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IMPERIAL COLLEGE LONDON · LAIDLAW SCHOLARS PROGRAMME

Structure, Capability, or Credentials?

Board Governance and the Type of Corporate Sustainability Action

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Motivation

Corporate sustainability is central to long-term value creation, yet pressure to appear responsible can encourage **symbolic communication rather than genuine change**, a pattern known as **greenwashing**.

As the body responsible for strategy and oversight, the **board of directors** is uniquely positioned to steer firms toward substantive sustainability. But which board characteristics do so is unclear: prior work links boards mainly to aggregate ESG scores, not to the **type** of action firms take.

Research Question

Does board governance shape whether firms pursue **symbolic** or **substantive** sustainability activity and does this operate through **general board capability & structure** or **sustainability-specific credentials**?

Conceptual Model

H1 · Upper echelons: capable boards can oversee substantive action (advocacy → preparation).
H2 · Upper echelons + resource dependence: diverse boards broaden oversight (same shift).
H3 · Resource dependence: credentials supply specialist knowledge that may shift the type of action.

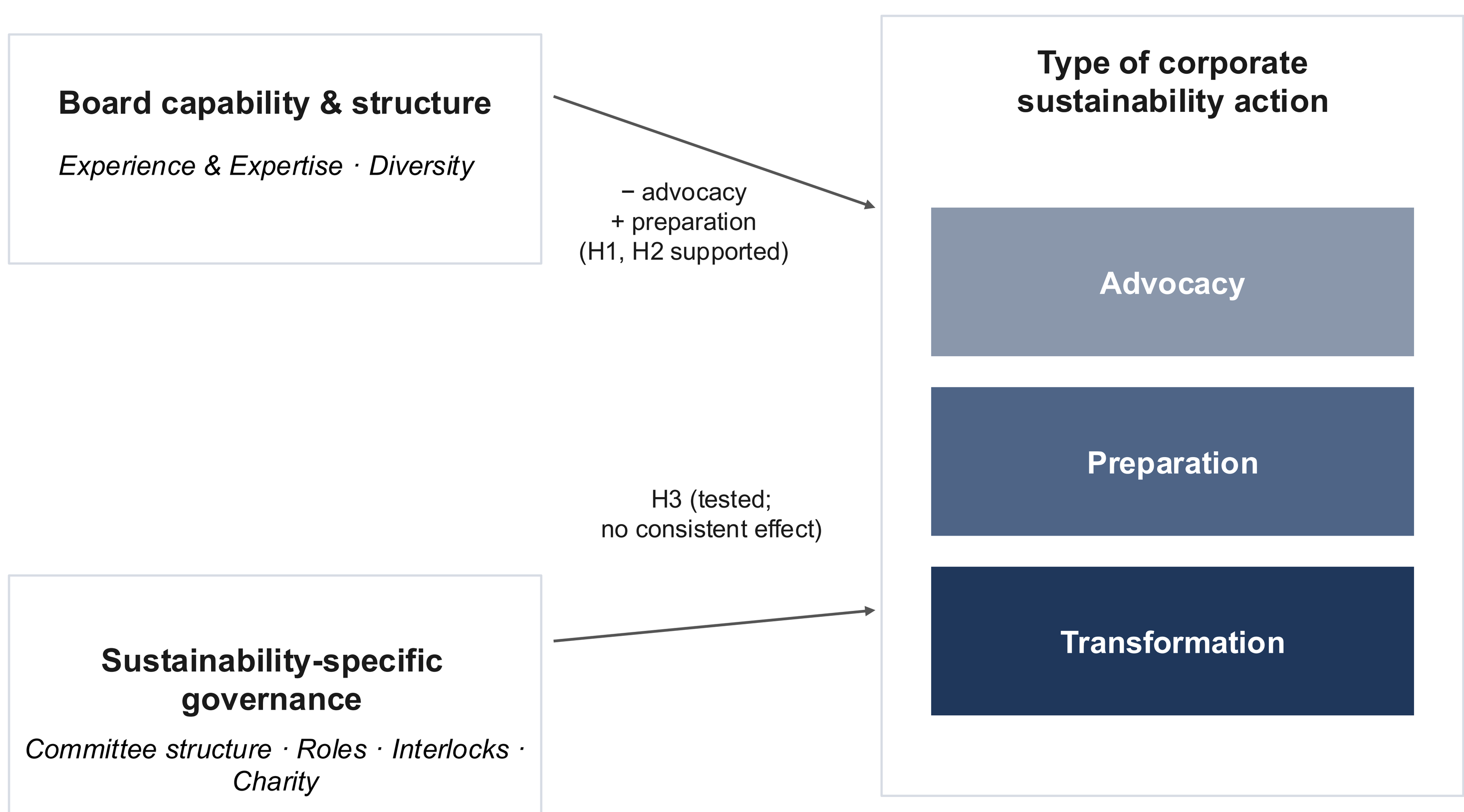


Figure 1. Two governance dimensions tested as competing channels shaping the composition of sustainability action.

A Maturity Framework

Sustainability initiatives sort into three compositional signals (shares summing to one) tracing increasing substantive maturity, following the Leonardo Centre's GOLDEN for Sustainability classification (Leonardo Centre for Business & Society):

Advocacy	Preparation	Transformation
symbolic communication	standards · reporting	operational change

SYMBOLIC ——— → ——— SUBSTANTIVE

A firm stuck at advocacy without progressing toward preparation signals greenwashing (Delmas & Burbano, 2011; Walker & Wan, 2012); a shift **from advocacy to preparation** marks genuine maturation.

Data & Methods

Panel: 9,918 firm-years · 2,240 firms · 2014–2024, merging three sources:

