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How cultural diversity in the Board of directors affects sustainability performance: an empirical investigation

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Introduction

Sustainability is increasingly becoming a vital topic in the business world. The relevance of this subject has seen established firms reorganize their structures and processes (EY Global, 2021). For instance, by including board members from various cultural backgrounds, Unilever has improved its understanding of global markets, leading to better sustainability practices like reducing carbon footprints and promoting fair trade. Furthermore, IBM's diverse board has fostered innovative thinking and inclusive problem-solving, helping the company address global environmental challenges and promote social responsibility initiatives effectively. Also, L'Oréal's culturally diverse board has enhanced its sustainability strategies, improving environmental impact through sustainable sourcing and production and promoting inclusivity and equity within the company and its communities. Among the structures affected by this consideration is the board of management. Even though various considerations have been weighed when reorganizing boards of management, companies that overlook the role of cultural diversity in influencing these boards struggle to achieve their primary goal, sustainability (Luo et al., 2023). These firms miss anchoring business sustainability on diversity management, an essential driver for business growth and development (Moropane, 2022). Companies that embrace diversity when structuring boards of management boast better environmental and social performance. Research shows that diverse boards are a recipe for improved global sustainability (Mohy-ud-Din, 2023). This experience suggests why companies showcasing social value, better non-financial performance, and environmental and social sustainability discourage letting their boards of management comprise homogenous, male, pale, and stale board members.

The popularity and widespread appreciation of diversity have inspired significant research on the general purpose of the approach to sustainability (Syed, 2006). Studies have argued that the participation of culturally diverse employees is vital in achieving sustainability. This focus has facilitated meaningful guidance on workplace diversity rather than specific structures. Applying insights from this literature to unique scenarios, like reorganizing a company's board of management, is sometimes problematic since a considerable part of the literature is generalized. Even though past literature attempts to document the influence of board diversity on organizational sustainability, findings are inconclusive (Islam et al., 2022). Based on this backdrop, it is vital to investigate the emerging causal relationships between diversity and sustainability, focusing on the cultural diversity of a company's board of management and how this composition influences sustainability. Based on appropriate theory like resource dependence, this focus will generate insights regarding diversity, including culture, and sustainability aspects like enhanced monitoring and oversight, incentive alignment, accountability and governance, and risk management.

General Objective

The study's primary objective is to determine the effect of a company's board of management diversity on its sustainability.

Specific Objective

The following specific objectives will guide the primary purpose above:

1) To establish the impact of board characteristics on a company's sustainability.
2) To assess how deploying boards of directors with diverse genders, education, experiences, and cultural backgrounds influence a company's sustainability.
3) To examine and propose diversity management strategies to achieve business sustainability.

The current study will significantly address the inconclusiveness of the findings by past literature on the relationship between board diversity and organizational sustainability. Specifically, the findings and recommendations of the study will benefit organizations, owners, investors, and members of boards of management. Addressing this gap will help companies, owners, investors, and members of boards of management understand the relationship between the two concepts and, hence, make informed decisions when restructuring their boards of management. Above all, the study will be a reference for scholars. Scholars will embrace insights from this study to prepare and extend the ground for new research.

Chapter One: Literature Review

Regarding chapter one of this research, the paper highlights the theoretical framework and the empirical literature on how cultural diversity on a company's board of management affects the operations and sustainability of a given company. Notably, the literature review excludes any material that might be written in a language other than English and is non-academic. This chapter creates a great foundation for a comprehensive assessment of how the diversity of board members impacts the sustainability of a company.

1.1 Theoretical background behind board diversity

The benefits of board diversity to the sustainability of the company are described by the *Resource Dependence Theory*. The Resource Dependence Theory (RDT) was established by Gerald Salancik R. and Pfeffer Jeffrey (Pfeffer & Salancik, 1979). This theory was first published in 1979 in an article that focused on how the external environment impacts an organization in terms of resources (Trujillo-Gallego et al., 2021).

In light of the Resource Dependence Theory, Gerald and Jeffrey postulated that organizations are not always self-sufficient and, thus, must embrace and utilize external resources for sustainability and growth. Such resources include information, raw materials, human resources, and capital (Trujillo-Gallego et al., 2021). This theory solely relies on various tenets. For example, all organizations rely on resources provided by the environment. Hence, over-reliance on one target group to supply resources would directly jeopardize the company's operations in the event of delayed or supply cut-offs (Kuo et al., 2021). Secondly, diversity allows the company to own power and influence in different areas, hence shaping the company's behaviour and decision-making process. Thirdly, diversity helps a company reduce dependence on one external entity.

Lastly, RDT allows the creation of networks and alliances that foster the acquisition and securing of additional resources.

The Resource Dependence Theory directs a company to diversify its board and employees for corporate sustainability. The theory relates to a company's corporate sustainability in various ways. First, the integration of a diverse workforce allows the establishment of a long-term management system for resources (Aureli et al., 2020). Different talents develop a reliable and credible system that focuses on the proper and efficient use of available resources for better outcomes. As a result, the company regarding the RDT maintains and utilizes its resources for long-term gain. Application of the RDT tenets allows a company to engage with stakeholders and people from varied backgrounds such as races, governments, and religious organizations. These relationships underscore the continued support and partnership with critical organizational allies like government agencies (Aureli et al., 2020). Such strategic positioning ensures the sustainability of the organization.

Figure 1 below shows how various resources contribute to the success and sustainability of the business. The Resource Dependence Theory stipulates the integration of board members of different ages, varied professional and academic backgrounds, and gender and racial differences, giving the business the luxury of top talent with better experience and expertise. As a result, the business receives top management and improved decision-making, hence, making sustainable investments.

