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Board Busyness and Firm Performance: Evidence from India

Asheesh Pandey[1], Sanjay Sehgal[2], Arjun Mittal[2]

[1]Finance Fortune Institute of International Business, New Delhi, India
[2]Department of Financial Studies, University of Delhi, South Campus, New Delhi, India
Email: asheeshpandey@rediffmail.com, sanjayfin15@gmail.com, arjunmittal@ymail.com

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Abstract

In this paper, we examine the relationship between board busyness and firm performance for BSE 500 companies in India from 2009-2013. We find that over one third of the directors are busy in India and about three fourth of them hold up to 5 directorships. For all firms, we find that there is a weak positive relationship between board busyness and firm performance, while for non-financial firms, the relationship between board busyness and corporate performance is virtually absent. Further, we find that it is the CEO busyness and not board busyness, which adversely affects firm performance in India.

Keywords

Board Busyness, Firm Performance, Director Busyness, Board Size, CEO Busyness

1. Introduction

The number of directorships that a person can hold has been a debatable issue in the field of corporate governance around the world for some time. The academic research is divided with regards to the "busyness hypothesis" which states that the board busyness affects corporate performance, where, busy boards comprise majority of busy directors measured by the number of directorships held by them. One school of thought argues that busy directors are good from the perspective of firm performance, as they are more networked and have vast knowledge which could positively affect the firm's performance. Others term multiple directorships as a negative factor on firm's performance since Directors are left with much less time to devote to a company which adversely impacts firm's performance.

The contradictory viewpoints have been articulated in two of the recent papers by Ferris *et al.* [1] and Fich and Shivdesani [2]. Ferris, Jagganathan and Pritchard [1] find a positive relationship between firm performance and the board busyness. They find that after announcing the appointment of an additional director with multiple board seats, firms experience extra normal returns. This means that market perceives it to be value enhancing for the firm. Fich and Shivdesani [2], on the other hand, find a negative relationship between the multiple board seats and firm performance as measured by market to book ratio. They further find that announcement of a director accepting third board seat negatively affects the value of other two firms where a person is serving as Director. Cashman, Gillan and Jun [3] reconcile the two viewpoints, firstly, by showing that S&P 500 firms provide evidence on the validity of the hypothesis propounded by Fich and Shivdesani [2] *i.e.* a negative relationship is observed between busy directors and firm performance. Subsequently, scrutinizing a broader sample including non S&P firms, they find evidence of a positive relationship between firm performance and busy directors as found by Ferris *et al.* [1]. Further, as suggested by Fich and Shivdesani [2], Brookman and Thistle [4], and Graham *et al.* [5], they explore the relationship between the busy directors and firm performance by including the firm fixed effects. Prior literatures show that inclusion of firm fixed effects influences the empirical association between busy directors and firm performance. Cashman *et al.* [3] suggest that differences in both, the sample studied and empirical design, are the reasons for such contradictory findings in the prior studies.

There have been few other studies relating to this subject, however, most of the empirical work with regards to board busyness has been restricted to US and not much research is available for other countries. Limited literature on the subject is also available for India. Sarkar and Sarkar [6] study the relationship between busy boards and firm performance over a sample of 500 large cap companies for the study period of 2002-2003. They find a positive relationship between board busyness and firm performance which is in conformity with Ferris *et al.* [1]. Pandey, Vithessonthi, and Mansi [7] provide evidence on the relationship between CEO/Chairman busyness and performance of family owned firms in India for the study period of 2009-2010. In contrast to Sarkar and Sarkar [6] they find a negative relationship between family owned CEO/Chariman busyness and firm performance. Though the two papers contribute to the literature on board busyness in the Indian context, but they deal with a shorter time period (one year).

We conduct this study to enrich the existing literature on the relationship between busy directors and firm performance for India, thus, providing an out of the sample study for an emerging economy. It is quite possible that in developed economies, like US, cross sectional data may not reveal much variation both within and across company boards as multiple directorships may be governed by recommended standards. It would also be interesting to study an emerging economy like India, as the recommended limit on multiple directorships in

emerging economies is much higher as compared to such limits for the developed economies. We contribute to the existing literature, by measuring board busyness in alternative ways and by using multiple indicators of company performance over a longer time period. Further, we work on two samples: the first sample includes all the BSE 500 companies, while in the second sample; we exclude the finance companies (which is consistent with prior research). Such an exercise will help us to ascertain if board busyness and its relationship with corporate performance varies between finance and non-finance companies. The present study also employs a five year study period, *i.e.* from 2009-2013 for evaluating such relationships. Our primary objectives are:

1) To measure the board busyness using alternative measures; 2) to analyze corporate performance patterns overtime for corporate India; 3) To evaluate the relationship between board busyness and corporate performance and 4) to verify if the board busyness-corporate performance relationship varies for total companies (including finance companies) compared to non-finance companies.

The paper is divided into seven sections including the present one. In Section 2 we provide an institutional framework of Multiple Directorships. In Section 3 we discuss the Literature Review. Data and variable definitions are given in Section 4, while Section 5 covers patterns in Director Busyness, Board Busyness and Corporate Performance. We evaluate the relationship between board busyness and corporate performance in Section 6 while summary and conclusions are given in the last section.

2. Multiple Directorships in Institutional Context: International & Indian Framework

The concept of multiple directorships, its regulations and recommendations vary in different countries. The exhibit below provides the Institutional/Legal framework related to holding multiple directorships internationally along with India. Here US and UK have been taken into consideration as it represents large/developed world. Ireland has also been a prominent place for various multinational companies for stationing their headquarters and also benefitting from low tax structure.

ExibitA: Institutional/Legal Framework of Holding Multiple directorships: And International Comparison

US	UK	Ireland
The Council of Institutional Investors (2004) suggests that directors with a full-time job should not sit on more than two other boards and current CEOs should only serve on one other board.	The Combined Code (Financial Reporting Council, 2003) recommends that full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company.	The Irish Law, Section 45 of the Companies (Amendment) (No. 2) Act, 1999 introduces a limitation on the number of companies of which a person can be a director, or shadow director, to 25. Directorships in companies within the same group of companies are aggregated for the purpose of this requirement.
	India	

Continued

1) As per Sec 275 to 279 of the Indian Companies Act 1956 and the Companies amendment Act 2000, no person can be a director of more than fifteen[1] companies at the same time.
2) Section 165 of New Companies Act 2013 states that no person can hold directorship in more than twenty companies, out of which not more than 10 should be in public companies. No person can hold directorship in more than twenty companies, out of which not more than 10 should be in public companies.
3) As per Securities & Exchange Board of India (SEBI) revised Clause 49, a person shall not serve as an independent director in more than seven listed companies. Further, any person who is serving as a whole time director in any listed company shall serve as an independent director in not more than three listed companies.

Since our study period is from 2009 to 2013, provisions of Companies Amendment Act 2000 shall be relevant for the period of study.

