firm performance. There are a variety of financial measures that researchers often use to measure performances of firms such as Tobin Q, ROI, ROE and ROS. However, in this study ROS and Tobin Q that represented both accounting and financial-based performance measures measured firm performance listed material sector companies. Bio demographic diversity and job-related diversity of the director board were considered as the independent variable. Board monitoring was considered as

mediating variable of the study. The relationships among variables well represent the following conceptual framework:

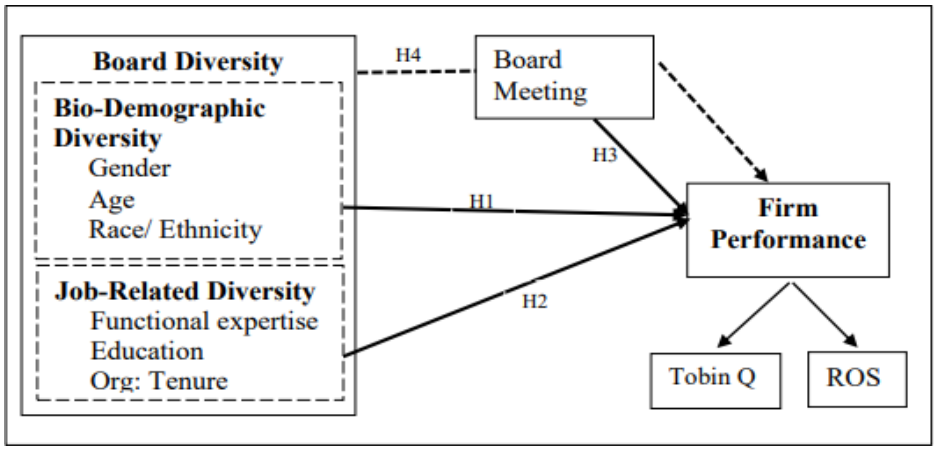

Figure 1: Conceptual Framework

Bio-demographic diversity of director board measured by gender, age and race, and job-related diversity measured on functional, education and organizational tenure—firm performance measured through Tobin Q and Return on Sales. A number of board meeting, the mediating variable was measured by the number of board meetings conducted a firm per financial year. All listed material companies at Colombo Stock Exchange from 1985 to up to date were identified as the population from which twenty-eight firms that have been operating from 2013 to2017 were filtered as the sample of the study purposefully. Required data were collected on company annual reports, published financial documents, and calculated separate Blau Indexes on them, to have accurate test results. Accordingly, the study developed gender index, age index, race index, functional index, education index and organization tenure index for the study. Multiple regression analysis was used to measure the direct and indirect impact of board diversities to the firm.

Hypotheses of the study

Following hypotheses are posited to investigate the impact of board diversity on firm performance.

H_1: Bio-Demographic diversity has a direct impact on firm performance of listed material firms in Sri Lanka.

H_2: Job-related diversity has a direct impact on firm performance of listed material firms in Sri Lanka.

H_3: Board Meeting has a direct impact on the firm performance of listed material firms in Sri Lanka.

H_4: Bio Demographic and Job-related Diversity have an indirect impact on Firm Performance through a board meeting.

DATA ANALYSIS

Table 01: Average firm performance data during the sample period

Financial Year	ROS (Average)	Tobin Q (Average)
2013/2014	1.415	1.199
2014/2015	1.305	1.284
2015/2016	1.216	1.130
2016/2017	1.219	0.942
2017/2018	0.856	0.974

ROS: Return on sales

As per table 01, Return on Sales (ROS) of material firms in Sri Lanka from the 2013/2014 financial year to 2017/2018 financial year has declined drastically. In 2013 the average value was 1.415 and it declined to 1.216 in 2015/2016 in the sector and shown a minimal insignificant improvement in the following year by 0.03 decimals. Finally, ROS dropped severely and settled around 0.856 in 2017. The overall behavior of Tobin Q statistics also followed similar behavior except a few insignificant fluctuations. It declined in the sector performance has been largely caused many economic and political instability of the country.

