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The Impact of Gender Diversity and Board Independence on Firm Performance

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Abstract

This thesis investigates the impact of governance structures, specifically board independence and gender diversity at the board and executive committees, on firm performance across the United States, Germany, and France. Using regression models tailored to each market, the study finds that independent directors significantly enhance firm valuation through improved governance and accountability. In contrast, board-level gender diversity shows no direct effect on performance, while female executives positively influence performance by fostering innovation and inclusivity. These findings highlight the critical role of executive-level diversity, especially female representation, and board independence in driving sustainable performance, offering actionable insights for governance improvement.

Keywords: Corporate Governance, Independent Directors, Firm Performance, Board Diversity, Female Executives

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1. Introduction

Following the 2008 financial crisis, failures in corporate governance exposed weaknesses in the governance systems designed to protect companies from excessive risk-taking and mismanagement. Although many companies complied with prevailing governance norms, including independent boards and separate roles for chairmen and chief executives, the crisis highlighted a fundamental lack of robust oversight and decision-making at board level. This has reignited the debate about the critical role of governance structures in ensuring corporate accountability, promoting long-term value creation and managing complex business environments (Thomsen, 2013; Lehuedé et al., 2009).

At the heart of these discussions are two key dimensions: Board Independence and Gender Diversity. The board of directors is a core element of corporate governance, tasked with overseeing operations, ensuring accountability and guiding management decisions in the best interests of shareholders. A key factor within this framework is the presence of independent directors. Their objectivity allows them to scrutinise management decisions, improve transparency and reduce conflicts of interest. Recent events such as the COVID-19 pandemic and global economic uncertainties have highlighted the need for resilient and effective boards, attracting increased attention from regulators and researchers, underscoring the importance of strong governance structures in enhancing financial strength and corporate performance. The purpose of this study is to examine the extent to which independent directors enhance the performance of companies with different governance systems.

Equally important is the growing focus on gender diversity within boards and management committees which is no longer just a question of ethics or representation - it has become a key driver of business success in today's dynamic business environment. Diverse leadership teams deliver better decisions, drive innovation and adapt more effectively to rapidly changing markets by incorporating a wider range of perspectives and experiences. At a time of growing

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investor scrutiny and stakeholder expectations, companies with gender-diverse boards and management teams stand out as more attractive to investors, employees and customers, signalling inclusivity, forward-thinking leadership and long-term sustainability. Despite clear benefits, there has been slow progress - notably at the executive level, where women remain under-represented. We are addressing this gap by assessing the impact of female executive leadership on organisational performance.

This thesis investigates the influence of governance structures, including board composition and executive leadership, on the financial performance of publicly listed companies in three different markets: The United States, Germany and France. By building individual regression models for each market, we aim to gain a deeper understanding of the governance factors that influence financial outcomes in distinguish governance structures. The focus of this work lies on two critical aspects of corporate governance. First, it examines the influence of the proportion of independent directors on financial performance, measured by Tobin's Q. Second, it explores the impact of gender diversity at both the board and executive levels, specifically targeting board representation and executive committee positions. By addressing both board composition and executive leadership, this thesis provides a more precise and unbiased understanding of the role of female leadership in shaping company performance. Building on the findings of this research, the study seeks to explore how country-specific corporate governance standards influence the financial performance of companies. The evidence provided is intended to assist future board members, regulators and academics in understanding the subtle relationship between board and management composition, and financial performance. Lastly, this paper contributes to the ongoing dialogue between optimising corporate governance frameworks to promote sustainable and responsible governance in a globalised and dynamic market environment.

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The paper is divided into eight chapters. The first chapter introduces the relevance of the topic and outlines the objectives of the study. The second chapter provides a theoretical overview of the role of the board in corporate governance, supported by key theories from the literature. It then reviews critically the responsibilities and impacts of independent directors and gender diversity at both non-executive and executive levels, drawing on studies to provide the theoretical foundation for the main research analysis. Chapter three outlines the central research hypotheses of the thesis. This is followed by the chapters four, five and six, which contain the market-specific analyses for the United States, Germany and France respectively. Each market analysis follows a structured approach, starting with the research questions, followed by sample selection, and the data description. Thereafter, the descriptive statistics is presented in detail followed by the regression results of our two regression models and regression diagnostics. Finally, chapters seven and eight summarise the key findings, provide a critical discussion of the progression of the topic, and address the limitations of this research while offering perspectives for future studies.

2. Literature Review

2.1 The Role of the Board within Corporate Governance

Corporate governance provides a framework of rules, practices and procedures that guides a company's operations and decision-making. It defines the system by which companies are governed and specifies the roles and responsibilities of the various participants within the organisation including the board of directors, management, shareholders and other stakeholders (Feizizadeh, 2015; Keasey et al., 1998; Pande et al., 2014). Charreaux (1997) emphasises that corporate governance encompasses the organisational controls that guide managers' behaviour and outline their decision-making authority. Shleifer and Vishny (1997) further describe it as the mechanisms ensuring that investors receive adequate returns on their investments.