3. Literature Review

The impact of busy board on the firm performance has been a topic of debate in corporate governance research for some time. Busy boards can have two kinds of relationship with firm performance. One argument could be that since busy boards have directors with wide experience and they are better networked, it should lead to better firm performance. Another view could be that busy boards have negative effect on firm performance as directors become less effective due to multiple appointments. In case the busy director characteristic of wider experience is self cancelling with the lower attention paid by them because of being on multiple boards, empirical research may find absence of relationship between measures of board busyness and corporate performance.

The empirical results on the board busyness and firm performance have been mixed. Gilson [8] observes that directors of financially distressed firms hold less board seats in the future. Similarly, Cotter *et al.* [9] report that companies which are targets for merger having directors with multiple appointments get a higher premium. Brickley *et al.* [10] show that retired CEOs sit on their own or in some other company's board if they contributed positively as CEOs in their firms. Ferris *et al.* [1] demonstrate a positive relationship between firm performance and board busyness. Harford [11] shows that independent Directors of firms which are targets of hostile takeover sit on fewer boards at later stage. In the Indian context Sarkar and Sarkar [6] find a positive relationship between multiple independent directorships and firm performance for India, lending support to the "quality hypothesis" and "resource dependency hypothesis". Pombo and Gutierrez [12] find a positive relationship between busy directors and firm performance. Elyasiani and Zhang [13] examine the board busyness and performance of bank holding company (BHC) and observe a positive relationship between the two. Reguera-Alvarado and Bravo [14] analyze how the tenure and number of

[1]for calculating the limit of 15 companies the following companies can be excluded:
- A private company which is neither a subsidiary nor a holding company of a public company.
- An unlimited company.
- An association not carrying on business for profit or which prohibits the payment of a dividend.
- A company in which the person is only acting as alternate director.

directorships of independent directors may influence the relationship between board independence and firm performance. They show that the board's independence positively influences firm's performance, however, such relationship exist only under certain values of directors' tenure and external directorships. Chakravarty and Rutherford [15] establish an inverse relationship between board busyness and firms' hostile takeover vulnerability as well as between the board busyness and cost of debt which may lead to increase in firm value.

In contrast, there are other studies which report an inverse relationship between multiple directorships and firm performance. Shivdasani and Yermack [16] find that CEOs tend to select directors who have less involvement monetary matters. Hossain *et al.* [17] observe a negative relationship between board size and firm performance for New Zealand companies. Connelly and Limpaphayom [18] find a positive relationship between board characteristic and firm performance among 24 life insurance companies in Thailand. Fich and Shivdesani [2] find a negative relationship between independent directors having multiple boards and firm performance. Jiraporn *et al.* [19] observe that because of their over commitment, busy directors tend to miss board meetings. Jackling and Johl [20] evaluate board busyness and firm performance for a sample of 180 Indian companies and find a negative relationship between board busyness and firm performance. Ahn *et al.* [19] demonstrates that acquiring firms with busy directors experience negative returns post announcement. Pombo and Gutierrez [12] find a positive relationship between the ratio of outside directors, the degree of board interlocks and return on assets. However, they find an inverse relationship between board busyness and firm performance. Falato *et al.* [21] find a negative relationship between board monitoring quality and shareholder value vs a vis directors' busyness. Pandey, Vithessonthi and Mansi [7] examine the link between CEOs and/or Chairman busyness and firm performance of family run businesses in India and find that they are negatively related. Mendez, Pathan and Garcia [22] find that firms with busy directors pay high remunerations to their CEOs, and experience low CEO pay-performance and low CEO turnover-performance sensitivities.

In addition, there are studies which have tried to reconcile the contrasting views. Chen [23] finds that firms with high growth opportunities and low agency conflict tend to have a positive relationship between multiple directorships and firm performance, whereas firms with low growth opportunities and high agency conflicts tend to have a negative relationship between the two. Cashman, Gilan and Jun [3] reconciled the two viewpoints with regards to the relationship between firm performance and busy directors by showing that due to empirical design and sample compositions, the two contradictory results in previous research [1] [2] appeared. Chen, Lai and Chen [24] show S-shaped relationship between the number of directorships held per director and wealth creation from corporate M&A before the enactment of Sarbnes-Oxley Act of 2002 while the negative relation between the two becomes insignificant post SOX period, suggesting that

mandatory changes made by SOX may have mitigated the negative impact of over boarded directors.

In contrast to a large body of literature on the subject, few studies find no relationship between multiple directorships and firm performance. Kiel and Nicholson [25] find the low incidence of multiple directorships for Australian companies, and they further observe that apparent examples of multiple directorships are due to related entities. They also demonstrate that there is no relationship between multiple directorships and firm performance.

Ferris *et al.* [26] examines the effect of busy directors and boards on the value of a set of non-US firms from 1999 to 2012 and finds that Firms with busy boards exhibit lower market-to-book ratios and reduced profitability, but this effect is reversed for younger firms, also multiple directorships are positively associated with firm performance and education, but negatively associated with female directors. Kutubi *et al.* [27] analysed and extended the relationship between director busyness and bank performance in emerging markets including India and find a robust inverted u-shaped relationship between inside directors' busyness and bank performance. They conclude that inside directors' busyness reduces risk whereas independent directors' busyness increases risk. James et.al [28] examine whether busy directors' impacts on firm performance vary with firm headquarter locations and concluded that firm location affects the effectiveness of busy directors and Metro firms benefit more from directors with multiple directorships.

There has been sufficient literature available with regards to multiple directorships for developed markets, which, however, is inconclusive. Limited research on this subject is available for emerging markets, including India. Moreover, prior research in the Indian context has focused on single time period rather than analyzing the relationship over time. Almost all prior research has covered only non-finance companies. It will be more relevant to study the board busyness-firm performance relationship for both non-finance and finance companies to evaluate if the nature of the company influences such a relationship.

The present study attempts to fill this important research gap and contributes to the literature in the following ways:

1) by providing additional measures of director busyness and board busyness;

2) by analyzing the trends in board and director busyness as well as measures of corporate performance for India;

3) by evaluating the relationship between board busyness and firm performance by using alternative measures;

4) by studying the total sample companies as well as studying only non-finance companies (as suggested by Cashman *et al.* [3]).

There has been almost negligible work in the past in Indian Context. This study innovates and suggests various alternative measures, trends and definitions of busyness and corporate performance. This study makes major addition

to the existing literature highlighting the Indian framework and other trends wr.t. level of board busyness and firm performance for corporate India..