Table 02: Blau index of variables

Financial Year	GI	AI	RI	FI	EI	OTI
2013/2014	.1355	.4079	.1838	.3611	.4051	.3059
2014/2015	.1404	.4191	.1961	.3567	.4258	.3112
2015/2016	.1341	.4102	.2031	.3435	.4332	.3131
2016/2017	.1416	.3930	.2224	.3686	.4531	.2967
2017/2018	.1310	.4197	.2154	.3616	.4525	.3111
Overall mean	.1366	.4100	.2042	.3583	.4339	.3076
Minimum	.0000	.0000	.0000	.0000	.0000	.0000

Maximum	.4898	.7755	.6420	.6939	.7813	.6667

GI: Blau index of gender; AI: Blau index of age; RI: Blau index of race; FI: Blau index of function; EI: Blau index of education; OTI: Blau index of Organisation Tenure

Blau index of gender is varying between .0000 and .4898. As gender has two groups as male and female, then the index would range from zero to 0.5. According to the mean statistics of gender index, the values are always around the .13 and .14 that is very close to zero. It highlights that averagely, gender index has a squid distribution towards zero, indicating that one group of gender is dominating the board over the period. The study-grouped board members' age into five categories; hence, the Blau index of age would range from zero to 0.8. As per the statistics, the overall mean value of Blau index of age is 0.4100. It indicates that board members are not fully diversified in terms of age.

Moreover, the value of the Blau index of race would range from zero to 0.75 as it contains four categories as Sinhala, Muslim, Tamil and other. When the board equally represents all four categories of race the value would take 0.75. The overall mean value of Blau index of race is 0.204. It says that the board of directors is not fully diverse in terms of race of material firms of Sri Lanka from 2013 to 2017 financial years.

The Blau index for functional expertise would range from zero to 0.83. According to the Blau index of functional expertise, the overall mean value of the expertise is 0.3583. The value near to zero implies that the diversity of the director board in terms of functional area is not fair. The overall mean value of the education Blau index is 0.4339. The value could take 0.833 when the board of directors represents all types of education categories; otherwise, value would close to zero. The overall mean value is about half of the ideal diversification level. It signals that directors neither adequately nor zero diversify in terms of education. The overall mean value of tenure Blau index is 0.307 and it is close to zero, indicating the level of diversification of the director board in terms of organisation tenure. It reflects that directors are not sufficiently diversified in terms of organisation tenure of material firms of Sri Lanka during the sample period.

Correlation analysis

Table 03: Correlation Analysis

	Tobin Q	ROS	GI	AI	RI	FI	EI	OTI
GI	.049	.053						
AI	-.139	-.068	.203*					
RI	-.032	-.117	-.369**	-.163*				
FI	-.135	-.319**	.331**	.200*	-.035			
EI	-.312**	-.017	.403**	.192*	-.317**	.119		
OTI	-.259**	-.357**	.155	-.097	.171*	.348*	-.007	
BM	.120	.143	.100	.215*	.152	-.141	.038	.107

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

ROS: Return on sales; GI: Blau index of gender; AI: Blau index of age; RI: Blau index of race; FI: Blau index of function; EI: Blau index of education; OTI: Blau index of Organisation Tenure; BM: Number of the board meeting held during the financial period.

According to the correlation test statistics, except board monitoring and gender, all other variables are having a negative association with Tobin Q, however, out of which only education and organization tenure of director board were statistically significant. Similar to the Tobin Q, all independent variables have a negative association with ROS except the level of education and board monitoring, out of which functional diversification and organization diversity were statistically significant.

Regression Analysis

The study conducted several regression analyses to find outs solutions for the research problems. Accordingly, the first two regression analyses was performed to find out the impact of the independent variable on the dependent variables (Tobin Q and ROS) without mediating effect. Model 1 explains the statistics relate to Tobin Q and model 2 contain information pertaining to ROS.

The power of the regression is explained by the R square value of the test. According to the model summary table, the R square value of model 1 is 0.247. It confirms that about 24% variation of Tobin Q is explained by the independent variables (gender, age, race, functional expertise, education and organization tenure). The R square value of regression two is somewhat lower than the previous one. The amount is 0.214; accordingly, six independent

variables of the study have the power to explain 21% variation of Return on Sales (ROS) of material firms in Sri Lanka. Model one has a little bit more power than model two.