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Instead of focusing purely on financial objectives, effective governance seeks to protect the interests of a wide range of stakeholders, including customers, suppliers, employees and the broader community, in addition to shareholders. It emphasises transparency, integrity and clear communication, ensuring that everyone has access to accurate and comprehensive information. By promoting responsible business practices focused on long-term value creation, strong corporate governance becomes a driver for sustainable growth and competitive advantage. A key responsibility of corporate governance is to resolve conflicts that may arise between various parties involved in the company. This includes addressing potential disputes between all shareholder groups, between management and shareholders, and between shareholders and other stakeholders. Effective governance structures help protect investors from managerial misconduct such as self-dealing, misappropriation of assets, or corrupt activities (Dalton and Daily, 1999). By minimizing the expropriation of resources, good governance contributes to a more efficient allocation of assets and, ultimately, better firm performance (Yang and Sun, 2023; Malaj et al. 2015; Efunniyi, 2024).

The board of directors is the cornerstone of an effective corporate governance framework, playing a central role in oversight, accountability, and ensuring managerial alignment with shareholder interests. The board serves as the primary mechanism through which shareholders monitor and influence managerial actions. As Perry and Shivdasani (2005) note, the board is entrusted with critical responsibilities, including hiring, evaluating, compensating, and continuously overseeing management to ensure alignment with shareholders' interests.

The board's multifaceted role can be understood from three main perspectives. First, from a governance perspective, the board monitors management to prevent actions that could negatively impact shareholder value. This oversight function ensures that management's decisions are consistent with the company's objectives and shareholders' interests are protected. Second, from a strategic perspective, the board is involved in key decision-making processes

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that enable organisational change and shape the company's direction. Boards guide corporate strategy and contribute to the formulation and implementation of policies that shape the future of the company. From a resource-based perspective, they connect the company to the external environment and provide access to valuable inputs such as specialised knowledge, expertise and professional contacts (McNulty and Pettigrew, 1996). Studies indicate that boards not only provide strategic counsel, sector-specific insight, and enhanced credibility, but also that board members often bring a wealth of experience and may have a greater awareness of potential crises due to past experiences, which reinforces their oversight capabilities (Hillman and Dalziel, 2003; Trahms et al., 2013).

The composition and effectiveness of the board become even more critical in difficult situations such as financial distress or bankruptcy. A competent board can navigate the firm through turnaround processes by implementing rigorous planning and effectively controlling resource flows (Daily and Dalton, 1994b; Pajunen, 2006). Boards that promote higher levels of formalisation and detail in planning contribute to better decision making and organisational resilience (Mitter et al., 2012). To fully understand the board's function in corporate governance, different theoretical frameworks such as agency theory, stewardship theory, resource dependence theory and the resource-based examine the functions and effects of the board. By integrating insights from these theories, this study aims to examine how the composition and functioning of boards specifically focusing on how director independence and gender diversity shape corporate governance and, in turn, impact corporate performance.

Originating from Jensen and Meckling's (1976) pioneering work, the **Agency Theory** is a keystone of corporate governance research. It explores the dynamics between a firm's shareholders (principals) and its managers (agents), emphasising the frictions that can arise when managers' priorities diverge from shareholders' interests. Essentially, agency theory recognises that managers may sometimes pursue personal gain rather than maximising

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shareholder value. This misalignment can lead managers to pursue personal goals, such as increasing their own compensation, engaging in empire building, or securing their positions to avoid dismissal, rather than focusing on maximising shareholder value (Zhang et al., 2008; Nikolov and Whited, 2014).

Several factors contribute to this conflict of interest. Firstly, contracts between principals and agents are inherently incomplete and therefore fail to account for all future scenarios and decisions. Another is information asymmetry: managers typically have more detailed knowledge of the firm's operations than shareholders, making it difficult for shareholders to monitor managerial actions effectively (Hendry and Kiel, 2004). To mitigate these tensions, agency theory proposes introducing mechanisms designed to harmonize the objectives of managers and shareholders.

One strategy is to establish robust monitoring mechanisms to oversee the actions of managers. By creating oversight structures such as a board of directors, companies can monitor management's activities and hold managers accountable for their decisions. This diligent oversight helps prevent actions that could harm shareholder value and ensures that management's decisions are consistent with the company's objectives. Another important approach is to align incentives between managers and shareholders. This is achieved by designing remuneration packages that link managers' rewards to the company's performance. Examples include performance-related bonuses, stock options or other financial incentives that lead managers to pursue actions that increase shareholder value. By linking managers' personal financial outcomes to the company's success, their decision-making is more likely to reflect shareholder priorities (Jensen and Meckling, 1976; Rediker and Seth, 1995; Milliron, 2000).