4. Data & Variable Definitions

4.1. Sample Construction

The sample consists of the BSE 500 companies for a period of 5 years *i.e.* April 2009-March 2013. S&P BSE 500 index represents nearly 93% of the total market capitalization on BSE and covers all 20 major industries of the economy. The data source is CMIE Prowess, popularly used financial software in India. Corporate performance measures viz. Tobin's Q, Return on Assets, Return on Sales and Sales as a Percentage of Assets have been constructed using the financial information viz. Price to Book Value, Net Sales, Total Assets and Net Cashflow from Operating Assets for the sample period. We also use income from financial services instead of net sales for Finance firms. Measures of board busyness have been created using information collected on board of directors; including names, designation and independence of Directors. Further, nomenclature issues of Board of Directors obtained from Prowess have been reconciled with the company's website. In addition to board busyness variables, there are other variables which affect firm performance and needed to be controlled. In order to create the control variables, information regarding the incorporation year, Chief Executive Officer (CEO), and depreciation have been taken for the sample period. Data of few sample companies did not have CEO designations so we use the proxy for CEO in the following order: Chief Managing Director followed by Managing Director followed by Executive Director and finally Chairperson.

4.2. Board Busyness Variables

We use five different measures of board busyness. The Mean board busyness, Average Directorships and Percentage Mean busyness measures have been taken as the conventional measures as used in prior studies [2] [3]. In order to check for robustness we also added additional measures of board busyness viz. Median board busyness and Percentage Median busyness. Further, we include percentage busyness measures as binary measures ignore the extent of busyness. In order to test the robustness of board busyness variables we use five measures with the following definitions:

1) Mean Board Busyness: An indicator set to 1 if more than 50% of the directors on the board are busy directors and 0 otherwise. A person is called a busy director when the number of directorships the director holds is greater than the mean directorships of all the directors of the BSE 500 companies.

2) Median Board Busyness: An indicator set to 1 if more than 50% of the directors on the board are busy directors and 0 otherwise. A person is called a busy director when the number of directorships the director holds is greater than the median value of directorships obtained using information about all the directors of the BSE 500 companies.

3) Average Directorships: It is the ratio of the number of directorships held by all the directors of the company to the number of directors in a company. Natural log of Average Directorships has been for estimations.

4) Percentage Mean Busyness: It is the ratio of the number of busy directors to the total number of directors in a company. A person is called a busy director when number of directorships the director holds is greater than the mean directorships of all the directors of the BSE 500 companies.

5) Percentage Median Busyness: It is the ratio of the number of busy directors to the total number of directors in a company. A person is called a busy director when number of directorships the director holds is greater than the median value of directorships obtained using information about all the directors of the BSE 500 companies.

4.3. Corporate Performance Measures

In order to measure the corporate performance, we use Tobin's Qas the measure of corporate performance. However, this measure may be mis-specified as it has number of alternative definitions and besides it is also used as a systematic risk factor [2]. So, in order to alleviate these concerns and check for robustness we use three additional measures of corporate performance. The first measure is price to book value ratio, which is the valuation ratio and most probably known as Tobin's Q. Higher Price-book value implies greater growth potential, while lower price-book value implies distress. In addition to Tobin's Q we take ROA as an overall profitability measure. However high ROA maybe an outcome of high ROS and/or higher operating efficiency measured by sales as a percentage of assets. Hence, we use the two components of ROA as additional measures of profitability as suggested by Cashman *et al.* [3]. We evaluate the relationship between board busyness and four corporate performance measures viz. Tobin's Q, Return on Assets (ROA), Return on Sales (ROS) and Sales as a percent of Assets. The following definitions have been taken for corporate performance measures:

1) Tobin's Q: It is the ratio of the market value of the stock on 31st March of the respective year to its book value. Natural log of Tobin's Q has been taken for estimations.

2) ROA: It is the ratio of Net cash flow from operating activities to the total assets of the Company.

3) ROS: It is the ratio of Net cash flow from operating activities to the Net Sales of the company. For finance companies it is taken as the ratio of Net cash flow from operating activities to Income from financial services.

4) Sales as a percentage of Assets: It is the ratio of Net Sales to the Total Assets of the company. For finance companies it is taken as the ratio of Income from financial services to the total assets of the company. It is also known as efficiency ratio. Natural log of efficiency ratio has been taken for estimations.

4.4. Control Variables

Several variables may affect corporate performance besides board busyness.

Hence, to clearly understand the relationship between board busyness and corporate performance, the impact of other variables must be controlled in our estimation procedure. Based on prior literature, we employ 6 control variables which have been divided into two groups, 3 as Board Characteristics and the other 3 as firm characteristics, as defined below:

Board Characteristics:

1) CEO Busyness: The natural logarithm of the number of directorships held by the CEO.

2) CEO Interlock: An indicator set to 1 if the CEO of a company is on the board of directors of another company whose CEO is on the board of Director of his company and 0 otherwise.

3) Board size: Natural Log of the number of directors in a company.

Firm Characteristics:

1) Firm Size: Natural log of the sales of the company. In case of finance companies, it is the natural log of Income from financial services.

2) Age: Represents the number of years for which the company has been in existence since its incorporation. Natural log of Age has been taken while making calculations.

3) Growth Opportunities: Depreciation (net of transfer from revaluation reserves) divided by the sales of the company.

5. Patterns in Director Busyness, Board Busyness and Corporate Performance Measures

In this section we observe the patterns in the Director Busyness, Board Busyness and Corporate performance measures for the sample companies for five years *i.e.* from 2009-2013.

5.1. Busy Directors and Busy Boards

As defined in the previous section, we measure the director busyness in two ways, *i.e.* mean busy directors and median busy directors. We find that in the Indian context, as per mean business criterion, about 34% - 37% directors have been busy over the sample period (see Table 1). In other words, about one third of Indian directors seem to be busy and this number has been fairly steady over the study period. Using the median business criterion, on the average 43.75% of the directors are busy from 2009-2013 with small variations on period to period basis. In Table 2, we show the frequency as well as cumulative distributions of the number of directorships held by individuals over the study period. One can clearly see that about 70% - 75% individuals hold up to 5 directorships, while this cumulative frequency ranges between 86% to 91% up to 10 directorships over the sample period. Out of the total Directorships for each sample year, only about 1% - 2% of Directors have held more than 20 directorships and this number has shown decreasing trend from 73 in 2009 to 27 in 2013.

Next, we try to discern the patterns in board busyness measures. We find that

Table 1. Percentagewise director and board busyness.

Year	Mean Busy Directors (%)	Mean Non Busy Directors (%)	Median Busy Directors (%)	Median Non Busy Directors (%)	Mean Busy Board (%)	Mean Non Busy Board (%)	Median Busy Board (%)	Median Non Busy Board (%)
2009	0.36	0.6399	0.43	0.5679	0.265487	0.734513	0.376106	0.623894
2010	0.37	0.6271	0.44	0.5562	0.280973	0.719027	0.393805	0.606195
2011	0.37	0.6264	0.45	0.5533	0.273292	0.726708	0.428571	0.571429
2012	0.37	0.6332	0.44	0.5574	0.281893	0.718107	0.411885	0.588115
2013	0.35	0.6535	0.42	0.5782	0.261905	0.738095	0.374459	0.625541

In this table, we show the year wise mean and median busy and non busy Directors and Boards.

Table 2. Number of directorships held by individuals over the study period.