Table 04: Regression Coefficient Table of Model 01 and 02

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1 Tobin Q	C	3.077	.392		7.853	.000		
	GI	2.678	.828	.296	3.234	.002	.674	1.483
	AI	-1.014	.563	-.144	-1.802	.074	.890	1.123
	RI	-.174	.553	-.027	-.315	.753	.780	1.281
	FI	-.329	.528	-.053	-.622	.535	.768	1.302
	EI	-2.840	.587	-.408	-4.840	.000	.795	1.257
	OTI	-1.740	.489	-.298	-3.560	.001	.807	1.239
2 ROS	C	3.311	.631		5.244	.000		
	GI	3.145	1.334	.221	2.358	.020	.674	1.483
	AI	-.902	.906	-.081	-.995	.321	.890	1.123
	RI	-.294	.891	-.029	-.330	.742	.780	1.281
	FI	-2.553	.851	-.263	-3.002	.003	.768	1.302
	EI	-.772	.945	-.070	-.817	.415	.795	1.257
	OTI	-2.787	.787	-.303	-3.541	.001	.807	1.239

a. Dependent Variable: Tobin Q (Model 01)

a. Dependent Variable: ROS (Model 02)

Model 01 : a: Dependent Variable: Tobin Q ;

Model 02: a : Dependent Variable: ROS ;

ROS: Return on Sale; GI: Blau index of gender; AI: Blau index of age; RI: Blau index of race; FI: Blau index of function; EI: Blau index of education; OTI: Organisation Tenure Index;

$R^2 = 0.247$	F= 7.278	Sig 0.000

According to model 01, the regression coefficient of gender, age and race are 2.678, -.014 and -0.174, respectively, with Tobin Q. The sig values of these three indexes are 0.002, 0.074 and 0. 753. Accordingly, as per the model one, gender has a significant impact on firm performance

(Tobin Q) however, the impact of age and race to the Tobin Q, are not statistically significant. As per model 02, the regression coefficient of the gender, age and race are 3.145, -0.902 and -0.294, respectively with ROS. The respective sig values are 0.020, 0.321 and 0.742. According to the above result (Model 02), gender diversity has a positive impact on ROS of material companies in Sri Lanka, however similar to the above result, the negative impact of age and race has on ROS were statistically insignificant. The impact of gender to firm performance has confirmed both models, however, both models rejected the impact of age and race have on firm performance. Therefore study did not accept hypothesis one.

Gender diversity in the board room appears to positively impact on firm performance and age and race diversity impact on firm performance statistically insignificant, which is measured by the Tobin Q and ROS. Result of the study in line with previous studies (Kılıc & Kuzey, 2016). Previous studies presented several reasons to favor this positive and insignificant relationship. For example, female directors bringing new ideas, perspectives and different skills to board (Rose, 2007). Also, female directors in the director board can fulfil the board's fiduciary responsibility to shareholders. According to statistics female participation was enhanced during the period; therefore above-mentioned changes occurred within the boardroom. Kagzi and Guha (2018) mentioned that older directors are cautious, risk-averse and use their depth of experience in decision-making process. When the director board diversifies more in terms of age, many practical limitations may arise, in particular more the age diversity more the group conflict and more the internal politics. Ibarra (1995) found that minority ethnic groups have completely heterogeneous views at board discussion than majority counterparts, but their level of influence is deficient to the board decisions. In Sri Lanka, the majority of employees and customers are Sinhalese. Therefore minorities influencing bargaining power is very low, resulting race diversity is not significantly affecting the firm performance.

According to model 01, the regression coefficient of the functional expertise, education and organization tenure are -0.329, -2.840 and -1.740 respectively with Tobin Q and its respective Sig values are 0.535, 0.000 and 0.001. Accordingly, the level of education and organizational tenure of the director board have a statistically significant impact on performance of material firms in Sri Lanka. According to the regression model 02, the regression coefficient of functional expertise, level of education and organization tenure are -2.553, -0.772 and -2.787 respectively concerning ROS. The sig value of these variables is 0.003, 0.415 and 0.001. Accordingly, the study confirmed the significant impact of functional expertise, organizational

tenure on firm performance and rejected the impact of education on firm performance. As two out of three dimensions support to hypotheses, the study accepts the hypothesis: Job-related diversity of director board has an impact on firm performance.