The costs associated with monitoring management and aligning incentives are known as agency costs. Despite these costs, implementing effective corporate governance practices is essential to minimise conflicts of interest, promote better decision making and ultimately improve firm

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performance. However, focusing solely on monitoring and controlling management, as emphasized by Agency Theory, may not fully guarantee improved corporate performance. Recognizing that high levels of oversight alone might be insufficient, other theoretical frameworks which highlight additional roles of the board, have emerged.

The **Stewardship Theory** represents a contrary view to the agency theory. It emphasises trust, collaboration and the intrinsic motivation of managers to operate in the organisation's interests. Drawing on McGregor's (1960) 'Theory Y' of motivation, it argues that managers are not merely self-interested actors but are driven by a sense of duty and responsibility towards the organisation's goals. Donaldson and Preston (1995) argue that Stewardship Theory is built on two fundamental premises: First, that managers can be trusted to operate in an ethically responsible manner, and second, that this trustworthiness reduces the need for costly oversight because managers are unlikely to risk their reputations by acting against shareholders' interests.

Central to the stewardship theory is the belief that managers are naturally driven to do a good job and are motivated by non-financial factors such as personal growth, achievement and the satisfaction of contributing to the success of the organisation. This relationship of trust between shareholders and management reduces the need for costly governance practices focused on oversight and control. By encouraging an environment in which managers are entrusted with autonomy and authority, organisations can leverage the expertise and commitment of their managers, leading to improved decision-making and long-term value creation (Donaldson and Davis, 1994; Messersmith and Rutherford, 2010).

Within this framework, the board's role shifts from primarily monitoring management to acting as a strategic partner and advisor. The board supports and collaborates with management, providing guidance and resources to help achieve the organisation's objectives. This collaborative relationship leads managers to align their interests with the interests of shareholders, as they feel valued and empowered within the organisation.

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However, stewardship theory also recognises the potential risks that empowering managers solely leads to more effective and sustainable organisational performance, rather than requiring strict monitoring and control mechanisms (Donaldson, 1990; Donaldson and Davis, 1994). Mechanisms such as transparent reporting, clear communication of goals and expectations, and regular performance reviews remain important. These accountability measures help to confirm that managers' actions are in line with the organisation's objectives, without imposing the strict controls emphasised in agency theory. By balancing trust and accountability, organisations can mitigate the risks associated with managerial autonomy while benefiting from the increased motivation and commitment of their managers (Madhani, 2019).

The **Resource Dependence Theory** recognises the critical role of the board in linking an organisation to its external environment in order to secure essential resources. According to this perspective, no organisation operates in isolation. Companies depend on external entities for resources such as raw materials, information, technology and capital. This dependence creates interdependencies and uncertainties that influence the organisation's capacity to meet its goals (Pfeffer and Salancik, 1978).

The board's primary role, from this perspective, is to manage these external dependencies and reduce uncertainty by linking the company to valuable resources. Board members bring a wealth of expertise, knowledge and networks that can be used to access critical resources. They serve as liaisons to key stakeholders, including suppliers, customers, policy makers and community groups, and facilitate partnerships and collaborations that benefit the organisation (Hillman and Dalziel, 2003; Daily and Dalton, 1994).

By including well-connected individuals on the board, organisations can gain strategic advantages. These directors can provide insight into industry trends, regulatory changes and innovative practices, thereby enhancing the firm's strategic decision-making capabilities (Mizuchi, 1996; Burt, 1980; Useem, 1984). They can also enhance the legitimacy and

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reputation of the organisation in the eyes of external stakeholders, which can be crucial in securing contracts, investments or favourable regulatory outcomes. In addition, resource-rich board members can foster beneficial collaborations and alliances with other organisations. Such interlocking board memberships have been shown to increase activities such as R&D investment and patenting (Helmers et al., 2014). These connections not only provide immediate access to resources, but also contribute to the long-term adaptability and competitiveness of the organisation in a dynamic business environment.

Essentially, resource dependence theory highlights the critical role of the board in navigating the complexities of the external environment. By leveraging their networks and expertise, board members help the organisation secure the resources it needs to thrive, reduce dependence on external entities, and mitigate the uncertainties inherent in operating in interconnected markets (Pfeffer, 1972; Zahra and Pearce, 1989). This external focus complements the board's internal oversight functions and positions it as a strategic asset in achieving organisational success (Carpenter and Westphal, 2001; Hermalin and Weisbach, 1988).

The **Resource-Based View (RBV)** suggests that a company's enduring advantage derives from its distinctive combination of tangible and intangible assets, assuming these are valuable, scarce, difficult to replicate and not easily substitutable (Barney, 1991). This perspective stresses that specific assets and capabilities within a firm can distinguish it from its competitors. Applying RBV to corporate boards highlights how the combined knowledge, expertise and experience of board members constitute a strategic resource that is difficult to replicate.