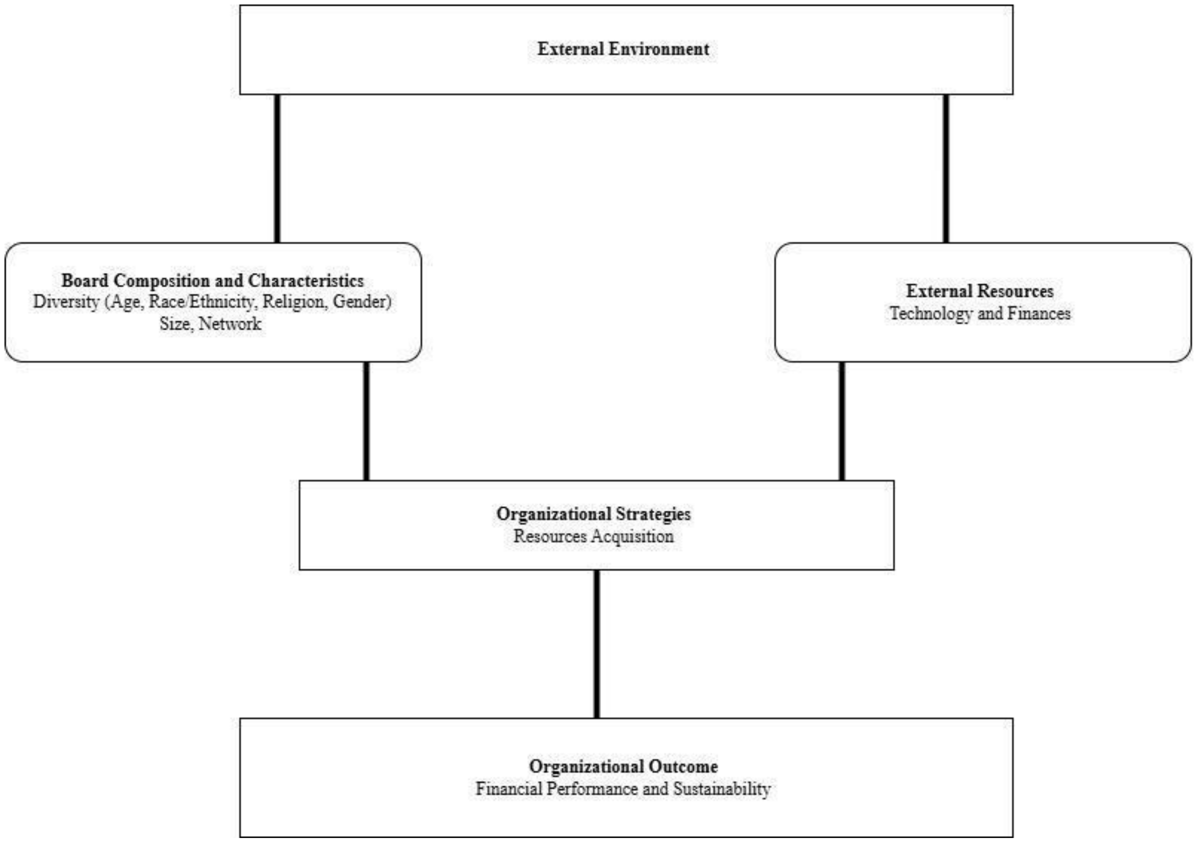

Figure 1 — Conceptual framework for Resource Dependence Theory

Resource Dependence Theory is rarely criticized by researchers. The authors of the theory continue to develop and improve it, each year refining its definitions and adjusting it to the current economic situation (e.g., Pfeffer, 2005). For example, Nienhüser (2008) believes that the general acceptance of RDT is based on a well-developed theoretical base of hypotheses. However, Nienhüser (2008) also notes that RDT can be criticized for interpreting companies as purely political structures, ignoring the fact that they are more technical and economic organizations. The concepts of 'power' and 'resources' may also be another object of criticism: Clegg & Rura-Polley (1998) question an understanding of power in which it is inextricably linked to the desire to control resources, while resources are more of a 'social construct'.

The Stakeholder Theory was proposed by R. E. Freeman, who was a business professor and a philosopher (Freeman, 2010). The theory has further undergone refinement and expansion by different scholars in the fields of organizational theory, management, and business ethics. The applicability of the stakeholder theory in the diversity of an organization for a sustainable future is founded on the broad integration of various groups like employees, suppliers, government, investors, and customers into the operations of the company. This theory focuses on involving all stakeholders who are affected or who affect the development and attainment of the company's objectives. Almagtome et al. (2020) established that stakeholder theory allows the interests of various stakeholders to align and interconnect, thus allowing the pursuance of common business goals. The interconnectedness and focus on the same goal with different experts allows the organization to achieve short and long-term goals. Additionally, a study by Almagtome et al. (2020) depicts that the stakeholder theory underscores the legal requirement of organizations to offer equal opportunities to different people irrespective of professional background, religion, age, sex, and race.

This theory relates directly to the aim of diversifying the board members of companies for a sustainable ecosystem. The theory advocates for an inclusive representation of all the experts with no exclusion based on factors like sex, race, or age. Tapaninaho and Heikkinen, (2022), depict that an inclusive representation ensures that interest and technical expertise are configured to explore available opportunities to attain preset organizational goals and sustainability.

The stakeholder theory is inherently linked with the organizational need to maintain sustainability. Studies depict that a company that integrates the stakeholder theory observes equality and acquires the best pool of talented employees, suppliers, and investors thus, resulting in balancing interests that bring the business a long-term success (Tapaninaho & Heikkinen, 2022).

Likewise, the application of the theory offers an organization the luxury of promoting equality, which is a responsible practice and a governmental requirement for an institution. Lastly, the adoption of the stakeholder theory creates room for diversity in a company which is a great strategy to mitigate risks appertaining to social, environmental, and governing challenges (Naciti et al., 2021). Furthermore, diversity offers an opportunity for the board to work towards creating a shared value in society.

Nevertheless, the stakeholder theory has its shortcomings. Researchers point out that the notion of “stakeholder” creates many problems because it generalizes individual and institutional stakeholders, which in reality are in a state of information asymmetry (Antonacopoulou & Méric, 2005). Furthermore, not every company is a shareholder company, which should please all financially interested parties, and not every company produces tangible value for society. Inclusive representation, as Dodd et al. (2022) show, also does not always ensure a sustainable ecosystem. Abandoning the idea of maximizing shareholder wealth to achieve sustainable development can also be a problematic strategy for a company, reducing its profits in the long run (Mansell, 2009).

1.2 Diversity in the context of companies' activities

In this section of the chapter, we delve into the empirical research that explores various forms of visible diversity within the boardroom and throughout the entire workforce. Given that gender, ethnicity, and age-related diversity are frequently the focus of academic inquiry, it is crucial to examine these aspects before delving into the realm of invisible cultural diversity. Furthermore, there exists a correlation between visible diversity and a company's enhanced commitment to corporate social responsibility (Firoozi & Keddie, 2021). This connection underscores the significance of exploring this body of literature.

Gender diversity has been a topic of discussion for decades. Gender diversity is depicted as the integration of female, male, and transgender sexes into the board of management of a company (Singh et al., 2021). The diversity allows the company to hire individuals without considering their sexual or gender identity. From the early to late 1990s, most countries and states within the leadership of the United States were required to establish sustainable development goals (Singh et al., 2021). One of the imminent requirements of companies established in countries under the influence of the United Nations is ensuring gender diversity among the board and employees (Zampone et al., 2022). According to Cicchiello et al. (2021), over the decades, sustainability has continuously become a trend in developed countries like the United States. This is solely due to the government's growing recognition of the benefits of sustainability in the growth of companies like Apple, Coca-Cola, and Nike, among others (Galletta et al., 2021).

Various industries are giving women opportunities on boards. For instance, the financial and insurance industry. According to Idris Adamu et al. (2024), women perform in the United Kingdom in managing financial and insurance assets. The strictness and ability to balance expenses and resources available are key factors contributing to the sterling performance of women in the respective sectors (Idris Adamu et al., 2024). Such values are attributed to the longevity, and profitability of the company, hence making the investment viable and sustainable. In the finance and banking sector, a heterogeneous board allows different views and governance perspectives (Liu et al., 2024). The evolution and developmental advancements in the banking sector have positively influenced big players like J.P. Morgan, Chase Bank, and Wells Fargo to implement models and governance strategies that are consistent with regulatory and economic principles (Liu et al., 2024). The models must also be compatible with the environmental and social sustainability of the business.

Ethnicity allows an individual to identify with a given population. In the corporate and business world, ethnicity and racial identity play a significant role in creating a culturally diverse environment for business growth and sustainability. For instance, internal interactions are enhanced through a diverse workforce that is talented differently and with varied perspectives. Martínez-Ferrero et al. (2020), indicate that integration of employees and board members from different ethnic and racial backgrounds allows the company to get the top expertise different geographical locations could offer. According to Martínez-Ferrero et al. (2020), diversity allows the business to source board members from all regions across the world. As a result, the business enjoys different perspectives that positively affect the decision-making processes while at the same time reducing instances of individualizing the operationalization of the company.

Notably, embracing racial diversity as a company is very important for sustainability due to improved customer attraction. Studies in Malaysia show that it is easier for customers to buy from a company that has employed members of the community (Zahid et al., 2020). Such findings have further been registered in a study that shows in the American marketplace, African American citizens find it easier to purchase from a company that has African American people on its board of management (Amorelli & García-Sánchez, 2020). Currently, companies and customers are increasingly focusing on sustainability and increasing corporate social responsibility. Corporate social responsibility can be attained through a racially diversified board. Romano et al. (2020) posit that an inclusive workplace reduces the turnover rate of employees and improves retention and job satisfaction. As a result, the cost that could otherwise be spent on hiring new employees is saved and re-invested in business, hence promoting sustainability.

Age diversity is a form of social responsibility that all companies should have. Studies in France indicate that companies such as Gucci have employees of varied ages to attract different skills, expertise, and experience into the development of new products which increase the company’s sales and profits (Boukattaya & Omri, 2021). A workforce that has a diverse age group allows a wide range of skills to be shared across the company. For instance, the younger employees are abreast with emerging technologies such as artificial intelligence and machine learning. The findings of research by Ain et al. (2021) in China show that, when harnessed well, the technology can be used to revolutionize operations hence, improving the performance and sustainability of the company.