Previous studies presented several reasons to favor this negative and insignificant relationship. Golden and Zajac (2001) reported that occupationally diversified boards often understand industry issues differently; therefore, it is challenging to reach a common conclusion in the decision-making process. When directors have different levels of education, low educated guy would not be able to understand the concepts presented by a highly educated guy. Further, when the board of directors has similar years of experience as directors, their corporation, collaboration, level of mutual understanding are very high. Then any matter may be solved quickly and diplomatically than a low experienced director. However current board composition diversified in terms of education, functional expertise and organisation tenure; these diversifications lead to misunderstanding between board members and may create internal politics and encouraging small-group culture within the board. Accordingly, education, functional expertise and organization tenure diversity have a negative significant relationship with firm performance.

To test the direct impact of board meeting to the firm performance, a new regression test was conducted considering board meeting as an independent variable and Tobin Q, ROS as dependent variables. Accordingly, regression coefficients of the board meeting were 0.057, 0.108 with Tobin Q and ROS, respectively. The sig values of both coefficients were above the 0.05. Therefore, the study did not accept hypothesis three. Accordingly, the study confirmed that there is no statistically significant direct impact of the board meeting to the performance of material firms in Sri Lanka. To assess the mediating role of the board meetings, study included the number of board meetings conducted per year to the model. Regression model 3 illustrates the mediating effect of a board meeting with Tobin Q, whereas model 4 explains with ROS.

According to the table, the R square value of model 3 is 0.281. It confirms that about 28% variation of Tobin Q is explained by the independent variables, including mediating variable (Gender, age, race, functional expertise, education and organization tenure, board meeting). After adding the mediating variable to the model, the R square value increased by 4%. It evident the power that the number of board meetings has, to strengthen the relationships. The R square

value of model 4 is 0.238. It too swelled when adding a board meeting to the regression model. Accordingly, now six independent variables with mediating variables have the power to explain 23% variation of ROS of material firms in Sri Lanka and both two models are statistically significant.

Table 05: Regression Coefficient with mediating variable

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
3	C	2.637	.424		6.227	.000		
	GI	2.310	.826	.256	2.797	.006	.652	1.533
	AI	-1.429	.577	-.203	-2.477	.015	.815	1.227
	RI	-.487	.557	-.075	-.874	.384	.740	1.351
	FI	.070	.542	.011	.129	.897	.701	1.427
	EI	-2.863	.576	-.412	-4.971	.000	.795	1.258
	OTI	-1.946	.487	-.334	-3.999	.000	.783	1.277
	BM	.097	.039	.202	2.478	.014	.817	1.225
4	C	2.719	.687		3.958	.000		
	GI	2.651	1.340	.186	1.979	.050	.652	1.533
	AI	-1.461	.936	-.131	-1.560	.121	.815	1.227
	RI	-.714	.904	-.070	-.790	.431	.740	1.351
	FI	-2.017	.880	-.208	-2.292	.023	.701	1.427
	EI	-.802	.934	-.073	-.859	.392	.795	1.258
	OTI	-3.065	.789	-.333	-3.882	.000	.783	1.277
	BM	.130	.063	.173	2.052	.042	.817	1.225

a. Dependent Variable: Tobin Q

a. Dependent Variable: ROS

Model 03 : a: Dependent Variable: Tobin Q ;

Model 04: b :Dependent Variable: ROS

ROS: Return on sale; GI: Blau index of gender; AI: Blau index of age; RI: Blau index of race; FI: Blau index of function; EI: Blau index of education; OTI: Organisation Tenure Index; BM: Number of the board meeting held during the financial period.

R^2 =0.238	F = 7.356	Sig 0.000

As indicated in model 3, gender, age, education and organizational tenure have statistically significant impacts on the performance of material firms (Tobin Q). However, age had no significant impact on firm performance earlier, but this insignificant effect of age converted to significant with a board meeting. Further, the direct impact of gender, age, education and organization tenure to firm performance also decreased because of the mediating variable. However, before and after the mediating effect, the impact of race and functional expertise diversity to firm performance did not change with Tobin Q.

According to model 4, gender, functional expertise, education, organizational tenure has a statistically significant impact on firm performance (ROS) of material companies in Sri Lanka. However, the direct explanatory power of gender, age, race, education and organization tenure have significantly lowered after adding board meeting variables to the model. Therefore, it confirms the mediating power of board meeting to firm performance.