	2009			2010			2011			2012			2013		
Frequency	No. of Directorships	Directorship (%)	Cumulative Directorship (%)	No. of Directorships	Directorship (%)	Cumulative Directorship (%)	No. of Directorships	Directorship (%)	Cumulative Directorship (%)	No. of Directorships	Directorship (%)	Cumulative Directorship (%)	No. of Directorships	Directorship (%)	Cumulative Directorship (%)
1 - 2	2506	46.96	46.96	2500	45.93	45.93	2549	45.71	45.71	2588	46.36	46.36	3435	54.70	54.70
3 - 5	1240	23.23	70.19	1276	23.44	69.37	1267	22.72	68.44	1289	23.09	69.44	1285	20.46	75.16
6 - 10	883	16.54	86.73	976	17.93	87.30	1079	19.35	87.79	1085	19.43	88.88	1048	16.69	91.85
11 - 15	547	10.25	96.98	553	10.16	97.46	556	9.97	97.76	510	9.13	98.01	419	6.67	98.52
16 - 20	88	1.65	98.63	87	1.60	99.06	84	1.51	99.26	76	1.36	99.37	66	1.05	99.57
>20	73	1.37	100.00	51	0.94	100.00	41	0.74	100.00	35	0.63	100.00	27	0.43	100.00
Total	5337	100.00		5443	100.00		5576	100.00		5583	100.00		6280	100.00	

In this table, we show the frequency and cumulative frequency (in % terms) of the number of individuals who hold a specified number of directorships. One can clearly see that about 70% - 75% individuals hold up to 5 directorships, while this cumulative frequency ranges between 86% to 91% upto 10 directorships over the sample period. Out of the total Directorships for each sample year, only about 1% - 2% of Directors have held more than 20 directorships and this number has shown decreasing trend from 73 in 2009 to 27 in 2013.

about 26% - 28% of boards are busy in different sample years (Table 1) as per mean busyness criterion while the same range is higher at around 37% - 43% as per median busyness criterion. In Table 2 we show the average number of directorships held by individuals for each sample year. In addition, we also display the number of busy boards based on percentage mean busyness and percentage median business criteria, as specified in the previous section (Table 3). On the average, an individual has been on the board of 4.76 companies over the study period. It may be noted as per US norms, where individuals holding more than 3 directorships are deemed to be busy, this number seems to be on higher side. Further, on the average, 36.56% and 43.82% of the corporate boards seem to be busy over the study period as per mean and median board busyness criteria respectively.

In sum, about one third of directors as well as corporate boards seem to be busy in India based on mean directorship measures, while about 44% of directors and corporate boards seem to be busy as per median directorship measures.

Table 3. Average directorships held by individuals and percentage mean and median busy boards.

Year	Average Directorships	Average Percentage Mean Busy Board	Average Percentage Median Busy Board
2009	4.82	35.77	42.94
2010	4.87	37	43.99
2011	4.84	37.52	44.74
2012	4.72	37.09	44.58
2013	4.55	35.41	42.83

Average Directorship is the ratio of the number of directorships held by all the directors of the company to the number of directors in a company. Percentage Mean Busyness is the ratio of the number of busy directors to the total number of directors in a company. Percentage Median Busyness is the ratio of the number of busy directors to the total number of directors in a company.

Further, about three fourth of the individuals hold up to 5 directorships. Thus, as per US norms, most Indian directors seem to be fairly busy. The results are not entirely surprising. Since, there is limited availability of managerial talent in emerging economies like India; it is natural that few qualified professionals are chased by too many companies. In addition, most large corporate enterprises in India involve family ownerships and hence, there may be a lot of cross holdings by family members and their nominees for management control.

5.2. Corporate Performance Measures

We next evaluate the patterns in key corporate performance measures for the sample companies over the study period. Mean Tobin's Q, ROA, ROS and Sales Turnover are given in **Table 4**. The P/B ratio jumped from 2.2 in 2009 to 4.10 in the next year, and finally stood at 3.65 in 2013. The rising P/B ratio is predominantly due to a greater decline in the book values of the sample companies in the aftermath of global financial crisis of 2008. The Indian companies were no exception as their business operations and balance sheet size shrunk in the post crisis period. The P/B values in India are in contrast with those for the US which stood at 1.06 as on 31st December 2013 for S&P 500 companies (source: https://ycharts.com/indicators/tobins_q). The mean ROA declined from 7% in 2009 to 5% in 2013 reconfirming the corporate distress. Average ROA for S&P 500 companies in the US was double and stood at 10% for 2013 (source: Valens Securities Analysis). Thus, US companies seem to be selling at much lower P/B ratios and exhibit higher profitability compared to Indian companies, thereby implying that while the former market is relatively undervalued and the latter is relatively overvalued. ROA is an outcome of profit margins and operating efficiency measured by ROS and Sales Turnover respectively. ROS for the sample companies declined marginally from 12% in 2009 to 11% in 2013. The sales turnover decline was more distinct, as it moved down from 76% in 2009 to 72% in 2013. Thus, corporate profitability seems to have deteriorated over time more due to operating efficiency, then the problems relating to profit margins.

Table 4. Patterns in corporate performance measures.

Year	Average Tobin's Q	Average ROA	Average ROS	Average Sales Turnover
2009	2.21	0.07	0.12	0.76
2010	4.1	0.08	0.14	0.72
2011	4.38	0.05	0.1	0.83
2012	3.25	0.05	0.1	0.72
2013	3.65	0.05	0.11	0.72

Four corporate performance measures are used in the study, namely, Tobin's Q (P/B ratio), Return on Asset (ROA), Return on Sales (ROS) and Sales as a Percentage of Assets. In this table, we show the average for each corporate performance measure for the sample companies over the study period.

In Table 5, we show the cumulative frequency distribution of corporate performance measures for the study period. About 82% of sample companies report the P/B ratio of less than 3 and this number significantly declines to 56% by 2013. About 61% companies report ROA of less than 10% in 2009, while this number increases to 69% in 2013. 72% of sample companies' exhibit ROS of less than 20% in 2009 and this figure is fairly stable over time. About 70% of the sample companies exhibit sales turnover below 90% over the study period.

Our analysis shows clear patterns, both in director (and board) busyness as well as corporate performance measures. In the next section, we attempt to evaluate the relationship between board busyness and corporate performance after controlling for key board and corporate characteristics employed in previous studies.

6. The Relationship between Board Busyness and Corporate Performance

Brookman and Thistle [4] and Graham *et al.* [5], emphasize that unobservable from characteristics should be controlled for while studying the relationship between CEO busyness and their compensations. Fich and Shivdesani [2] and Cashman *et al.* [3] control for both CEO/Board characteristics as well as firm characteristics while analyzing the relationship between board busyness and firm performance. We employ the Cashman approach in our work and estimate the following model:

$$Y_i = \alpha + \beta X_i + \sum_{j=1}^{p} r_j W_j + \sum_{k=1}^{q} \lambda_k Z_k + e_i$$

where, Y_i is the corporate performance measure for company *i*. Four corporate performance measures are used with the following symbols: Tobin' Q ($Y1$), ROA (Y2), ROS (Y3) and Sales Turnover (Y4).