Board characteristics such as members' specialised skills, industry knowledge and strategic vision are intangible assets that contribute significantly to a company's success. Unlike easily imitated aspects such as board size or the ratio of executive directors, these intangibles are embedded in the board composition and cannot be easily copied by competitors (Penrose, 1959; Wernerfelt, 1984). This uniqueness provides companies with a lasting competitive advantage.

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In contrast to agency theory, RBV emphasises the intrinsic value that directors bring to the organisation. Directors contribute through their deep understanding of the firm's operations, awareness of industry trends, knowledge of competitors and familiarity with emerging technologies (Stiles, 2001; Ruigrok et al., 2006). Non-executive directors can provide fresh perspectives and external knowledge that complement the internal expertise of the management team (Wagner et al., 1998).

Instead of merely supervising management, boards actively contribute to shaping the company's strategic trajectory. Their contributions include defining the firm's mission, identifying emerging opportunities and threats, and aligning internal and external resources to adapt to changing environments. This ability to help companies evolve and remain competitive is often referred to as the development of dynamic capabilities - an essential aspect in today's rapidly changing business landscape (Teece et al., 1997). Boards, with their socially complex interactions and collaborative efforts, provide value that is difficult for other firms to replicate. Collectively, these diverse skills and experiences make the board a critical resource for the company's success. By leveraging each other's strengths and creating complementary capabilities, boards not only influence strategic decisions, but also equip companies with the tools necessary to adapt and thrive over time (Hillman and Dalziel, 2003).

As the perspectives of the theories presented demonstrate, no single theoretical framework can fully capture the multifaceted function of the board in corporate governance. Each provides valuable insights, but together they highlight the multiple and overlapping responsibilities that boards must fulfil. Acknowledging this complexity, these theories offer a holistic perspective on how board structure and behaviour influence organizational outcomes. Building on these insights, the subsequent chapters examine key elements of governance structures central to this study, with a particular focus on the impact of independent directors, gender diversity on boards, and the presence of women in executive committees on firm performance.

2.2 The Impact of Independent Directors on Firm Performance

2.2.1 The Role of Independent Directors

Building on the theoretical foundations of corporate governance, the following chapter aims to explore the elements of board composition that influence firm performance and serve as the basis for this study's analysis. A critical aspect of this exploration is to understand the roles of different types of directors within a board. Boards are typically composed of executive, non-executive and independent directors, each of whom brings unique perspectives and responsibilities to the governance process.

Executive directors are members of the company's management team who are actively involved in the day-to-day operations of the company. They hold leadership positions such as the CEO, CFO, COO, etc. within the organisation and are responsible for implementing corporate strategies, making operational decisions and ensuring that the company's objectives are met. Their in-depth knowledge of the internal workings of the company provides valuable insights during board deliberations, particularly regarding strategic planning and resource allocation (Alonso et al., 2009; Mitchell and Kirby, 2023).

In contrast, non-executive directors are not part of the company's management and are not involved in its day-to-day operational activities. Their primary role is to provide independent oversight. Non-executive directors are responsible for critically evaluating management's decisions, monitoring performance and ensuring that the company's actions are in the best interests of shareholders and other stakeholders (Alam, 2011; Velkova, 2016). They bring an external perspective to the board, which is essential for balanced decision-making and long-term planning. Beyond these responsibilities, non-executive directors contribute diverse expertise and perspectives, enriching boardroom discussions and strengthening governance practices. Moreover, their ability to navigate boardroom dynamics through effective

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collaboration encourages constructive dialogue that enhances the overall effectiveness of the board (Kakabadse et al., 2001). As guardians of ethical standards and drivers of strategic innovation, non-executive directors play an increasingly important role in addressing broader governance issues and steering the company toward sustainable success (Engelbrecht, 2010).

Within the category of non-executive directors, independent directors occupy a particularly important and influential position on the board. These directors are not employees of the company, nor do they have significant financial or personal relationships with the company, which allows them to remain objective in their oversight. This independence enhances their ability to make impartial judgements, thereby increasing the board's accountability and transparency (Cadbury, 1992). Independent directors are essential in safeguarding shareholders' interests by monitoring management's activities and ensuring alignment with the company's objectives. Their responsibilities often include monitoring the performance of management, determining appropriate remuneration packages and participating in the selection of new board members (Zahra and Pearce, 1989; Johnson et al., 1996). By providing independent oversight, they act as a safeguard against managerial decisions that might prioritise personal gain over the interests of the firm or shareholders (Fama, 1980; Mizruchi, 1992). An important part of their role is carried out through key board committees - such as compensation, nomination and audit which are typically dominated by independent directors (Spira and Bender, 2004; Roberts et al., 2005). Through these committees, independent directors help to establish fair policies and ensure robust governance practices that protect shareholder value and promote long-term success. Greater board independence, such as the separation of CEO and board chair roles (CEO duality), enhances the board's ability to effectively monitor management (Madhani, 2019). By mitigating conflicts of interest inherent in combined leadership roles, independent boards are better positioned to objectively evaluate managerial performance and hold executives

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accountable. This structural separation prioritizes shareholder interests, reduces the risk of managerial opportunism, and strengthens overall governance effectiveness.