With regard to innovation, age diversity allows the blending of creativity and enthusiasm of the younger generation with the seasoned experience and wisdom of the older employees. According to Ain et al. (2021), the dynamic interplay of the two categories creates an unstoppable team that can develop goods and services that appeal to a much wider demography, expanding the target market. As a result, the company's competitiveness grows and profits increase, making it sustainable.

1.3 Cultural diversity definition and impact on firm performance

Cultural diversity is also called invisible because, unlike gender, ethnicity, and age differences among directors, it is hard to recognize whether the board is culturally diverse at first glance.

Therefore, we are facing two difficulties. The first one is how we can constitute one's culture. We can use the method described by Hofstede (2001), who states that culture is a specific mind characteristic that allows us to differentiate one from another. According to Hofstede (2001), we can estimate culture by analysing people's values and beliefs, which have importance for them. Hofstede (2001) also states that culture is a characteristic of a representative of a certain nation and gives six dimensions to measure it: power distance, long-term orientation, individualism, uncertainty avoidance, masculinity, and restraint/indulgence. However, Dodd et al. (2022) uses an additional factor — ancestry measured by surname, based on the thesis that surnames are inherited from generation to generation, preserving the cultural code and providing a large amount of information about the culture of the native speaker. Numerous papers, including Guiso et al. (2006), concluded that a person's cultural background has a significant impact on their economic status in the future. The second one is how do we measure cultural differences among people inside a group (e.g., the board of directors). Bryan et al.. (2015) suggest that by using Hofstede`s (2001) cultural framework, we can compare dimensions and find cultural distance between directors.

Thus, cultural diversity in a board of directors refers to the extent to which the composition of this body includes individuals with diverse cultural backgrounds. These backgrounds are determined by factors such as ancestry, which influences the cultural values, norms, and beliefs that individuals inherit. Dodd et al. (2022) conducted research on this topic, examining the impact of various types of diversity on board members' replacements. Their findings propose that while factors like gender and ethnicity are taken into account when selecting new directors, cultural diversity often goes unnoticed. This observation is particularly significant in light of the theoretical framework they employed, namely the Stakeholder Theory, which we discussed previously. The researchers concluded that having a heterogeneous board can lead to groupthink reduction and to much more comprehensive understanding of stakeholders' interests.

It has already been established that, within the context of stakeholder theory, the presence of a culturally diverse board of directors can have certain positive consequences for a company. However, it is much more important to find out what impact cultural diversity has on the business in general and on the firm performance in particular. It is worth mentioning that researchers` opinions on this issue differ. Since Milliken & Martins (1996), cultural diversity has been identified as a “double-edged sword”. This implies that diversity presents ample opportunities for individual creativity within the team, yet simultaneously increases the risk of fracturing the group in the absence of consensus on a specific matter. This principle can also be extended to the board of directors, where cultural dissonance among directors may give rise to internal discord. Both positive and negative results of cultural diversity on board were highlighted by Nederveen Pieterse et al. (2013). On one hand, cultural diversity fosters the elaboration of information, providing a rich tapestry of knowledge and viewpoints. On the other hand, they discovered that cultural diversity acts as a positive factor for a group's performance when its members’ learning approach orientation is high and performance avoidance orientation is low. However, it is evident that not all groups, including the board of directors, will adopt such an approach. Furthermore, as proposed by Milliken & Martins (1996), the collective motivation among members of a diverse cultural group may diminish due to the heightened individualism exhibited by its members.

Frijns et al. (2016) conducted a study that found that the impact of cultural diversity on performance is a very complex topic to study. At first sight, their results state that cultural diversity and firm performance have a “strong negative relation”. However, the problem is that too many related details may indicate that in reality the relation could be exactly the opposite. For example, in some cases, cultural diversity on board may, in fact, be a misinterpretation of the parameter "foreignness". Masulus et al. (2012) argue that the foreign directors, who are geographically removed from the boardroom, are not only constrained in their capacity to attend meetings but also exhibit a diminished level of engagement with the company's immediate issues and challenges. Another important example is a study made by Anderson et al. (2011), who showed that for companies with more intricate operations, a diverse board composition has a beneficial effect on company performance, while for companies with simpler operations, a diverse board composition has a detrimental effect. Anderson et al (2011) also stated that the adverse impact of cultural diversity is lessened in companies that demand a broader range of skills from each director. Overall, Frijns et al. (2016) find that not all aspects of cultural diversity are equally significant: primarily, the divergence in individualism and masculinity influences the boardroom performance, whereas the remaining dimensions have a much lesser impact.

1.4 The impact of cultural diversity on sustainability performance

Despite the fact that a comprehensive review of the literature has revealed the ambivalent impact of cultural diversity within a company on its overall performance, it is equally important to examine its influence on social and environmental outcomes and, specifically, sustainability performance. Sustainability performance is defined by as *"corporate sustainability activities that are considering long-term impacts and improvements on the whole system, namely the company itself, the market (supply chains), the society and the nature by considering systemic effectiveness and the principles for sustainable development of the FSSD rather than just relating to narrow issues of efficiency*" (Zimek & Baumgartner, 2017). As Katmon et al. (2017) shows, the presence of board members hailing from diverse national backgrounds can contribute to enhancing the efficacy of corporate social responsibility (CSR), as their collective expertise can serve as a valuable resource in navigating CSR challenges across diverse market landscapes.

It is important to mention that CSR is vital for sustainable development, and, moreover, the backgrounds of corporate leaders has a great influence on firm's CSR (Gillan et al., 2021), although this paper argues that further research is needed on the relationship between diversity and CSR. Such research was conducted by Dodd et al. (2022), who have noticed that many companies only pretend to be socially responsible by maintaining diversity management and replacing directors on the board to make their company “more diverse”. Here, we may encounter a problem. While replacing directors based on visible diversity involves obvious changes (for example, men are replaced by women, Caucasian are replaced by African American, middle-aged directors are replaced by younger ones, and so on), cultural diversity, which is invisible, is rarely targeted. Dodd et al. (2022) note that director replacements based on cultural backgrounds seem to be random. This makes it difficult to collect statistical data, and this is further complicated by the fact that Dodd et al. (2022) equate cultural background with a specific surname, which is a controversial assumption. However, their quantitative research shows that there is a positive correlation between board cultural diversity and CSR performance. Furthermore, according to this paper, cultural diversity has a greater impact on CSR performance than visible diversity. This situation is of particular relevance in relation to the phenomenon of “signaling” on board, where a company aims to create the impression of high social responsibility through visible diversity-based measures.

Cultural diversity can also indirectly enhance sustainability by affecting various risk factors that hinder a company's sustainable development. For example, according to Hambrick et al. (1996), cultural diversity on the board of directors can reduce the volatility of a company's stock returns, allow the company to pursue more stable and consistent policies, and generally protect the company from different kinds of financial risks. Bernile et al. (2018) argue that board representatives with diverse cultural backgrounds are less risk-averse in their activities and often refuse to lead unstable and ill-considered projects because they are concerned about the high risk of such projects to the company. Drawing on the Resource Dependence Theory and empirical evidence, Gallego-Álvarez & Pucheta-Martínez (2022) conclude that board cultural diversity, like other types of diversity on boards, mitigates corporate risk and is a condition for sustainable company development. Gallego-Álvarez & Pucheta-Martínez (2022) show that the most significant impact of culturally diverse boards on sustainability is that shareholders are "signaled" that the company values diversity, which is a necessary condition for long-term survival in the market. Board cultural diversity may also signal to investors that the actual return on their investment will not differ from the expected return, as a board with different cultural backgrounds is perceived as more responsible than a homogeneous board (Li et al., 2013).

Chapter Two: Methods

2.1 Data collection

In our work, we employ the method of *expert interviews*. This is a method of collecting empirical data for qualitative research, in which the researcher asks questions to an expert to obtain detailed responses and use them as material to test the hypotheses formulated in the study (Bogner et al., 2009). The widespread use of expert interviews can be attributed to several reasons. Firstly, expert interviews are often perceived as a way to obtain high-quality, hard-to-access information (for example, about the nuances of company operations). Secondly, expert interviews provide access not only to objective data but also to the individual opinions and experiences of the respondent (in our case, the experiences of each interviewed company).