X_i is the measure of board busyness for company. Five board busyness measures are employed with the following symbols: Mean Board Busyness (X1), Median Board Busyness (X2), Average Directorships (X3), Percentage Mean Busyness (X4) and Percentage Median Busyness (X5).

W_j is the j^{th} CEO/Board Characteristic used as control variable. Three board

characteristic measures are used with the following symbols: CEO Directorship (W1), CEO Interlock (W2) and Board Size (W3).

Table 5. Cumulative frequency distribution of corporate performance measures. (a) Panel A: Frequency Distribution of Tobin's Q; (b) Panel B: Frequency Distribution of Return on Assets (ROA); (c) Panel C: Frequency Distribution of Return on Sales; (d) Panel D: Frequency Distribution of Sales as a percentage Assets.

(a)

	2009		2010		2011		2012		2013	
Tobin's Q	No. of Companies	Cumulative Tobin's Q (%)	No. of Companies	Cumulative Tobin's Q (%)	No. of Companies	Cumulative Tobin's Q (%)	No. of Companies	Cumulative Tobin's Q (%)	No. of Companies	Cumulative Tobin's Q (%)
<0	7	1.59	7	1.53	5	1.05	10	2.06	8	1.62
0 - 1	171	40.45	42	10.72	48	11.13	104	23.46	126	27.07
1 - 3	187	82.95	211	56.89	240	61.55	211	66.87	193	66.06
3 - 5	43	92.73	107	80.31	90	80.46	82	83.74	76	81.41
5 - 7	17	96.59	37	88.40	36	88.03	36	91.15	37	88.89
7 - 15	9	98.64	40	97.16	40	96.43	25	96.30	32	95.35
>15	6	100.00	13	100.00	17	100.00	18	100.00	23	100.00
Total	**440**		**457**		**476**		**486**		**495**	

(b)

ROA (%)	2009	Cumulative Percentage	2010	Cumulative Percentage	2011	Cumulative Percentage	2012	Cumulative Percentage	2013	Cumulative Percentage
	96	**19.63**	89	**18.02**	120	**24.24**	104	**20.93**	102	**20.48**
0 - 5	107	**41.51**	93	**36.84**	119	**48.28**	128	**46.68**	120	**44.58**
5 - 10	97	**61.35**	99	**56.88**	113	**71.11**	103	**67.40**	124	**69.48**
10 - 15	93	**80.37**	109	**78.95**	70	**85.25**	80	**83.50**	90	**87.55**
15 - 20	41	**88.75**	40	**87.04**	43	**93.94**	46	**92.76**	32	**93.98**
20 - 25	32	**95.30**	32	**93.52**	18	**97.58**	14	**95.57**	15	**96.99**
>25	23	**100.00**	32	**100.00**	12	**100.00**	22	**100.00**	15	**100.00**
Total	**489**		**494**		**495**		**497**		**498**	

(c)

Reurn on Sales (%)	2009	Cumulative Percentage	2010	Cumulative Percentage	2011	Cumulative Percentage	2012	Cumulative Percentage	2013	Cumulative Percentage
<0	76	16.964286	64	14.190687	90	19.736842	77	15.49295775	77	16.70282
0 - 10	133	46.651786	107	37.915743	148	52.192982	144	44.4668008	144	47.939262
10 - 20	116	72.544643	121	64.745011	101	74.342105	115	68.41046278	119	73.752711
20 - 30	55	84.821429	62	78.492239	46	84.429825	43	77.06237425	43	83.08026
30 - 50	29	91.294643	46	88.691796	27	90.350877	44	84.30583501	36	90.889371
50 - 100	12	93.973214	40	97.560976	35	98.026316	26	91.34808853	35	98.481562
>100	27	100	11	100	9	100	4	92.75653924	7	100
Total	**448**		**451**		**456**		**453**		**461**	

(d)

Sales as a Percentage of Assets (%)	2009	Cumulative Percentage	2010	Cumulative Percentage	2011	Cumulative Percentage	2012	Cumulative Percentage	2013	Cumulative Percentage
0 - 30	156	31.836735	165	33.536585	167	33.737374	161	32.3943662	164	32.931727
30 - 60	97	51.632653	90	51.829268	89	51.717172	100	52.51509054	97	52.409639
60 - 90	89	69.795918	99	71.95122	92	70.30303	83	69.21529175	82	68.875502
90 - 120	43	78.571429	45	81.097561	49	80.20202	56	80.48289738	54	79.718876
120 - 150	32	85.102041	32	87.601626	38	87.878788	39	88.32997988	46	88.955823
150 - 200	38	92.857143	32	94.105691	35	94.949495	30	94.36619718	31	95.180723
>200	35	100	29	100	25	100	28	100	24	100
Total	**490**		**492**		**495**		**497**		**498**	

In this table, we provide the percentage cumulative value of the number of firms for each of the corporate performance measures.

Z_K is the K^{th} firm characteristic which is used as a controlled variable in our model 3 firm characteristic have been used as follow: Sales (Z1), Age (Z2) and Growth Opportunity (Z3).

We employ six control variables *i.e.* three variables for board characteristics and the other three variables for firm characteristics. For board characteristics we use three control variables. We control both for the presence of CEO Busyness and CEO Interlocks [29]. They state that directors having outside connections can help an organization to collect the necessary resources for effective running of the business. The third board characteristic used is board Size [16]. A negative relationship has been observed by Yermack [16] between company valuation and board size. For firm characteristics, we use three variables. We control for firm size using the natural log of sales. Fich and Shivdesani [2] show a positive relationship between firm size and company performance. We also control for firm age taking natural logarithm of firm age. The literature shows a negative relationship between firm age and its performance [2]. Finally, we control for growth opportunity taken as a ratio of depreciation to the sales of the company. Higher depreciation to sales ratio implies greater asset usage, thereby, acting as proxy for corporate growth and should positively impact firm performance [2].

The independent variables have been checked for any multicollinearity problem and it has been resolved. All regressions employed in the study are estimated using the Newey-West procedure. This procedure automatically corrects for any autocorrelation and heteroscedasticity in our data. We deliberately did not do panel estimations as we wanted to check year by year relationship between the variables.

We first apply our regression model for all the BSE 500 firms, and the results for the same are given in **Table 6**. Please note that due to paucity of space, we are not reporting the results of control variables. However, they can be made available on request. We find weak positive relationship between board busyness (as

Table 6. The relationship between board busyness and corporate performance (Empirical results based on all firms). (a) Panel A: Relationship between Tobin'Q and alternative board busyness measures; (b) Panel B: Relationship between RoA and alternative board busyness measures; (c) Panel C: Relationship between RoS and alternative board busyness measures; (d) Panel D: Relationship between Sales as a Percentage of Assets and alternative board busyness measures.