Independent directors play a crucial role in addressing governance challenges highlighted by principal-agent theory. Their presence on a board significantly influences corporate governance and enhances the effectiveness of monitoring mechanisms (Fama and Jensen, 1983). Boards with a higher proportion of independent directors, who prioritise shareholders' interests, are better equipped to oversee management and increase firm value (Walsh and Stewart, 1990; Cohen et al., 2012). The inclusion of independent directors promotes objective decision making, reduces managerial opportunism and lowers agency costs due to their enhanced monitoring capabilities (Fama and Jensen, 1983). By acting as a counterweight in the principal-agent dynamic between inside directors and shareholders, they make a significant contribution to effective corporate governance (Madhani, 2015b). Their independence is crucial as it allows them to effectively monitor management actions that significantly affect shareholders' investments (Waldo, 1985; Fleischer et al., 1988). Independent directors who have limited involvement with the firm beyond their board responsibilities can monitor managerial behaviour on behalf of shareholders and intervene when managers act opportunistically, such as misusing corporate assets (Post et al., 2011).

2.2.2 Empirical Evidence

A substantial body of empirical research highlights the diverse impact of independent directors on company performance, with findings spanning positive, negative, and mixed outcomes.

Focusing on studies that highlight a positive impact, a significant body of research underscores the beneficial role of independent directors in driving firm performance. For instance, Gompers et al. (2003) show that companies with stronger governance, characterised by greater board independence and shareholder rights, achieve higher market valuations and financial

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performance. Their study found that companies with robust governance practices significantly outperformed their peers, generating an annual abnormal return of 8.5%, suggesting that independent directors play an important role in corporate success.

Similarly, Reguera-Alvarado and Bravo (2017) provide evidence supporting the positive relationship between board independence and firm performance. Analyzing a sample of U.S.-listed firms from 2008 to 2012, their research identifies a significant correlation between board independence and improved firm valuation, as measured by Tobin's Q, a metric that captures market valuation relative to firm assets. Further extending these insights, Bhagat and Bolton (2013) investigate the influence of board independence in the post-Sarbanes-Oxley (SOX) regulatory environment. Their study highlights a notable positive relationship between board independence and financial performance, with a particular emphasis on Return on Assets (ROA) as a measure of operational efficiency and profitability.

In a European context, Ben Barka and Legendre (2017) emphasize the significant contribution of independent directors to firm performance within French corporate governance frameworks. Their study identifies a strong positive association between board independence and both economic profitability, measured by Return on Assets (ROA), and equity performance, captured through Return on Equity (ROE).

Krivogorsky (2006) investigates the interplay between board composition, ownership structure, and firm profitability in Continental European companies listed on U.S. stock exchanges during 2000–2001. The study presents compelling evidence of a strong positive correlation between the proportion of independent directors on corporate boards and key profitability indicators, such as Return on Assets (ROA), Return on Equity (ROE), and Market-to-Book (MTB) ratios. These findings underscore the pivotal role independent directors play in enhancing corporate oversight, particularly in the unique governance environments of Continental European firms.

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Focusing on the German corporate governance model, which features a distinct two-tier system separating supervisory and management boards, further evidence supports the beneficial role of independent supervisory board members. Velte (2010), in a study of firms listed in the German and Austrian Prime Standard, demonstrated “statistically significant positive correlations between the reporting on the independence of the supervisory board and the firm performance index (Price-Earnings-Ratio, Tobin’s Q) in both countries.” These results suggest that independent supervisory boards contribute to higher corporate valuations and bolster investor confidence.

A broader perspective is provided by Ortas et al. (2017), who conducted a meta-analysis of 87 studies across various legal and institutional contexts to explore the link between board independence and corporate social performance (CSP). While their results reaffirm a positive relationship between board independence and CSP, particularly in civil law countries and self-reporting contexts, their findings also emphasize the moderating influence of institutional frameworks. These insights suggest that the effectiveness of independent directors is shaped by governance environments, such as the strength of shareholder protection mechanisms, which can influence broader organizational outcomes.

However, the evidence on the impact of independent directors is not universally consistent, with some studies yielding mixed or context-dependent results. For instance, Ammari et al. (2014), in a study of French firms, observed that a higher proportion of independent directors positively affected accounting-based profitability, as measured by ROE, but negatively impacted market-based valuations, including Tobin’s Q. This dual finding suggests that while independent directors may enhance internal operational efficiency and profitability, their presence does not necessarily translate to improved market perceptions of firm value.

