A77.1 Illustrative Pitch Template Example

Pitcher’s Name: Martin Livingstone

(A) Working Title: An investigation of the effect of board diversity on capital expenditure decision performance

(B) Basic Research Question: What is the relationship between board diversity and the quality of the outcomes of capital expenditure decisions?


(D) Motivation/Puzzle: Archival research has extensively investigated the relationship between board diversity and firm performance (e.g., Carter, Simpkins and Simpson 2003; van der Walt, Ingley, Shergill and Townsend 2006; Adams and Ferreira 2009; Wang and Clift 2009; Carter, D’Souza, Simkins and Simpson 2010; Chapple and Humphrey 2014), yielding inconclusive results. The current study seeks to have a deeper examination of this relationship by investigating how board diversity affects decision-making performance with respect to a firm’s capital expenditure. A mixed methods approach will be adopted using both qualitative (interviews) and quantitative (survey) techniques. “Decision-making performance” will be measured in terms of the quality of the outcomes of capital expenditure decisions, measured across both financial and non-financial factors.

THREE

Three core aspects of any empirical research project i.e. the “IDoTs” guide

(E) Idea?

Core Idea: Prior research investigating the relationship between board diversity and firm performance has yielded inconclusive results (Carter, Simpkins and Simpson 2003; van der Walt, Ingley, Shergill and Townsend 2006; Adams and Ferreira 2009; Wang and Clift 2009; Carter, D’Souza, Simkins and Simpson 2010; Chapple and Humphrey 2014). By virtue of the archival data collection techniques adopted, financial performance is typically measured at the firm level through proxies such as ROA and/or Tobin’s Q. By using survey and interview data and extending analysis beyond the firm level, it is anticipated that the proposed study will enable enhanced understanding concerning the mixed results of prior research in the field. The current study will extend prior research by examining the outcomes of capital expenditure decisions in terms of both financial and non-financial factors. For example, in a capital expenditure decision, performance can be measured in terms of financial indicators such as Net Present Value and also in terms of non-financial factors such as the degree of fit with business strategy (see Turner and Gilling, 2012). This study will analyse the effect that board diversity has at each of the four stages in a capital expenditure decision; (1) ideas generation, (2) proposition development, (3) proposition selection and (4) post audit. Diversity between the directors will be measured across both demographic characteristics (gender, age, cultural background, socioeconomic background) and occupational characteristics (industry background, professional qualifications, education level and experience level) which can offer an interesting opportunity to observe, in particular, which diversity characteristics have the most pronounced effect on how boards reach decisions regarding a firm’s capital expenditure.

Theoretical Tension: Although the psychology literature postulates that a diverse group should achieve better decision-making results than a homogenous one, the mixed results of the literature attempting to link board diversity to firm performance suggest that not all firms benefit from diversity in exactly the same way. Some European countries have introduced board diversity quotas in terms of gender, but many other countries have not, indicating that there is a differing level of importance placed on board diversity. In a recent special issue on board diversity by the journal, Corporate Governance: An International Review, the editorial and commentary pieces highlight the issues faced by the traditional archival studies and even explicitly recommend that alternative methods are required to solve the case of the “black box”. In her commentary, Amy Hillman outlines the way forward for board diversity research, “Case studies, qualitative inquiries and other more intrusive observation may be the only way to answer boardroom behavior/decision outcome questions, especially when it comes to decision quality and ethics” (Hillman 2015, p105)

Central Hypothesis: A diverse board achieves better decision-making results in respect to a firm’s capital expenditure decision-making process.

(F) Data?

Country/Setting: Australia, which does not have mandated diversity quotas.

Unit of analysis: For-profit companies.

Data: A two-stage mixed methods approach will be adopted. Phase 1 - a series of exploratory semi-structured interviews with senior managers and directors on corporate boards. Phase 2 - survey directed to senior managers (e.g. CEO, CFO, COO) and/or board members.

Data source: Ethics approval will be sought to collect data through the interviews and survey.

Timeframe: Exploratory semi-structured interviews will be conducted prior to development and administration of the survey. A major benefit of mixed methods research is that it allows for a triangulation of research methods, which can result in enhanced and new lines of thinking, and confirmation and elaboration because the weaknesses of one approach can be compensated for by the strengths of the other approach.