Expert interviews are typically divided into various types, depending on their role in the research and the type of expert knowledge (Bogner et al., 2009). An *explanatory* interview is conducted in relation to a specific area of subject knowledge unfamiliar to the researcher. Its distinctive feature is that it is conducted in a free-form manner with the aim of identifying key points in the research topic. A *systematizing* interview, on the other hand, is conducted when the subject area is already known and studied, but confirmation of specific objective facts is required (Döringer, 2021). In a *theory-developing* interview, the researcher seeks to understand why the respondent holds a particular viewpoint and what the basis for their perspective is. In such an interview, the goal is not so much to obtain specific data but rather to uncover the reasons and prerequisites behind events, processes, and facts. A problem-centered interview combines the methodological principles of theory-developing and systematizing interviews: in it, the researcher aims to both obtain objective data and immediately learn how these data are interpreted by the respondent (Döringer, 2021).

When designing the questionnaire in our work, we focused on the methodology of *systematizing* interviews. Several factors justify this choice. Firstly, we already have sufficient data on our subject area, obtained from the research literature, the review of which is presented in the previous chapter. A couple of introductory questions in block 1 of the questionnaire serve to verify whether the company is suitable for our research (i.e., whether cultural diversity is implemented in its board of directors). Secondly, our main task is to verify (confirm or refute) and supplement theses from these theoretical data with empirical material obtained directly from company representatives. Therefore, blocks 2 and 3 of the questionnaire are aimed at obtaining specific facts about how cultural diversity influences sustainable development. Thirdly, although some literature (for example, Milliken & Martins (1996)) asserts the controversial nature of cultural diversity, we do not consider this sufficient grounds to include interpretations and individual viewpoints in our work, which eliminates the need to include questions aimed at obtaining employees' opinions in the questionnaire. Nevertheless, to gain a comprehensive understanding of the role of cultural diversity, in the final block (block 4), we ask respondents about the negative consequences of cultural diversity in the board of directors. The questionnaire itself can be found in Appendix 1.

The results of the respondent search are presented in Figure 2:

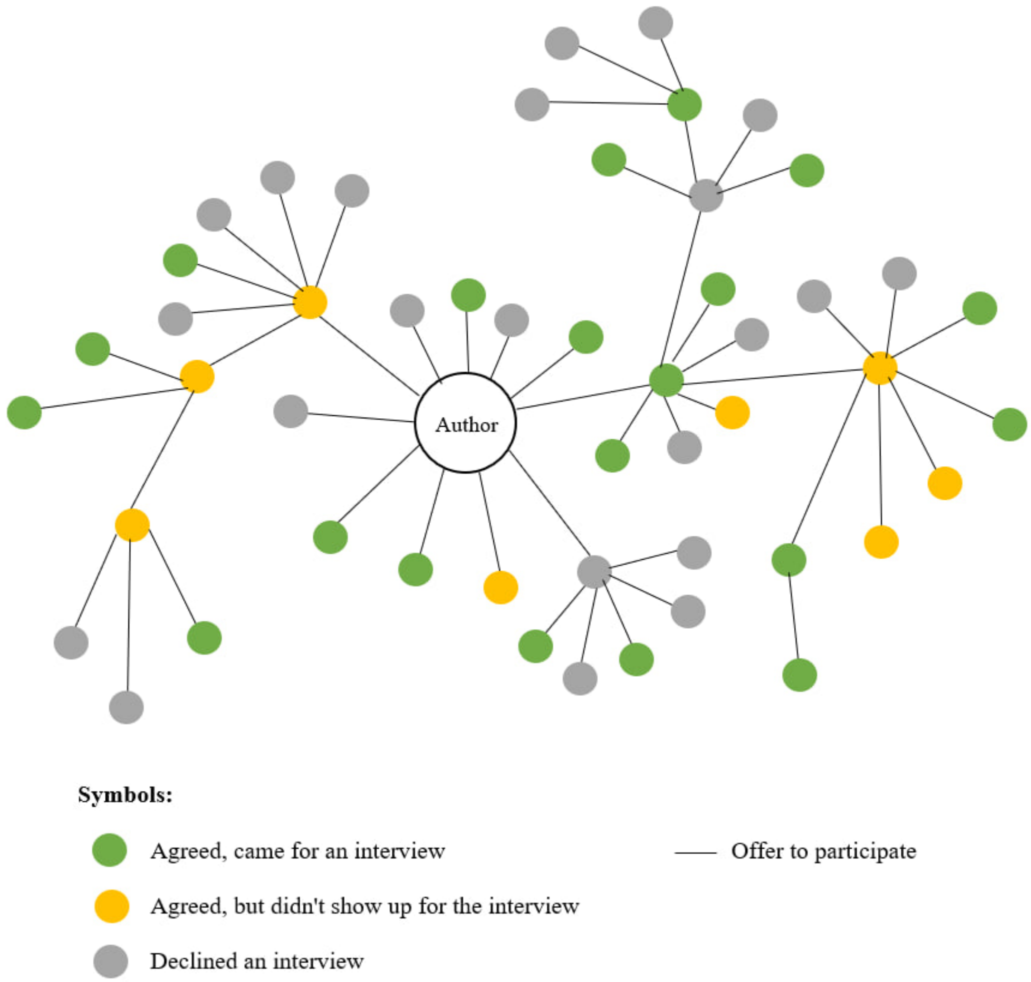

Figure 2 — Respondent search scheme

The search for respondents was carried out according to the “snowball” scheme: the author of the study sent a questionnaire to potential respondents (well-known representatives of companies whose public contacts can be found on the Internet) with a request to fill it out and pass it on to other potential respondents who fit the formal selection criteria (an Italian company with a board of directors is engaged in a different industry than the respondent). At each subsequent stage (up to the third stage), the respondents were asked to submit the questionnaire further according to the same criteria. This made it possible to create the most diverse sample, which includes companies from a wide range of industries.

2.2 Research methodology

There are several approaches for research in scientific investigation, like *quantitative*, that focuses on gathering numerical data and analysing it using statistical methods, *qualitative*, that involves collecting data through open-ended interviews or observations and analysing it through content analysis, or *mixed* methods that combine both in a single study (Creswell, 2014).

We consider a qualitative approach to be the most appropriate for the purposes of this study. It was chosen because cultural diversity on board is a complex and multifaceted topic since this kind of diversity is associated with problems of cultural identification and cultural distance between different board members. It is difficult to capture the complexity of

this phenomenon through just quantitative data, making qualitative research methods more suitable for exploring the nuances and intricacies of the factors behind the sustainable development observed in companies with a more culturally diverse board of directors.

Moreover, qualitative research methods allow for in-depth exploration and analysis of the motivations and experiences of motivations and experience of companies in general and individual board members in particular. Through methods such as interviews, researchers can collect comprehensive data about the factors that ensure sustainable performance in culturally diverse boards of directors.

Content analysis is a research method used to systematically analyze and interpret the characteristics of communication or textual data, such as written, spoken, or visual materials. It involves the identification, coding, and categorization of specific themes or patterns in the data to draw meaningful conclusions. Content analysis can be applied to a wide range of data sources, including social media posts, news articles, academic literature, and interview transcripts. Coding is an essential step in content analysis, which involves breaking down the text into meaningful units and assigning them to relevant categories or codes. There are different coding approaches and classifications in content analysis, which can be broadly classified as deductive and inductive approaches (Krippendorff, 2013). *Deductive coding* uses pre-existing categories or codes that are extrapolated from the available research or theoretical framework. In this method, the researcher establishes the categories or codes before the analysis, and the data is categorized in accordance with those categories or codes. *Inductive coding* (also called grounded theory) includes developing new categories or codes depending on the data itself. In-depth interviews, observations, and other forms of data collecting are used in this method to develop a set of concepts or categories that emerge from the data. Both approaches to coding were developed by Glaser & Strauss (2017).