Independent directors hold a pivotal role in corporate governance, yet their effectiveness is often hindered by several critical challenges. While they are widely regarded as essential in

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promoting accountability and transparency, their actual impact on firm performance remains a topic of debate. Research indicates that independent directors do not always lead to improved firm performance, challenging the assumption that independence alone guarantees better governance outcomes.

A key concern is the potential lack of sector-specific expertise among independent directors. While their impartiality is important, independence does not automatically guarantee effectiveness in oversight and strategic guidance. Hillman and Dalziel (2003) argue that independent directors must possess relevant industry knowledge to challenge management effectively and contribute meaningfully to discussions. Without this expertise, their oversight can become constrained, and they may rely too heavily on management for critical insights and information. This lack of sector knowledge can significantly undermine the value they bring to governance, as they may be unable to identify key strategic opportunities or risks.

In addition to industry knowledge, the personal attributes of independent directors play a critical role in their effectiveness. Reguera-Alvarado et al. (2017) highlight that the influence of independent directors on firm performance is significantly shaped by their experience and expertise, including their understanding of the industry and their broader knowledge base. Directors without sufficient experience or sector expertise may struggle to make valuable contributions to strategic decisions or to effectively challenge management. This reinforces the need for a balance between independence and relevant experience to optimize governance outcomes.

Another significant challenge is overboarding, also being defined as the practice of directors serving on multiple boards simultaneously. While this can offer broader experience and enriched perspectives, it often dilutes a director's focus and engagement, reducing their ability to effectively monitor and guide the company. Reguera-Alvarado et al. (2017) warn that overboarding significantly hampers the effectiveness of independent directors, as excessive

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external commitments limit the time and attention they can devote to any single organization. Similarly, López and Rodríguez (2014) note that while serving on multiple boards can initially enhance directors' expertise and motivation, excessive responsibilities eventually erode their commitment, compromising their ability to provide robust governance.

Beyond expertise and overboarding, access to critical information is another significant barrier to the effectiveness of independent directors. Wang (2023) emphasizes that independent directors often face significant challenges in fulfilling their oversight responsibilities due to information asymmetry. As they are not involved in the daily operations of the company, independent directors rely heavily on information provided by management, which may be incomplete, biased, or deliberately obscured. This lack of transparency severely limits their ability to evaluate corporate activities comprehensively and undermines their capacity to provide informed oversight. To address this issue, it is critical to ensure open communication channels and unrestricted access to essential information, empowering independent directors to fulfill their governance duties effectively and maintain accountability.

Finally, Gordon (2007) highlights that the global push for increased board independence has not consistently led to improved firm performance. The effectiveness of independent directors is often undermined by challenges such as passive monitoring, lack of confidence, and insufficient engagement. These findings suggest that independence alone is not sufficient to guarantee effective governance. To unlock their full potential, independent directors must be supported by complementary attributes, including sector-specific expertise, diverse perspectives, and unrestricted access to resources. These factors enable independent directors to provide more impactful oversight, ensuring they fulfil their role in advancing shareholder interests and driving long-term corporate success.

2.3 Impact of Gender Diversity on Firm Performance

2.3.1 Empirical Evidence on Board Level

In this section, we explore the existing literature on the effects of board gender diversity on firm performance, focusing specifically on the impact of increasing female representation on boards of directors. The influence of gender diversity on corporate boards has been a subject of extensive research, with studies consistently highlighting its role in shaping firm performance, enhancing governance practices, and fostering innovation.

Carter et al. (2003) examined “the relationship between board diversity and firm value for Fortune 1000 firms.” Their findings revealed a positive correlation between board diversity and firm value, as measured by Tobin's Q. They argued that diverse boards enhance firm value by improving governance and strategic decision-making processes. Diversity broadens the range of perspectives within board discussions, which helps mitigate groupthink and align governance practices with the interests of various stakeholders. Similarly, Erhardt et al. (2003) identified a significant positive relationship between the presence of women and minorities on boards and key financial performance indicators, such as Return on Assets (ROA) and Return on Investments (ROI). They posited that diverse boards contribute to enhanced firm performance by bringing varied perspectives that improve decision-making and problem-solving capabilities. Terjesen et al. (2015) provide robust empirical evidence demonstrating that gender-diverse boards positively influence firm performance. “Using data from 3,876 public firms in 47 countries and controlling for a wide set of corporate governance mechanisms, we find that firms with more female directors have higher firm performance by market (Tobin's Q) and accounting (return on assets) measures.” Female directors enrich board effectiveness by promoting diverse perspectives and better decision-making. Furthering this notion, Miller and del Carmen Triana (2009) highlighted how board diversity positively influences firm innovation, which in turn enhances firm performance. Their findings indicate that gender-

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diverse boards foster innovation by integrating diverse perspectives and ideas, contributing to improved outcomes in environments requiring creativity and strategic thinking.