To test the mediating impact of the board meeting on firm performance, the Researcher tested the explanatory power of board meetings to firm performance through developed models. According to the regression model 3&4, the impacts of the board meeting to the performance of material firms are statistically significant and it lowered the explanatory power of some bio-demographic and job-related factors too. These statistical evidence are strong enough to confirm the mediating effect of the board meeting to firm performance. Hence, the study accepted hypothesis four: Board Diversification has an impact on firm performance through the board meeting. Accordingly, gender, age, functional expertise, education and organizational tenure have an indirect impact on the firm performance of material companies through board meetings in Sri Lanka.

The results conclude that when a number of the board meetings in the organization increase, no party takes dominance over others in decision-making. This finding confirmed the quorum of the board effect on the decision-making process. The quorum effect states that when the majority of board belong to one particular gender group, minority voice is not valued much in the decision-making process, resulting in final decisions are primarily affected by the majority of the board. The impact increased with the number of the board meeting. Accordingly, when a number of board meeting high, diversity of gender work minimum.

Further, more age diversity encourages vivid perspectives in the decision process, and it may lead to to unnecessary discussions at board meetings. This negative relationship may exist because of the communication errors and a long decision-making process of the organisation. If organization facilitates more board meetings, this negative impact could be mitigated. This may be because if organisation facilitates board gathering, they can discuss everything and the board can decrease limitations arise from personal interest, and further high educated members can facilitate their ideas to the board accurately. Therefore negative relationships can be decreased when compared with before mediating effect. Milliken and Martins (1996) mentioned that educationally diversify boards have problem-solving ability. Therefore they manage available information efficiently for the decision-making process.

CONCLUSION AND RECOMMENDATIONS

In a competitive business environment, achieving business performance is a challenging task. Therefore firms are thinking of different ways and means to keep its current success and uplift the performance if possible. In this background, board diversity of firms has received increasing attention of business philosophers as a strategic solution to the problem. The Director board often represents the top executive layer of a firm where all strategic movements are confirmed. When the director board diversity on a different basis, the same issues could be observed differently and could use different solutions.

The first objective of the study was to identify director board diversity in terms of Bio-demographic and jobs related to listed material firms in Sri Lanka. As per the descriptive statistic, board members represented both gender groups; however, female participation at the director board has been continuously increasing. Further, the majority of board members are Sinhalese and belong to 56-65 age groups. Under job-related diversity, descriptive statistics emphasized that board members have specialized in different functional areas and the majority of the director board specialized in the management discipline. The second objective of the study was to identify the impact of bio-demographic and job-related diversity of director board to firm performance of listed material companies in Sri Lanka. According to the test result, gender diversity has a statistically significant positive impact on firm performance, but the impact of age and race to firm performance was statistically insignificant. Relating to the Job-related diversity, functional, educational and organizational tenure diversities have a statistically significant negative impact on the performance of material firms in Sri Lanka. Third, the study observed the impact of board meeting mechanism to firm performance, and it

found that board meeting has an insignificant effect on firm performance. Finally, the study tried to find out the indirect impact of bio-demographic diversity and job-related diversity to the firm performance of material companies through a board meeting. According to the regression analysis result, the direct impact of job-related diversity to firm performance decreased and its indirect effect on the firm performance through board meeting increased confirming the mediating effect of the board meeting to the firm performance.

The findings of the study provide the following implications to the practitioners and policymakers. Sri Lanka is a male dominate country, the percentage of females in the country has been gradually increasing compared to males throughout the last few decades. Resulting, in the near future, all business needs require to focus on female satisfaction and their expectations than men's requirements. Board Diversity significantly affects to the firm performance of material companies in Sri Lanka. It signals that organisations should have to maintain an appropriate level of diversity in terms of age, discipline area, education and organisation tenure.

Previous studies had touched one side of the coin to firm performance. Still, the study investigated the diversity of the director board under two main diversity categories as bio-demographic and job-related diversities. The resulting study developed a specific conceptual framework to the study incorporating both dimensions with mediating effect. Hence, the conceptual framework will work as a base for many future studies. Furthermore, the study initiates a point of a new discussion about board diversity to firm performance in Asian countries.

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