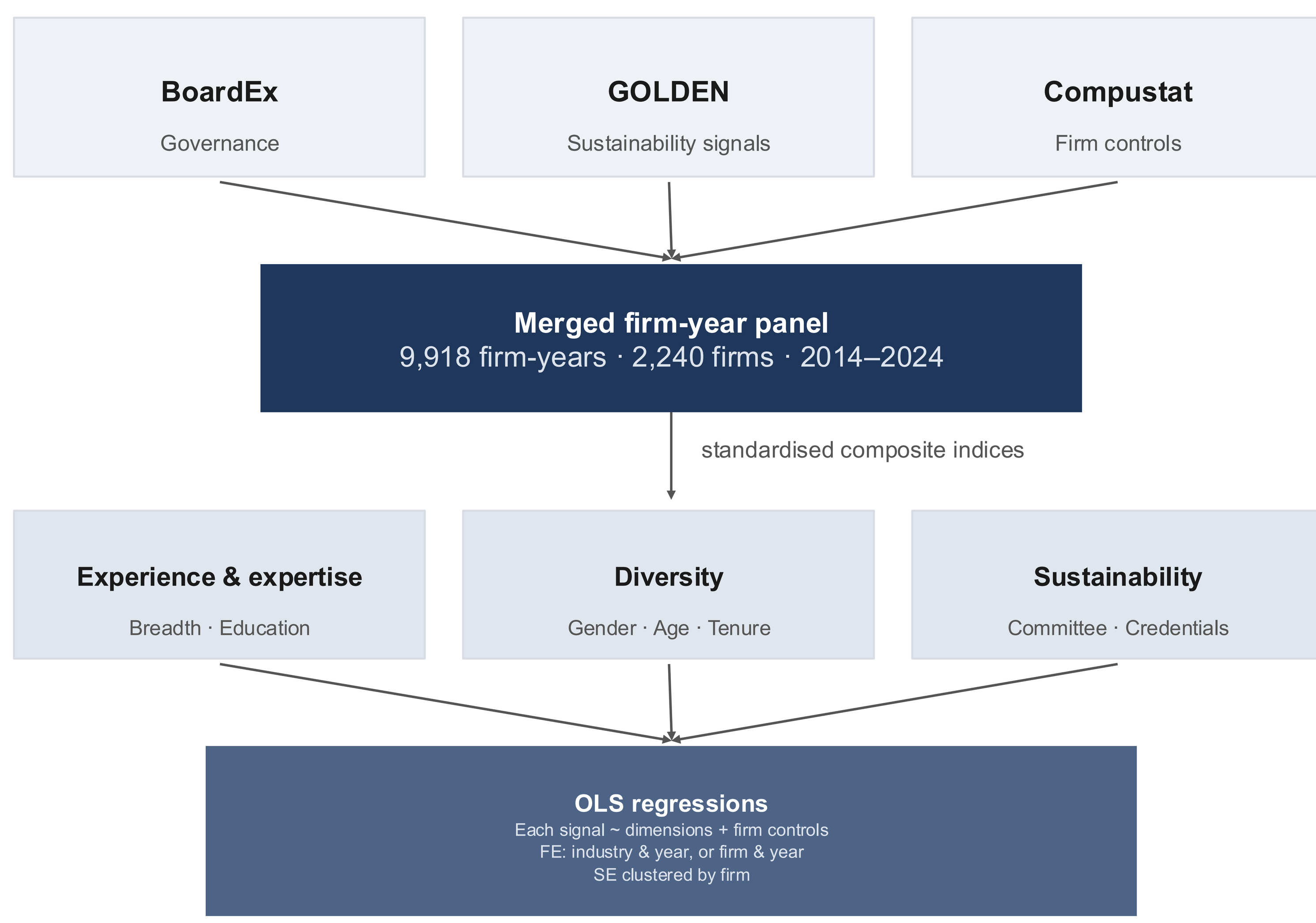


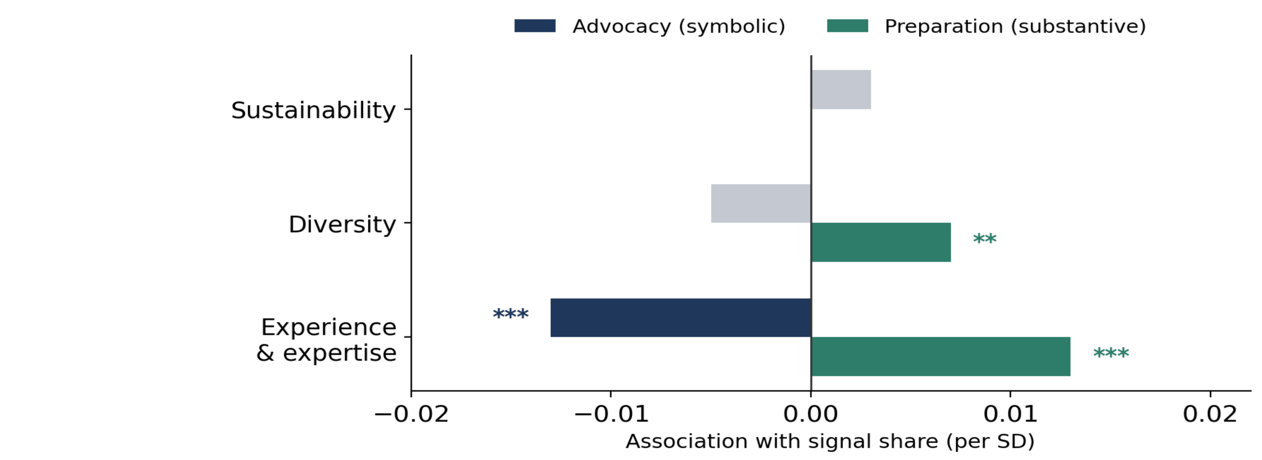
Figure 2. Data pipeline: sources merged, aggregated into three standardised dimension indices, and regressed on each signal.