Gender diversity also plays a critical role in advancing corporate social responsibility (CSR). Bear et al. (2010) found that companies with gender-diverse boards tend to achieve higher CSR ratings, positively influencing their corporate reputation. Similarly, Boulouta (2013) found a strong correlation between board gender diversity and corporate social performance, particularly in areas of governance addressing social and environmental issues.

However, the relationship between gender diversity and financial performance is nuanced and not universally positive. Adams and Ferreira (2009) observed that women on boards improved governance metrics, such as better board meeting attendance and enhanced monitoring quality. Yet, their findings also indicated a negative average effect of gender diversity on firm performance, suggesting that while gender diversity strengthens governance, it does not inherently guarantee improved financial outcomes. Therefore, firms should not add women to boards with the expectation that their presence alone will automatically improve performance. Post and Byron (2015), in a meta-analysis of 140 studies, revealed that “female board representation is positively related to accounting returns and that this relationship is more positive in countries with stronger shareholder protections.” However, they noted that “the relationship between female board representation and market performance is near zero the relationship is positive in countries with greater gender parity (and negative in countries with low gender parity)”. This suggests that the benefits of gender diversity are more pronounced in internal governance processes than in external market valuation, which is shaped by legal and societal dynamics.

Ahern and Dittmar (2012) analysed the effects of Norway’s gender quota on board composition, finding an initial decline in firm valuation, as measured by Tobin’s Q. This decrease was attributed to the rapid appointment of less experienced female directors following the quota’s

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enforcement. Similarly, Farrell and Hersch (2005) found that the decision to add women to corporate boards is often influenced by diversity goals rather than a direct impact on firm value. Their findings indicate that the market does not view the gender composition of boards as a significant determinant of immediate firm value. This suggests that the perceived benefits of gender diversity are more likely linked to fulfilling diversity objectives or enhancing board representation rather than directly driving short-term financial performance.

2.3.2 Empirical Evidence on Executive Level

This section examines the impact of female executives on firm performance, with a focus on their increasing presence in executive committees and leadership roles. Empirical research consistently demonstrates that female executives contribute positively to corporate governance, enhance decision-making processes, and improve operational efficiency, ultimately benefiting firm performance.

Dezső and Ross (2012) provide compelling evidence of the advantages of female representation in top management. Their study reveals that firms with a higher proportion of women in senior leadership positions often achieve superior performance, particularly in innovation-intensive industries. This enhanced performance is attributed to the diverse perspectives and problem-solving approaches that women bring to executive roles. By fostering creativity and supporting innovative strategies, female executives contribute significantly to driving firm success, particularly in environments where adaptability and innovation are critical. Similarly, Noland et al. (2016) in their extensive analysis across 21,980 firms in 91 countries indicates that firms with a significant presence of female executives tend to exhibit improved financial performance. This study underscores that the strategic inclusion of women in key decision-making roles significantly contributes to performance enhancements, beyond merely fulfilling gender diversity quotas.

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Huang and Kisgen (2013) examined the financial decision-making behaviours of firms led by female executives, specifically focusing on CFOs. Their study found that firms with female CFOs tend to issue less corporate debt and less risky debt compared to firms with male CFOs. This conservative financial strategy contributes to greater financial stability. The study suggests that female CFOs exhibit less overconfidence, a trait often linked to riskier financial behaviours found more frequently among male CFOs. This measured approach to financial management helps to position firms for long-term stability and success. Peni and Vähämaa (2010) found that “firms with female chief financial officers (CFOs) are associated with income-decreasing discretionary accruals, thereby implying that female CFOs are following more conservative earnings management strategies.” This reflects higher ethical standards and a commitment to conservative financial reporting. Their study highlights the positive role of female leadership in fostering transparency and accountability within corporate governance frameworks.

Hoobler et al. (2018) conducted a meta-analysis examining the impact of female leadership on organizational performance, finding a positive association, particularly in sales performance. The study emphasizes that contextual factors, such as gender-egalitarian cultures, enhance the effectiveness of women leaders, highlighting the importance of supportive environments. Women leaders were found to enhance collaboration, inclusivity, and innovation, aligning with theories like social identity theory and critical mass theory, which suggest diverse perspectives improve strategic decision-making. Studies by Glass and Cook (2016) examine the unique challenges faced by female executives, particularly in "glass cliff" situations where women are more likely to be appointed to leadership roles during times of organizational crisis. Their research highlights that female CEOs often bring distinct leadership approaches to these challenging scenarios, such as fostering collaboration and inclusivity across departments, which are critical for managing crises.