There are numerous coding classifications for each coding style. For our research, we decided to use *thematic content analysis*, where we find repeating meaningful patterns in the data and sort them into pertinent categories or codes. While thematic analysis provides a systematic and objective way of analyzing communication or textual data, allowing for greater accuracy and reliability, and can be used to compare and contrast different types of communication or textual data, providing insights into similarities and differences across different contexts or populations, it also may overlook important contextual factors that influence the meaning of the communication, or it could be subject to researcher bias, as the process of coding and categorizing the data is quite subjective (Neuendorf, 2018).

Chapter Three: Empirical findings

3.1 Coding

At the start of the study, the interviews were coded as follows. We have identified lower-order codes denoting keywords, objects, concepts, and terms that we encountered in interviews, for example: diversity, board, ideas, director, sustainability, competitiveness, stakeholders, markets, regions, projects, strategies, projects, risks, opportunities, resources, flexibility, standards, long-term, short-term, optimization, evaluation, solutions, ideas, innovations, trends, crises, thinking, company, communication, features, investors, global, local, counterparties, partners, motivation, inclusivity, employees, social, brand, interests, progressive, ESG, CSR, practices, responsibility, ecology, initiatives, reputation, development, society, openness, values, loyalty, criticism, adaptation, needs, balance, variability, problems, management, efficiency, background, experience, and so on. A total of 87 such lower-order codes were allocated. At the same time, all fragments of the interview that were not directly related to our subject area (such as copula words and other words often found in everyday speech) were deleted.

After that, the most frequently encountered meaningful pairs or collocations of lower-order codes were compiled into combinations of lower-order codes, for example: culturally diverse board of directors, sustainable strategies, impact on competitiveness, foreign markets, local needs, global standards, investor interests, foreign partners, inclusive development, employee motivation, brand reputation, problem-solving, flexible management, cultural background, criticism of strategies, management variability, directors' experience, and so on. A total of 53 such combinations of lower-order codes were identified. From them, we formed the higher-order codes, from which, respectively, the sub-theses were formed. The encoding of interviews from sub-theses to combinations of lower-order codes is shown in the table, which can be found in Appendix 2.

The resulted sub-theses were further compiled in theses, which we summarized into 6 themes shown in Figure 4:

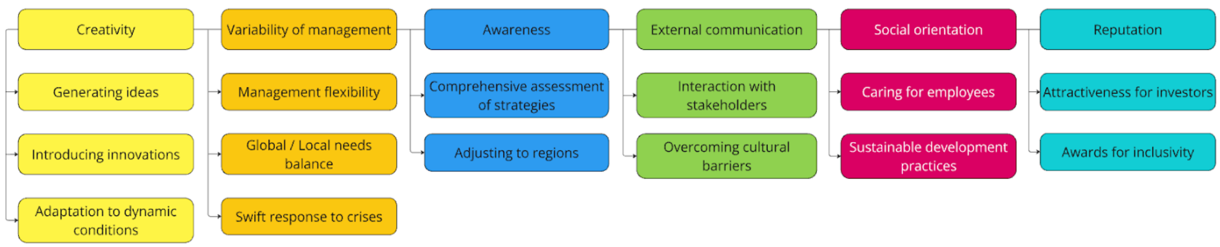

Figure 4 — Structure of themes

At the top level of this diagram, there are themes that are a generalization from several theses presented on the levels below. We grouped the abstracts not only by encoding and common words but also by meaning, when a couple of abstracts can reveal different aspects of the same theme.

3.2 Findings

For our research, we interviewed 20 Italian companies that are included in the FTSE MIB index. The distribution of companies by sector can be seen in Figure 2:

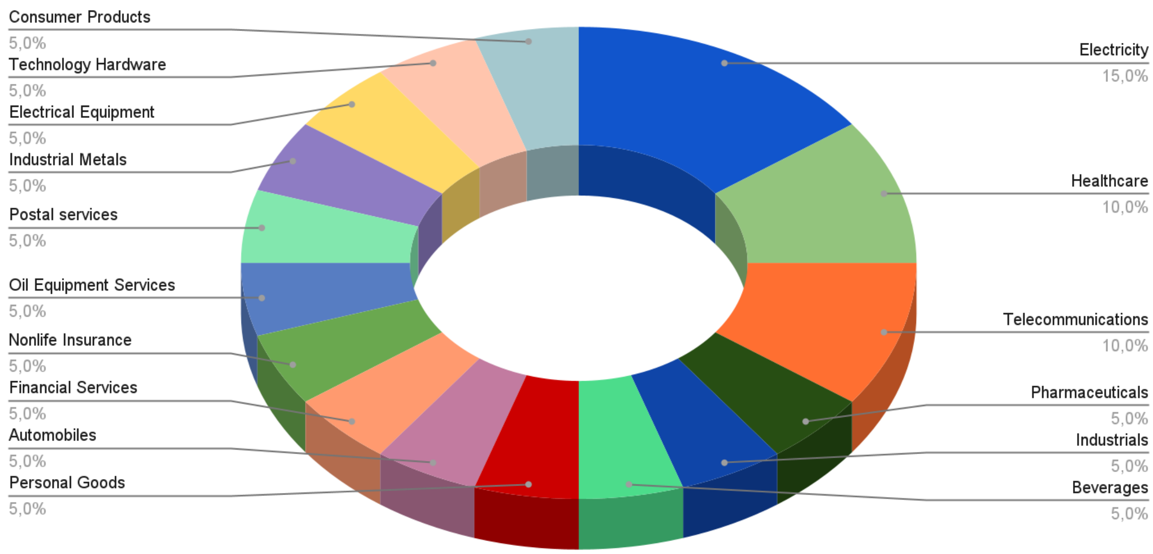

Figure 3 — Distribution of companies by industry

The largest number of companies belongs to the Electricity industry — 3 firms. The Healthcare and Telecommunications industries include 2 companies each. The remaining 15 companies belong to different industries. Thus, our sample covers the most diverse areas of economic activity. Initially, it was not planned to select specific industries or companies for research. When sending out the questionnaire, we asked respondents to forward the questionnaire to companies with which they have contacts but which belong to a different industry than themselves. Thus, we sought to obtain as diverse a sample as possible from several sectors of the economy so that our conclusions would not be biased due to the specifics of one industry.

We interviewed representatives of companies working in the following positions: member of Sustainability Committee (1, 17, 18), Sustainability director (2), Sustainability manager (3, 7, 8, 11), member of ESG Steering Committee (4), member of Sustainability Plan Implementation

Team (5), ESG Specialist (6), Sustainability Ambassador (9, 12, 15, 16), member of Sustainability Unit (10, 14), member of Sustainability Department (13, 20), member of Control and Risks Committee (19). The list of companies is provided in Appendix 3.

The **Creativity** block included the following theses:

– Generating ideas: The different cultural experiences of directors contribute to generating more original ideas and suggestions to improve the company's internal processes. The experience of directors who come to the management of the company from different starting conditions allows them to look at problems from an unusual angle. This helps to discover hidden aspects and find more non-trivial solutions.

– Introducing innovations: cultural diversity on the board of directors stimulates innovation and innovation in the company. As an example, a quote from an interview: *"In board discussions, we often have 'brainstorms' where everyone is free to say whatever they think about the issue. When different opinions are heard and everyone speaks about what they think is interesting and right, the result of the "brainstorm" is not obvious and trivial thoughts, but really innovative solutions that can give us a competitive advantage"*. Furthermore, during discussions, culturally diverse board members tend to ask clarifying questions and challenge established approaches to solving various issues.

– Adaptation to dynamic conditions: in a dynamically changing marketplace, diversity can help to adapt faster through original solutions as new trends and threats are identified much faster. Quote from the interview: *"The market is changing very quickly, we constantly have to keep an eye on what new sustainable business models are being implemented in other companies, who in related fields are developing new technologies that reduce costs. We pride ourselves on being able* *to react lightning fast because everyone on our board is very different and everyone contributes to keeping up with trends"*.