(a)

	2009	2010	2011	2012	2013
Y1 X1	−0.03004	−0.00541	0.065824	0.069011	−0.03214
t-statistics	**−0.26255**	**−0.00541**	**0.64123**	**0.647396**	**−0.26932**
Adj R^2	**−0.0055**	**0.01211**	**0.025907**	**0.020052**	**0.07181**
Y1 X2	−0.02971	−0.04505	−0.00895	0.044829	−0.09463
t-statistics	**−0.28468**	**−0.49616**	**−0.09655**	**0.459861**	**−0.85732**
Adj R^2	**−0.00547**	**0.012771**	**0.025001**	**0.019592**	**0.073258**
Y1 X3	0.195635	0.176796	0.018252	0.148891	0.114473
t-statistics	**1.958232**	**1.924159**	**0.195235**	**1.474374**	**1.024861**
Adj R^2	**0.004045**	**0.019127**	**0.025066**	**0.023923**	**0.073945**
Y1 X4	0.222285	0.315809	0.055896	0.44683	0.172673
t-statistics	**0.935122**	**1.460798**	**0.260018**	**1.964049**	**0.694159**
Adj R^2	**−0.00344**	**0.015385**	**0.025132**	**0.027609**	**0.072705**
Y1 X5	0.326683	0.281726	−0.02175	0.18856	0.044218
t-statistics	**0.326683**	**1.311784**	**−0.10391**	**0.857864**	**0.184202**
Adj R^2	**−0.00071**	**0.014394**	**0.025004**	**0.020753**	**0.071725**

(b)

	2009	2010	2011	2012	2013
Y2 X1	−0.00845	−0.01296	0.013497	0.021167	0.011984
t-statistics	**−0.00845**	**−0.89377**	**1.10621**	**1.463198**	**1.005695**
Adj R^2	**0.059809**	**0.075646**	**0.082957**	**0.030739**	**0.041066**
Y2 X2	−0.65003	−0.02625	0.017255	0.013075	0.009564
t-statistics	**−0.00486**	**−1.995**	**1.568554**	**0.989568**	**0.866456**
Adj R^2	**0.059232**	**0.083284**	**0.085497**	**0.028253**	**0.040491**
Y2 X3	−0.00452	0.010154	0.019601	0.019731	0.014936
t-statistics	**−0.40734**	**0.781262**	**1.805877**	**1.45849**	**1.343765**
Adj R^2	**0.05922**	**0.068602**	**0.087135**	**0.03071**	**0.042813**
Y2 X4	−0.006	0.019307	0.02926	0.036488	0.011776
t-statistics	**−0.22464**	**0.617477**	**1.159232**	**1.182438**	**0.473529**
Adj R^2	**0.058954**	**0.068104**	**0.083205**	**0.029151**	**0.039327**
Y2 X5	−0.0023	0.011533	0.030277	0.040897	0.023989
t-statistics	**−0.08802**	**0.374062**	**1.234372**	**1.383111**	**1.002043**
Adj R^2	**0.058856**	**0.067579**	**0.083575**	**0.030252**	**0.041049**

(c)

	2009	2010	2011	2012	**2013**
Y3 X1	−0.02126	−0.06925	−0.03936	0.053959	0.06694
t-statistics	**−0.43348**	**−1.44238**	**−0.74552**	**1.161845**	**1.423379**
Adj R^2	**0.047242**	**0.099785**	**0.01506**	**0.003968**	**0.11379**
Y3 X2	−0.03083	−0.09289	−0.02214	0.02279	0.045574
Adj R^2	**0.04798**	**0.105246**	**0.014276**	**0.001514**	**0.111828**
t-statistics	**−0.70194**	**−2.11074**	**−0.46729**	**0.538425**	**1.04884**
Y3 X3	−0.04972	−0.08041	−0.02869	−0.00789	0.012834
Adj R^2	**0.050293**	**0.097555**	**0.014642**	**0.000917**	**0.10967**
t-statistics	**−1.20461**	**−1.70884**	**−0.61287**	**−0.18128**	**0.294959**
Y3 X4	−0.06008	−0.15936	−0.12784	−0.10243	−0.07003
Adj R^2	**0.04767**	**0.095427**	**0.016982**	**0.003302**	**0.11059**
t-statistics	**−0.60405**	**−1.3985**	**−1.17725**	**−1.03053**	**−0.71997**
Y3 X5	−0.10448	−0.16036	−0.09487	−0.0268	−0.00424
t-statistics	**−1.07641**	**−1.43258**	**−0.89903**	**−0.27997**	**−0.04505**
Adj R^2	**0.049588**	**0.09564**	**0.015645**	**0.001023**	**0.109489**

(d)

	2009	2010	2011	2012	2013
Y4 X1	−0.29425	−0.02816	0.046263	−0.1416	−0.07272
t-statistics	**−2.08688**	**−0.19559**	**0.313886**	**−0.98631**	**−0.49103**
Adj R^2	**0.543835**	**0.477526**	**0.445131**	**0.493565**	**0.442897**
Y4 X2	−0.12017	0.075363	0.068927	0.03205	−0.02886
t-statistics	**−0.93868**	**0.574852**	**0.518096**	**0.244488**	**−0.21039**
Adj R^2	**0.539969**	**0.477927**	**0.445343**	**0.492542**	**0.442645**
Y4 X3	−0.00498	0.013014	0.088545	0.151217	0.235948
t-statistics	**−0.04117**	**0.100933**	**0.674084**	**1.126731**	**1.711751**
Adj R^2	**0.53898**	**0.468594**	**0.445575**	**0.493897**	**0.446326**
Y4 X4	−0.12645	−0.21345	−0.03631	0.014977	0.161154
t-statistics	**−0.12645**	**−0.68869**	**−0.11905**	**0.048896**	**0.521879**
Adj R^2	**0.539191**	**0.46917**	**0.445026**	**0.492478**	**0.442937**
Y4 X5	−0.09583	−0.22859	0.059615	−0.03917	0.192815
t-statistics	**−0.09583**	**−0.74826**	**0.201125**	**−0.13336**	**0.64817**
Adj R^2	**0.539106**	**0.469276**	**0.445059**	**0.492495**	**0.443127**

We regress measures of corporate performance on board busyness measures and select board and firm characteristics which are used as control variables in the study. Four corporate performance measures, *i.e.* Tobin'S Q, Return on Assets, Return on Sales and Sales as a percentage of Assets have been depicted as Y1, Y2, Y3 and Y4 respectively. Similarly, five measures of board busyness used, *i.e.* Mean Board Busyness, Median board busyness, Average Directorships, Percentage mean busyness and Percentage median busyness are depicted as X1, X2, X3, X4 and X5 respectively.

defined by Average Directorship and. Tobin's Q and return on assets). No significant relationship was observed between average directorship and the other two corporate performance measures. We could not find any relationship between other board busyness measures and firm performance. In terms of control variables, we find a negative relationship between two board characteristics, *i.e.* CEO Busyness and board size with company performance measures. The negative relationship between the CEO Busyness and company performance is in contrast to [29]. It suggests that in Indian context too many directorships held by CEOs tend to negatively affect the company performance. On the other hand, the negative relationship between the board size are on expected lines and implies that larger boards tend to negatively affect the performance of the firm. In terms of firm characteristics, we find a negative relationship between firm age and company performance measures which is in line with prior literature. Our results with regards to total firms (including Finance Companies) are at best closer to Ferris *et al.* [1] who find a positive relationship between busy boards and firm performance measures. However, the results of Ferris *et al.* [1] were based on large sample of US stocks *i.e.* by including non S&P 500 companies. In India, BSE 500 companies may represent a large sample as it accounts for almost 93% of total trading volume. Taking BSE 500 as an investment universe in the Indian context, if one works on BSE 200 companies, results may be similar to those reported by Fich and Shivdesani [2]. However, this issue needs to be investigated in further research.