Funding/grants: The research sits within a key research area: ‘corporate governance’, which regularly appeals to funding agencies such as CAANZ, CPA Australia
**G) Tools?**

Interview data will be analysed using NVivo or Leximancer. Survey data will be analysed using STATA, SAS, or SPSS.

**TWO**

Two key questions

**H) What's New?**

The main aspect of the novelty to this study as compared to existing board diversity literature is the data. While the vast majority of the existing diversity literature has used a firm level proxy, such as ROA or Tobin’s Q, this study will offer a unique in-depth perspective of the real-world impact that diversity has on the dynamics of the board and the decision-making process. These proxies, while readily available in archival databases; (1) may not be a true reflection of the underlying construct, (2) vulnerable to endogeneity and (3) may capture a multitude of different effects and therefore may be noisy. This study will use a hand collected dataset of semi-structured interviews and a survey questionnaire, which will both allow insight into the "black box" of a board’s decision-making process and allow a much more direct observation of the impact that diversity has on a board. The nature of the survey and interview data means this study will be able to assess performance of a firm’s decision making outcomes over both financial and non-financial performance measures. The focus of previous research into board diversity has been on financial factors, so this study will offer a novel insight on how boards may also consider non-financial factors in their decision-making process. Board diversity likely has a very complex effect, with differing costs and benefits for each firm, and the archival approached used in prior research has reached the limit of what it may be able to uncover. This study will be able to do a deep and rich exploration of the effect a diverse board has by using different methodology and a focus on decision-making outcomes.

**I) So What?**

Director diversity on corporate boards has been a topic growing in importance over the past decade, particularly due to a more open market for talent and regulatory focus on board diversity. In 2003, Norway was the first country to introduce a gender quota (meaning at least 40% of a company's directors needed to be female), and over the past few years, a number of other European countries (Spain, Iceland, France, the Netherlands, Belgium, Italy and Germany) have also introduced gender quotas. In Australia, there are currently no gender quotas (or for other director characteristics), but on 30 June 2010, the ASX Corporate Governance Council released a set of amendments to their Corporate Governance Principles and Recommendations which included new recommendations for companies to establish diverse boards. There has been discussion within the Australian Federal Parliament as to whether it would be appropriate to introduce gender quotas to the boardroom, but for the moment, diverse recruitment is completely voluntary in Australia. This study will enhance understanding concerning the effect of board diversity on performance. The results will be able to better inform Government policymakers in relation to the consequences of introducing regulation of board diversity (i.e. through a quota system). Boards will also be able to use the results of this study to better understand the effect of board diversity on the decision-making process for capital decisions (and therefore, on the overall performance of the company).

**ONE**

One bottom line

**J) Contribution?**

This study will offer a new perspective on how diversity between directors affects the dynamics of a board in terms of whether it helps achieve better firm performance as measured through the financial and non-financial decision-making outcomes of capital expenditure decisions.

**K) Other Considerations**

**Ethics:** Ethics approval will be needed in order to collect data in connection with the interview and survey phases.

**Target Journals**

- ABDC 'A' Rank - Accounting, Organizations and Society; Contemporary Accounting Research; Journal of Accounting Research; The Accounting Review
- ABDC 'A' Rank - Corporate Governance: An International Review; Accounting and Finance; Abacus; Accounting and Business Research; Behavioral Research in Accounting

**Risk assessment**

- No result risk - low –Adoption of an exploratory semi-structured interview phase followed by a questionnaire survey phase is thought to reduce the incidence of risk surrounding no results (as opposed to the mixed results of archival studies).
- Competitor risk - low - while there has been research in this area for several years, the majority has been conducted using archival data collection techniques. Data collection through a survey and interview phase enables a unique data set to be gathered, thus enabling unique research angles to be explored. No prior research can be located in any journal, book chapter, SSRN or ProQuest (dissertations) at the time of writing that would be in direct competition to the proposed study.
- Obsolescence risk - low – Variety in diversity regulatory practice globally means that regardless of whether Australia mandates a diversity quota during the course of the proposed study, the results will remain important for regulators.