The **Variability of management** block included the following theses:

– Management flexibility: cultural diversity on the board contributes to management flexibility. Board members with different cultural codes offer different approaches to optimizing resources, which makes the process more flexible and efficient.

– Global / local needs balance: the variability of management based on cultural diversity helps the company to find a balance between global standards and local needs. A diverse board of directors can help adapt the company's activities to local laws without violating generally accepted standards. The decisions made by the culturally diverse board can take into account both momentary problems and serve to achieve long-term goals.

– Swift response to crises: diversity of governance styles helps the company respond more quickly to crises, such as changes in legislation or public protests. Board members with different management styles offer different approaches to crisis assessment, which helps identify key issues and their consequences more quickly. As a result, the needs of different departments and projects are taken into account, helping to find optimal solutions. Quote from the interview: *"If a problem is solved by the same people and always in the same way, there is a kind of 'tunnel vision', the same approaches are used. But when this problem is brought to the board of directors, there is usually experience of different ways of interacting with difficulties, so there is always a quick and effective solution"*.

The **Awareness** block included the following theses:

– Comprehensive assessment of strategies: diversity on the board helps avoid "groupthink" and provides a more comprehensive assessment of the company's strategies. When new sustainability strategies are introduced, a diverse board of directors will offer constructive criticism and make suggestions for improvement. Diversity of opinion also helps to avoid an “echo chamber” where ideas are repeated without critical evaluation.

– Adjusting to regions: directors with different cultural backgrounds have knowledge of different markets, which allows the company to better adapt to regional specificities. Cultural diversity contributes to a more accurate assessment of the competitive environment in different markets, which also helps the company to develop effective strategies. In a company's expansion project into a foreign market, a board member with a culture appropriate to the country of that market will greatly increase the likelihood of a successful project launch.

The **External communication** block included the following theses:

– Interaction with stakeholders: a culturally diverse board of directors better interacts with stakeholders such as investors, regulators, and NGOs. Board members with different cultural backgrounds can act as “cultural bridges”, facilitating interactions between the company and stakeholders. A quote: *“Investors come in many varieties! Some sincerely believe in our success and expect long-term dividend income, while others are simply looking for an opportunity to make money 'here and now'. We realize that we have to work with both, and we need to explain our goals and objectives to everyone in different ways. When the board of directors understands this, of course, communication becomes much easier”*.

– Overcoming cultural barriers: companies with culturally diverse boards are more likely to successfully overcome cultural barriers in communication (e.g., in foreign markets), which strengthens their position on the global stage. Board members with different cultural codes have a deep understanding of local traditions, values and communication styles, which helps the company avoid mistakes in communication with foreign partners and customers.

The **Social orientation** block includes the following theses:

– Caring for employees: boards with high cultural diversity on the board are more focused on the comfort, working conditions and motivation of the company's employees, which significantly increases the company's sustainability. Board members with a diverse cultural code better understand the needs of employees from different social and cultural groups, which contributes to a more inclusive work environment and culturally sensitive employees, such as flexible working hours or attention to religious holidays. Quote from the interview: *"Reducing employee turnover is a challenge that never loses relevance. It is one of the pillars of sustainable development. Ideally, we should find an individual approach to each employee, because we have very different people working for us. And the more diverse the board of directors is, the more responsive it is to the needs and desires of our employees"*. It should be noted that this topic is hardly represented in the literature, although our interviews showed that in practice this aspect is given great importance in many companies.

– Sustainable development practices: a culturally diverse board of directors is more likely to implement social practices of sustainable development. Cultural diversity helps a company avoid "social egoism" and focus on initiatives that bring real benefits to society. It is not uncommon for board members with different cultural codes to help create philanthropic programs that positively impact the company's competitiveness.

The **Reputation** block included the following theses:

– Attractiveness for investors: cultural diversity on the board signals the company's commitment to inclusiveness and sustainability, which increases its attractiveness to ESG-oriented investors. In addition, a positive reputation based on board cultural diversity builds brand strength and long-term stakeholder loyalty. Quote from the interview: *"We put a lot of effort into ensuring* *that our company is associated with inclusivity and sustainability. If it is known that you have a company with high cultural diversity, then ESG-oriented investors start to pay attention to you, that in itself is already very good for the brand and the perception of the company".*

– Awards for inclusivity: Companies with culturally diverse boards are more likely to receive awards for their sustainable practices initiatives. They may also be more likely to score highly in categories related to social responsibility and inclusivity, which has a positive impact on the company's image.

2.3 Discussion

In the Discussion section, we will discuss how our findings relate to the theoretical literature on the relationship between a culturally diverse board of directors and sustainable development, which we reviewed in Chapter 1. In general, our theses mostly agree with those formulated in the literature, but in some cases we have obtained results not covered in the literature, and even those that contradict the literature.

The findings in the Creativity block are mostly in line with the work of Milliken & Martins (1996) in which the researchers point out the wide creative opportunities for each board member that exist where cultural diversity is high. They are also supported by the thesis articulated by Nederveen Pieterse et al. (2013), which states that one of the benefits of a culturally diverse board is the breadth of views and perspectives expressed by the board. Speaking about adaptation to the dynamic conditions topic, it should be noted that we did not find any studies drawing attention to this aspect of cultural diversity on the board.

Findings in the Variability of management block are consistent with the principles of Resource Dependence Theory, which argues that long-term resource stewardship is only possible with a diversity of management approaches (Aureli et al., 2020). On the global / local needs topic, Suarez & Belk (2017) stated that it is rather hard to balance between local and global reality surrounding a corporation's operations.

Our results in the Awareness block are confirmed by Maznevski's (1994) research, where it was stated that cultural diversity is revealed at the very moment when an individual becomes a valuable source of information who is able to communicate the experience of his or her culture, which is a factor in combating “groupthink”. Adjusting to regions topic is widely reported in the literature: for example, our findings are consistent with Anderson et al. (2011), who report a high positive correlation between board cultural heterogeneity and the success of a company's expansion into foreign markets.

Speaking about the External communication block, it is worth noting that our results largely confirm the theses formulated in the framework of Stakeholder Theory: Almagtome et al. (2020) state that orientation on the same goal by different experts allows one to achieve both short-term and long-term goals. It is interesting to note that in the literature one can find directly opposite to our theses in overcoming cultural barriers topic, e.g., Dodd et al. (2022), which states that high cultural diversity can be an obstacle in communication with counterparties and other stakeholders.

The Social orientation block is hardly represented in the literature, although our interviews showed that in practice this aspect is given great importance in many companies. Nevertheless, of all the theses, the sustainable development practices topic is one that perhaps is the most widely discussed in the literature: both Martínez-Ferrero et al. (2020), Ain et al. (2021) and Dodd et al. (2022) agree that a key advantage of culturally diverse boards is precisely that they are much more likely to introduce practices related to ESG orientation, CSR and sustainability in general.

It is worth noting that our results in the Reputation block contradict findings in the literature, in particular, Dodd et al. (2022) stated that investors tend to ignore cultural diversity on a company's board of directors because it is invisible diversity, while gender, sex, gender, and other visible attributes are given much more attention. But the awards for inclusivity topic is consistent with the research literature, where Martínez-Ferrero et al. (2020) argue that cultural diversity on boards is one of the main conditions for a high CSR rating.

Conclusion

Let's summarize our work. We can say that the main result of our work is a contribution to practical research on the impact of cultural diversity in the board of directors on the sustainable performance of the company. The data we have collected and analyzed shows that all the companies we surveyed not only pay great attention to sustainable practices but also fully recognize the role of cultural diversity in the implementation of these practices. We have established that cultural diversity has a positive impact on the activities and decision—making of the board of directors, on how this board conducts internal policy in its company, as well as on how the board interacts with the outside world — society, various stakeholders and counterparties. Expert interviews have shown that cultural diversity on the board of directors, according to information from company representatives, has virtually no negative consequences for the company's performance. This allows us to make recommendations for any company to increase cultural diversity as much as possible.