Next, we perform our regressions on BSE 500 firms after excluding Non Financial firms, as has been done by Cashman *et al.* [3], the results of which are reported in **Table 7**. For non-financial firms, we find that only one corporate performance measure, *i.e.* sales as a percentage of assets has a strong negative relationship with three board busyness measures, *i.e.* with average directorship , percentage mean board busyness and percentage median board busyness. We could not find any relationship between board busyness and other measures of firm performance. Based on sales as a percentage of assets as performance measure, are in contrast with those for all firms, and are in line with Fich and Shivdesani [2], who reported a negative relationship between firm performance measures and board busyness. On overall basis, our board busyness measures do not exhibit a significant relationship with three out of four corporate performance measures. Hence, one can conclude that there is no significant relationship between board busyness and firm performance in the Indian context based on non-financial firms. These findings are consistent with Kiel and Nicholson [25]. We find a negative relationship between board characteristics and company performance measures. Negative relationship is observed between all company performance measures and CEO busyness. CEO Interlocks have a negative relationship with Tobin'Q and Sales as a percentage of assets, whereas Board size has a negative relationship with the latter. We find a negative relationship between board busyness and two of the company performance measures *i.e.* Sales

Table 7. The relationship between board busyness and corporate performance (Empirical results based on all firms). (a) Panel A: Relationship between Tobin'Q and alternative board busyness measures; (b) Panel B: Relationship between RoA and alternative board busyness measures; (c) Panel C: Relationship between RoS and alternative board busyness measures; (d) Panel D: Relationship between Sales as a Percentage of Assets and alternative board busyness measures.

(a)

	2009	2010	2011	2012	2013
Y1 X1	−0.00985	0.037635	0.062702	0.071079	−0.04096
t-statistics	**−0.08149**	**0.355333**	**0.576003**	**0.643337**	**−0.33217**
Adj R^2	**−0.00045**	**0.024455**	**0.031905**	**0.071079**	**0.056481**
Y1 X2	−0.07045	−0.032	−0.03508	−0.00708	−0.14318
t-statistics	**−0.63417**	**−0.33159**	**−0.35319**	**−0.0699**	**−1.25938**
Adj R^2	**0.000703**	**0.024407**	**0.031379**	**0.035388**	**0.060198**
Y1 X3	0.088713	0.047544	−0.09587	−0.00229	−0.06062
t-statistics	**0.797251**	**0.473501**	**−0.90416**	**−0.02051**	**−0.49235**
Adj R^2	**0.00138**	**0.023262**	**0.033137**	**0.035377**	**0.056815**
Y1 X4	0.043048	0.094267	−0.09665	0.255376	−0.05393
t-statistics	**0.163876**	**0.406247**	**−0.40828**	**1.043965**	**−0.20319**
Adj R^2	**−0.00039**	**0.023101**	**0.031486**	**0.038064**	**0.056307**
Y1 X5	0.151514	0.014655	−0.26672	−0.08571	−0.21635
t-statistics	**0.577437**	**0.062578**	**−1.14531**	**−0.36232**	**−0.84489**
Adj R^2	**0.000504**	**0.022664**	**0.034387**	**0.0357**	**0.058005**

(b)

	2009	**2010**	**2011**	**2012**	**2013**
Y2 X1	−0.00271	−0.00742	0.017507	0.025565	0.011956
t-statistics	**−0.20232**	**−0.51532**	1.48262	1.899405	**0.985743**
Adj R^2	**0.084049**	**0.098519**	**0.117867**	**0.063978**	**0.047628**
Y2 X2	−0.00143	0.003418	0.017424	0.012615	0.009391
t-statistics	**−0.1163**	**0.257026**	1.616823	**1.021792**	**0.835869**
Adj R^2	**0.083979**	**0.101041**	**0.118797**	**0.057979**	**0.046947**
Y2 X3	−0.00372	0.009858	0.011563	0.016394	0.003526
t-statistics	**−0.30952**	**0.312078**	**1.01814**	**1.213087**	**0.292553**
Adj R^2	**0.084189**	**0.096469**	**0.11526**	**0.058985**	**0.045413**
Y2 X4	−0.00497	0.009858	0.026145	0.05139	0.009777
t-statistics	**−0.17317**	**0.312078**	**1.02494**	1.723504	**0.374981**
Adj R^2	**0.084021**	**0.096544**	**0.115291**	**0.062494**	**0.045551**
Y2 X5	0.012681	0.009169	0.021024	0.049759	0.015768
t-statistics	**0.444158**	**0.290763**	**0.836121**	1.732924	**0.62689**
Adj R^2	**0.084448**	**0.096514**	**0.114499**	**0.06257**	**0.046183**

(c)

	2009	2010	2011	2012	2013
Y3 X1	0.020374	−0.01005	0.030233	0.077751	0.109293
t-statistics	**0.514902**	**−0.2535**	**0.736699**	2.022326	2.511692
Adj R^2	**0.035988**	**0.033053**	**0.006248**	**0.011839**	**0.143703**
Y3 X2	0.017689	−0.02098	0.05587	0.034262	0.102438
t-statistics	**0.492846**	**−0.58867**	1.504486	**0.972617**	2.547231
Adj R^2	**0.035926**	**0.033869**	**0.010805**	**0.003706**	**0.144116**
Y3 X3	0.044676	0.011626	0.011985	0.019727	0.073294
t-statistics	1.276433	**0.26245**	**0.30475**	**0.510602**	1.706602
Adj R^2	**0.039793**	**0.055879**	**0.00505**	**0.001915**	**0.13582**
Y3 X4	0.106885	0.084264	0.048037	0.031219	0.133373
t-statistics	1.277683	**0.799323**	**0.544606**	**0.364135**	1.42991
Adj R^2	**0.039802**	**0.057368**	**0.005593**	**0.001579**	**0.133782**
Y3 X5	0.130264	0.077156	0.07298	0.08254	0.156569
t-statistics	1.572104	**0.735179**	**0.840266**	**0.997488**	1.731741
Adj R^2	**0.042127**	**0.057111**	**0.006682**	**0.003833**	**0.136022**