How the models work

- **Dimension index:** components are standardised (z-score), averaged, then re-standardised before regression.
- **Progressive stages:** adding governance controls, firm controls, then fixed effects (industry & year; firm & year).
- **Firm & year fixed effects** compare a firm to itself, cutting omitted-variable bias; not causal and cannot rule out reverse causality.

Results

Governance shapes the **mix** of activity, not its level. General capability is associated with **less advocacy and more preparation** with the maturity shift from symbolic to substantive.



Dimension	Advocacy	Preparation
Experience & expertise	**−0.013*** **	**+0.013*** **
Diversity	−0.005	**+0.007** **
Sustainability	+0.003	−0.000

Table 1. Dimension indices entered jointly (N = 8,844). Only the sustainability committee is robust within its dimension (advocacy −0.022***); individual credentials and transformation are null. *** $p<.01$, ** $p<.05$.

Key Findings

Reading the coefficients. Because the signals are shares summing to one, a dimension that lowers advocacy and raises preparation is linked to firms moving from symbolic communication toward substantive action. This holds for experience and expertise (−0.013***, +0.013***) and for diversity on preparation (+0.007**): stronger, broader boards relate to higher maturity (H1, H2).

Structure, not personal credentials. Individual sustainability credentials are unrelated to the type of action (H3). Within that dimension, only the board sustainability committee, a structural feature, is associated with less advocacy (−0.022***). Gender composition is the most stable, holding within firms over time. Collectively, general capability and board structure, not individual credentials, mark the shift from symbolic to substantive.

Conclusion & Implications

Board governance is a strategic determinant of corporate sustainability, not a peripheral one. A board's general expertise and diversity, which bring wider perspectives into oversight, are positively related to firms progressing to higher sustainability maturity, from symbolic advocacy toward substantive preparation; individual directors' credentials are not.

The implications reach beyond the firm. For investors, board capability and composition offer a forward-looking signal of commitment that complements ESG scores. For regulators and policy-makers, governance, especially board expertise, diversity, and oversight structures such as sustainability committees, deserves greater attention in governance codes, disclosure, and board nomination. Strengthening board capability may be a more effective lever than mandating specialist credentials.

Understanding the Three Governance Dimensions

How each dimension is measured. The items in each group are on different scales, so we put every board on a common scale (a standard score), average its items into one score per dimension, then re-scale that score. Each board gets a single comparable number per dimension (0 is average, higher means more), and these three numbers enter the regressions.

1 · Experience & Expertise

The general professional knowledge and skill a board brings

Career breadth — How many different industries and companies directors have worked across; a sign of broad, adaptable experience.
Postgraduate education — The share of directors with a master's degree or higher.
MBA — The share holding a business-management degree.

2 · Diversity

The range of different perspectives around the table

Gender composition — The share of women on the board.
Age diversity — How spread out directors' ages are — a mix of generations.
Tenure diversity — A mix of long-serving and newly appointed directors.
Cognitive diversity — Variety in directors' educational and professional backgrounds.

3 · Sustainability-Specific

Structures and experience aimed directly at sustainability

Sustainability committee — Whether the board has a dedicated group overseeing sustainability (a structural feature).
Sustainability roles — Directors who have held sustainability jobs before.
Committee interlocks — Directors who also sit on other firms' sustainability committees.
Charity leadership — Directors who have led charities or non-profits.

Key references: Hambrick & Mason (1984); Pfeffer & Salancik (1978); Hillman & Dalziel (2003); Delmas & Burbano (2011); Walker & Wan (2012); Torchia, Calabrò & Huse (2011); Orazalin (2019); Collevecchio et al. (2024); Homroy & Slechten (2019); Ben-Amar, Chang & McIlkenny (2017); Glass, Cook & Ingersoll (2016); Petersen (2009).
Data: Leonardo Centre for Business & Society, GOLDEN for Sustainability database; BoardEx; Compustat.