In addition to practical results, we have also contributed to theoretical research on cultural diversity. Many theses from the literature were confirmed (for example, adjusting to regions confirmed statements from Anderson et al. (2011)), but some of our conclusions turned out to be the opposite of the literature: for example, as a result of coding interviews, we found out that investors often pay attention to cultural diversity in a company, although Dodd et al. (2022) say the opposite.

It is necessary to mention the framework that limited the possibilities of our research. First, as for the theoretical part, we used the methodology of thematic analysis. This method has its own problems, in particular, subjectivity, since encoding and isolating more or less important words from text material is a subjective process in which there is a possibility of misinterpretation of data. Secondly, as for the empirical material, our research was limited only to Italian companies, so the picture of cultural diversity could be incomplete. In addition, we used mainly large companies, while the situation in smaller companies may be strikingly different due to the absence of a board of directors or the need to prioritize the goals of economic stability and short-term profits over long-term sustainable development goals. A limitation of our research could also be the fact that we cannot reliably assume that the information provided by company representatives is absolutely true: it may turn out that they exaggerate the importance of cultural diversity on their company's board in order to maintain their image as a company actively engaged in sustainable development.

As for future research directions, we can identify several significant areas here. As the Discussion section showed, in some cases, the abstracts received from company representatives reflected facts that were not covered by the research literature (for example, about the impact of a culturally diverse board of directors on the motivation and needs of company employees). We have also already mentioned as a limitation the fact that while large companies almost always signal themselves as progressive and sustainable, small companies are not at all concerned about this issue, and it is necessary to find out for what specific reason this is happening. Another direction may also be to study the vertical interaction of bosses and their employees with different cultural backgrounds or the horizontal interaction of employees with different backgrounds, which is also likely to have a serious impact on sustainability. Investigating this and other similar issues could deepen the understanding of exactly how companies that implement cultural diversity on the board of directors are successful in sustainable development and performance.

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Appendix 1. Questionnaire for company representatives

1) Greetings

Block 1: Cultural diversity in the company

2) Do you think your company implements a diversity policy? What is the place of cultural diversity in this series?
3) Is there cultural diversity on your company's board of directors? If so, how is it implemented?

Block 2: Sustainability and diversity

4) Do you consider your company sustainable? What sustainable development practices are implemented in your company?
5) Which of your sustainable practices have been implemented or supported through cultural diversity on the board of directors? Give some examples of such practices.

Block 3: Advantages and advantages

6) Do you think cultural diversity has a positive impact on your sustainable results? How is this effect realized?
7) Which of your sustainable outcomes does cultural diversity have the greatest impact on?
8) If cultural diversity had not been implemented in your company's board of directors, what would be the main reasons for its implementation?

Block 4: Costs of diversity

9) Do you think that increasing cultural diversity on your company's board of directors has negative consequences? If so, which ones?

10) How do you see mitigation of these consequences? Is it possible to avoid them completely?

Appendix 2. Table of first and second level codes

Sub-theses	Higher-order codes	Combinations of lower-order codes
Different cultural backgrounds of directors affects their originality and generation of new ideas	Backgrounds of directors enhances the originality	background of directors, different backgrounds, generation of ideas, cultural diversity, creative ideas, originality of directors, enhancing originality, contribute to generation
	Different backgrounds of directors help contribute to the generation of ideas	
Experience allows directors to view problems from new angles, which helps to reveal the hidden aspects and non-obvious solutions	Culture of director allows one to identify problems in the company	director`s experience, the background of the directors, the culture of directors, to identify issues, non-obvious solutions, hidden aspects, different culture, to reveal problems, to find solutions, the problems of company
	Experienced directors find a non-obvious solutions	
	Different culture on board can reveal hidden aspects of problems	
Different cultural approaches of directors enrich the process of “brainstorm”, which leads to more innovative solutions and competitive advantage	Different opinions enrich “brainstorm”	different opinions, innovative solutions, board discussions, the result of the “brainstorm”, competitive advantage, diverse board
	The resulting “brainstorms” tend to be less obvious in a diverse board	
	“Brainstorm” with diverse board leads to innovative solutions	
Director with different cultural backgrounds often ask questions and challenge established approaches	Variety of directors leads to frequently asked questions	raise questions, challenge approaches, debates on the board, frequently asked questions, cultural background, the variety of directors
	The cultural background allows board to challenge established approaches	
The diversity of cultural approaches allows company to	The diversity of approaches allows faster response to threats	reacting to threats, fast response, identification of trends, the

quickly identify new trends and threats to	Background of directors encourages the identification of trends	background of the directors, stimulating the identification, a variety of approaches, cultural diversity
If there is a new business model or technology, a culturally diverse board of directors is able to quickly evaluate and integrate her	Variety on board leads to technology adaptation	a variety on the board, sustainable business model, different board, business model, assessing business models, cultural diversity, assessment of innovations, to improve the evaluation, board of directors
	Business models are evaluated by the board of directors	
	Cultural diversity improves the evaluation of the innovation	
Board members with different cultural codes offer different approaches to the optimization of resources that makes the process more efficient	Different cultural code leads to a different assessment of the company's resources	cultural code, optimization of resources, director`s experience, efficient optimization, variety on board, resource estimation, different cultures, resource optimisation
	Resource optimization depends on the experience of directors	
	Effective resource optimization is possible with a variety on the board	
Cultural diversity contributes to a more thorough evaluation of potential impacts of changes that helps the company to develop more effective strategies	Diversity enhances the reforms in the company	improving the assessment, consequences of the reforms, a thorough evaluation, cultural diversity, effective strategies, analysis of the implications, analyzing the impact, consequences of a change, policy development, cultural diversity, impact of changes
	Thorough evaluation is possible with the diversity of cultures	
	Effective strategies are created by analyzing the impact of changes	
Diverse board of directors can help to adapt the activity of the company under local laws, while not violating globally accepted standards	Cultural diversity enhances adaptation to local conditions	cultural diversity, improvement of adaptation, adaptation to the conditions, a variety on board, compliance with laws, generally accepted standards, adaptation activities, local conditions
	Various board acts, respecting the laws and without violating generally accepted standards	

Decisions of a culturally diverse board may consider both immediate problems and long-term goals	Culturally diverse board set long-term goals	culturally diverse board, long-term goals, current tasks, the decisions of the board, taking account of the objectives, set goals
	Various board helps to take current tasks into account	
Board members with different management styles offer a variety of approaches to the assessment of the crises that allows company to quickly identify the key issues and their impact on firm's performance	Management styles determine how crises are solved	management styles, members of the board, different styles, the solution to crises, evaluation of crises, solving crises, diversity management, problem recognition, the consequences of problems, different approaches, board of directors, key issues, management approaches, to identify issues
	Diversity in management helps to identify problems and their impact on performance	
	Key issues are better identified when there are different approaches to the management on the board	
Different styles of management help to avoid "tunnel vision" and contribute to a more accurate assessment of risks and opportunities in crisis situations	The varied board rarely goes into “tunnel vision”	“tunnel vision”, effective solution, board of directors, risk assessment, various styles, accurate evaluation, management styles, the opportunities in situations of crisis, to find opportunities
	Accurate risk assessment is possible with variety of management styles	
	The variety of management styles allows you to find opportunities in crisis situations	
Diversity on the board contributes to a more thorough evaluation of needs of various departments, and projects that helps company to find optimal solutions	The variety on board helps company to feel the need of various units better	variety on board, the requirements of the units, a thorough evaluation, project evaluation, optimal solutions, current projects, feel the need
	Diversity on the board allows company to assess projects carefully	
	Cultural diversity leads to optimal solutions for ongoing projects	
Diversity of opinions helps to avoid the "echo chamber", where the ideas are repeated without critical evaluation	In a variety on board there is no “echo chamber”	“the echo chamber”, variety on board, the diversity of opinions, critical evaluation, assessment ideas, repetition of ideas, diversity of views
	Diversity of views allows you to evaluate ideas critically	