(d)

	2009	2010	2011	2012	2013
Y4 X1	−0.32141	−0.04379	−0.03329	−0.15644	−0.12428
t-statistics	−2.62722	**−0.33401**	**−0.24908**	**−1.22794**	**−0.95187**
Adj R^2	**0.690604**	**0.615688**	**0.580594**	**0.637586**	**0.600555**
Y4 X2	−0.18916	−0.0184	−0.09934	−0.09465	−0.16034
t-statistics	−1.6784	**−0.15589**	**−0.81448**	**−0.81169**	−1.32779
Adj R^2	**0.68711**	**0.615593**	**0.581236**	**0.636816**	**0.60145**
Y4 X3	−0.24218	−0.34594	−0.3139	−0.23887	−0.21971
t-statistics	−2.20169	−2.91954	−2.46402	−1.87706	−1.69996
Adj R^2	**0.688856**	**0.627013**	**0.586925**	**0.639401**	**0.60262**
Y4 X4	−0.59337	−0.81708	−0.70297	−0.52204	−0.4508
t-statistics	−2.25736	−2.90282	−2.45658	−1.85571	−1.61144
Adj R^2	**0.689068**	**0.626919**	**0.586887**	**0.639329**	**0.602316**
Y4 X5	−0.52818	−0.88438	−0.77678	−0.57624	−0.52792
t-statistics	−2.01591	−3.15338	−2.76051	−2.12985	−1.95873
Adj R^2	**0.688185**	**0.628378**	**0.588526**	**0.640306**	**0.603597**

We regress measures of corporate performance on board busyness measures and select board and firm characteristics which are used as control variables in the study. Corporate performance measures and board busyness variables are shown with the same symbols given in the previous table.

and growth opportunity. Growth opportunities become relevant in case of non-financial firms as they have more of real assets on the balance sheet and

hence make greater provision for depreciation. These results are inconsistent to the results reported by Fich and Shivdesani [2].

7. Summary and Conclusion

Prior research on the relationship between board busyness and firm performance is inconclusive. The literature can be divided into three viewpoints. A few studies show positive relationship between the two variables [1]; while there are others which report negative relationship between board busyness and corporate performance [2]. There is also a third viewpoint which empirically advocates an absence of relationship between board busyness and corporate performance [25]. Since, most work done in the area is for matured markets, we conduct this study to enrich the emerging market literature and provide an out-of-sample evidence.

We contribute to the existing literature by measuring board busyness in alternative ways as well as by employing multiple indicators of company performance over a five-year study period *i.e.* from 2009-2013. We also observe the time series patterns in board busyness and corporate performance measures for India. Further, we evaluate the relationship between board busyness and corporate performance for the sample period and finally we verify if such a relationship varies for total companies (including financial as well as non-financial companies) as compared to non-finance companies.

BSE 500 companies which contribute around 93% of total market capitalization have been used as sample companies from 2009 to 2013. We employ five measures of board busyness; four measures of corporate performance; and six control variables comprising three board characteristics & three company characteristics.

We analyzed the trends in Director and Board Busyness and observe that about one third of directors as well as corporate boards seem to be busy in India based on mean directorship measures, while about 44% of directors and corporate boards are busy as per median directorship measures. Further, about three fourth of the individuals hold up to 5 directorships. Thus, as per US norms, most Indian directors seem to be fairly busy. The results are not entirely surprising. Since, there is limited availability of managerial talent in emerging economy like India, a few qualified professionals are actually available who take positions on multiple boards. In addition, there are large cross holdings on Indian boards owing to the family owned character of many Indian companies.

Analyzing the patterns in corporate performance measures, one observes P/B ratio for Indian companies has increased from 2.2 in 2009 to 3.65 in 2013. The P/B values in India are much higher than those for US companies. The mean ROA for Indian companies decline from 7% in 2009 to 5%. In 2013, while the average ROA for S&P 500 companies in the US was double and stood at 10% for 2013. ROS for the sample companies declined marginally from 12% in 2009 to 11% in 2013. The sales turnover decline was more distinct, as it moved down

from 76% in 2009 to 72% in 2013.

Next, we examined the relationship between board busyness and corporate performance. We find a weak positive relationship between board busyness and corporate performance measures as measured by Tobin'Q (valuation ratio) and overall profitability measure (ROA). Further, we observe that CEO busyness influences corporate performance more than board busyness. Our results for BSE 500 firms are consistent with Ferris *et al.* [1], who find a positive relationship between corporate performance and board busyness using large sample of companies. In India, BSE 500 companies may be considered as a large sample of companies as despite a large number of listed companies in India, a number of large and liquid companies is very few as compared to US.

For our sub sample of non-financial firms, which is consistent with international literature, our results are in contrast with those for all firms. We find that relationship between board busyness and corporate performance is virtually absent. For non-financial firms, CEO busyness has a strong negative relationship with corporate performance. In fact, CEO busyness (and not board busyness) influences corporate performance in the Indian context.

Our findings are pertinent for company management, regulators, investors and academia. The management of Indian companies should realize that their CEOs should not be too busy as it negatively impact firm's performance. Indian companies should not have too large boards and hence, management should try to have reasonable board size. Further, Corporate finance managers should try to increase growth opportunities for better performance. Finally board busyness factor has been overplayed in the corporate finance literature and it is the CEO busyness and not board busyness which should be paid greater attention in the Indian context. From regulators perspective, the study provides alternative measures for director and board busyness which can be used while drafting the regulatory framework. The research also highlights the need for regulators to pay attention towards forming some guidelines for CEO busyness. For academics, the study leaves room for further research on the untouched aspects. Researchers can examine the sub sample comprising BSE 200 companies to verify the findings provided by FIch and Shivdesani [2] for relatively large companies. Further studies can also employ more complex definitions of board busyness, as suggested by Cashman *et al.* [3] while analyzing their relationship with corporate performance. More studies need to be conducted for other emerging markets before any meaningful generalizations can be drawn on the subject. The paper also has implications for Investors as it suggests that Investors should also keep board/Director busyness in mind with special emphasis to busyness of the CEO thereby affecting their buying/investing decisions.

The managerial implications for our research could be that corporate CEOs in India should avoid taking additional director responsibilities in other companies so that they can devote more time for strategic decision making and achieving better corporate performance. The management should also ensure that the

board size is not very large as it negatively impacts corporate performance. Perhaps, large number of directors (with unrelated areas of expertise) slow down the strategic decision making process, which impacts firm performance.

It should also be noted that corporate performance, board busyness and ways to measure/define board busyness depends on various factors. The concept of Independent directors and minimum educational qualifications required to be a director in a company are at a very nascent stage in India. Given this, most directors are not treated as professionals and educational experience and other factors that may concern stakeholders in various developed countries thereby affecting the corporate performance may not play a very significant role in India.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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