With the introduction of new strategies for sustainable development, a diverse board of directors will offer constructive criticism and make proposals for its improvement	Diverse board gives some constructive criticism of the new policies and practices	varied advice, constructive criticism, the new strategy, best practices, sustainable development, strategy development, cultural diversity, criticism of policies, criticism of practices, improving the process
	Cultural diversity enhances the process of implementing sustainable development strategies	
When company has an expansion project in a foreign market, a member of the board of directors with the culture of the relevant country of this market will greatly enhance the probability of successfully launching the project	The presence of a member of the board with the culture of the country where there is an expansion, contributes to the successful launch of projects	board member, the expansion of the company, foreign markets, the integration of the company, a new market, the composition of the board, the board of directors, the probability of integration, seamless integration, cultural diversity, launch efficiency, project launch, start up projects
	The likelihood of effective integration of the company into a new market depends on the composition of the board of directors	
	Cultural diversity on the board increases the efficiency of launching projects in foreign markets	
Cultural diversity contributes to a more accurate assessment of the competitive environment on different markets, which helps companies develop competitive strategies	Understanding of the competitive landscape depends on cultural diversity on the board of directors	competitive landscape, cultural diversity, diversity on the board, the board of directors, development strategies, competitive strategies, impact on the competitiveness
	Competitive strategies development depends on an assessment of the competitive landscape by the board of directors	
Board members from different cultural experience can act as a "cultural bridges", facilitating the interaction between the company and stakeholders	Board members with different cultures act as “cultural bridges” between the company and stakeholders	the board members, “cultural bridges”, the company and the stakeholders, cultural experience, experience of the members, board members, interaction with stakeholders, facilitating communication, cultural background
	Cultural background and experiences of different members of the board facilitates communication with stakeholders	
Diversity on the board allows company to adapt style of communication for a specific	Cultural diversity helps communication with regulators from government	cultural diversity, communication with NGOs, diversity helping with communication, a variety of styles,

audience, whether they are investors, regulators, or representatives of the NGO	Variety of communication styles allows company to interact with the NGOs	styles of communication, interaction with regulators, interaction with government, communication with regulators, investor relations, board representatives, interacting with NGOs
	Variety on board provides different interactions with investors	
Board members with different cultural codes have a deep understanding of the local traditions, values and communication styles, which helps the company to avoid errors in communication with foreign partners	Communication styles are understood due to the cultural code of the members of the board of directors	styles of communication, deep understanding, local traditions, communication styles, cultural code, culturally diverse board, various board, mistakes in communication, communication with partners, international partners
	A deep understanding of local traditions and values is only possible in a culturally diverse board	
	A culturally diverse board is needed to avoid errors in communication with foreign partners	
Diversity on the board helps company to better interact with international media and the public	The cultural background of the board members contributes to company's public relations	cultural background, the background of the members, board members, contributing to relations, public relations, international media, diverse board, better communication
	International media communicate with culturally diverse board better	
Board members with different cultural codes better understand the needs of people from different social and cultural groups, thereby creating a more inclusive working environment	The needs of employees are understood due to the presence of the board members with different cultural codes	understanding of the needs, the needs of employees, the presence of members of the board, board members, different code, cultural code, cultural background, board members background, staff members, different groups, social groups, cultural groups, a variety on board, board of directors, inclusive environment, working environment
	The cultural background of the members on board allows company to understand people from different social and cultural groups	
	Variety on board allows company to create inclusive working environment	

<table>
<tr><td rowspan="2">Diversity on the board helps to develop policies that take into account the cultural characteristics of employees, such as flexible schedule or support of religious holidays</td><td>Policies pursuit by diverse board of directors take into account flexible schedule for employees</td><td rowspan="2">policy of the board, various board features, of the employees, flexible schedule, cultural diversity, the members of the board, religious holidays, to consider holidays, to accommodate holidays</td></tr>
<tr><td>Cultural diversity of the board members helps to accommodate religious holidays</td></tr>
<tr><td rowspan="3">Inclusive corporate culture increases employee satisfaction and reduces staff turnover, which enhances the stability of the company</td><td>Employees with an inclusive culture show greater satisfaction and are less dismissed</td><td rowspan="3">employees of the company, inclusive culture, satisfaction of employees, staff turnover, corporate culture, sustainability of the company, sustainable development, accelerating the development, inclusiveness accelerate development, inclusive culture, corporate culture</td></tr>
<tr><td>Inclusive corporate culture strengthens the company's sustainability</td></tr>
<tr><td>Inclusiveness accelerates sustainable development</td></tr>
<tr><td rowspan="2">Cultural diversity helps the company to avoid the "social egoism" and focus on initiatives that bring real benefits to society</td><td>Cultural diversity prevents “social egoism”</td><td rowspan="2">cultural diversity, “social egoism”, a culturally diverse board, the initiatives of the board, the board of directors, to benefit society, real benefits, to bring initiatives</td></tr>
<tr><td>Culturally diverse board of directors bring initiatives that add real benefits to society</td></tr>
<tr><td rowspan="2">The board members with different cultural codes contribute to the creation of charitable programs that positively affect the competitiveness of the company</td><td>Directors with different cultural codes tend to sponsor charity</td><td rowspan="2">cultural code, sponsoring charity, tend to sponsor, charity programs, a diverse board, company's competitiveness, programs increase competitiveness</td></tr>
<tr><td>A variety of charitable programs of the board increase company's competitiveness</td></tr>
<tr><td>Diversity in the board of directors is perceived as an indicator of progress and openness of the</td><td>Diverse board of directors is perceived by investors as a socially progressive</td><td>diverse board of directors, perceiving by investors, the board is perceived, socially progressive,</td></tr>
</table>

company, which reinforces its attractiveness to investors, focused on social aspects of ESG	Investors that are focused on ESG are attracted to a culturally diverse board of directors Diversity on the board serves as an indicator of openness and progressiveness of the company	ESG-oriented investors, a culturally diverse board of directors, the board attracts investors, diversity is an indicator, indicator of openness diversity is a measure, a measure of progressivity, the openness of the company, the progressivity of the company
Companies with diverse boards are often perceived as fair and equitable, which improves their reputation among ESG-oriented investors	Diversity on the board of directors is perceived by ESG-oriented investors as a sign of company`s fairness ESG-oriented investors tend to trust in a company with a culturally diverse board	diversity on the board, the board of directors, ESG-oriented investors, to perceive as fair, to trust company, a culturally diverse board, honest company
Company with a culturally diverse boards are more likely to receive high ratings in the categories related to social responsibility and inclusiveness of	The high rating of the inclusion of the company is associated with a culturally diverse board Diversity on the board allows company to get the highest ratings for CSR	a high rating, a rating of inclusiveness, the rating is associated, variety on the board, a culturally diverse board, diversity on the board, a CSR rating, to obtain a high rating
Culturally diverse boards of directors often receive recognition for their efforts in the field of inclusion and social responsibility, strengthening their company's image	A culturally diverse board receives awards for their efforts in the area of inclusion High ratings for CSR strengthens the company's image	culturally diverse board, a reward for efforts, the area of inclusion, CSR rating, the highest rating, the image of the company, social responsibility, area of inclusion

Appendix 3. List of companies

№	Company	Economic sector
1	ERG	Electricity
2	INWIT	Telecommunications
3	Brunello Cucinelli	Consumer Products And Services
4	DiaSorin	Healthcare
5	Recordati	Pharmaceuticals & Biotechnology
6	Interpump group	Industrials
7	Amplifon	Healthcare
8	Campari	Beverages
9	Moncler	Personal Goods
10	Terna	Electricity
11	Pirelli	Automobiles & Parts
12	Azimut	Financial Services
13	Unipol	Nonlife Insurance
14	Saipem	Oil Equipment Services & Distribution
15	Poste italiane	Postal services
16	A2A	Electricity
17	Tenaris	Industrial Metals & Mining
18	Prysmian	Electronic & Electrical Equipment
19	Telecom Italia	Telecommunications
20	STMicroelectronics	Technology Hardware & Equipment