2.4. Board Independence and Gender Diversity in the Studied Markets

2.4.1 USA

Over the years, corporate boards in the US have undergone substantial transformation, driven by an increasing recognition of the advantages offered by both board independence and gender diversity. These changes have been shaped by significant legislative reforms such as the Sarbanes-Oxley Act of 2002 (SOX), alongside state-level initiatives and stock exchange regulations promoting gender diversity and strengthening corporate oversight.

The Sarbanes-Oxley Act of 2002, introduced in response to high-profile corporate scandals such as Enron and WorldCom, implemented groundbreaking reforms to restore investor confidence and strengthen corporate governance. A cornerstone of the Act mandates that publicly traded companies listed on U.S. stock exchanges establish audit committees composed exclusively of independent directors. The criteria for independence are defined by the Securities and Exchange Commission (SEC) and further reinforced by stock exchange rules such as those of the New York Stock Exchange (NYSE) and Nasdaq. These standards ensure that independent directors have no material financial, professional, or personal relationships with the company or its executives that could compromise their objectivity. For instance, independent directors cannot be recent employees of the company, have close family relationships with executives, or receive payments beyond their board compensation, such as consulting fees or advisory roles. By requiring independence, these standards help ensure that audit committees can effectively oversee the selection, compensation, and performance of external auditors, reducing conflicts of interest and bolstering the integrity of financial reporting (U.S. Congress, 2002). Building on the principles established by SOX, regulatory bodies such as the NYSE and Nasdaq introduced additional rules in 2003 to further strengthen corporate governance. These rules, approved by the SEC, required listed companies to have a majority of independent directors and to establish fully independent audit, nominating, and compensation committees. By

reinforcing the principles of oversight and independence, these regulations significantly enhanced accountability and reduced potential conflicts of interest (SEC, 2003).

Empirical evidence underscores the significance of these reforms. Linck et al. (2008) document that the regulatory requirements introduced by SOX significantly influenced board structures, leading to boards becoming larger and more independent. Their findings suggest that firms adjusted their board compositions to comply with the new regulations, thereby improving governance. Additionally, Dhaliwal et al. (2010) found “a positive relationship between accruals quality and audit committee accounting experts who are independent.” This highlights the dual importance of SOX’s emphasis on independence and the inclusion of expertise in promoting financial transparency and effective oversight. Further research by Chhaochharia and Grinstein (2007) demonstrates that governance reforms, such as those introduced by the Sarbanes-Oxley Act and subsequent stock exchange regulations, significantly enhanced firm value. Their study found that firms with weaker governance structures prior to the reforms experienced greater market value increases, as the changes aligned board structures more closely with shareholder interests and bolstered market confidence.

The Dodd-Frank Act of 2010 introduced significant governance provisions, including the requirement for publicly traded companies to provide shareholders with a "say on pay" vote. This provision mandates periodic, advisory (non-binding) votes on executive compensation packages, allowing shareholders to express their views on pay structures (Dodd-Frank Act, 2010). Larcker and Tayan (2011) argue that this requirement represents a shift toward greater shareholder engagement and transparency, reinforcing accountability and fostering alignment between management and shareholder priorities.

The representation of independent directors on corporate boards has seen substantial growth over the past several decades. In the 1950s, independent directors constituted about 20% of board members in large public companies. By 2005, this figure rose to 75%, driven by

governance reforms like Sarbanes-Oxley (Gordon, 2007). As of 2023, independent directors account for 85% of S&P 500 board members, underscoring the lasting impact of regulations and governance reforms on corporate oversight (Spencer Stuart, 2023).

Despite progress in board independence, gender underrepresentation remains a critical issue. Advocacy from civil society, shareholder activists, and advocacy groups has intensified in recent years, pressuring regulatory bodies and lawmakers to implement initiatives aimed at enhancing gender diversity on corporate boards and in executive leadership teams. California has been at the forefront of these efforts with the enactment of Senate Bill 826 in 2018, which mandated that “publicly held corporation headquartered in California to have at least one woman on its board of directors by the end of 2019”, with additional quotas for larger boards in subsequent years (California Senate Bill 826, 2018). This legislative movement has inspired similar initiatives in other states, such as Washington, where proposals to ensure a minimum percentage of female directors on corporate boards have been explored. Although not all states have enacted formal laws, the movement towards such measures is growing. A study by Seierstad et al. (2017) highlights the positive impact of these legal reforms, showing that countries with gender diversity quotas tend to have a higher percentage of women on boards and improved corporate governance. This research suggests that similar initiatives could potentially yield positive outcomes in the US as well.

At the federal level, the SEC addressed gender diversity by adopting amendments to Regulation S-K in August 2020, enhancing the disclosure requirements for human capital resources. These amendments encourage publicly traded companies to provide more detailed disclosures about their diversity and inclusion efforts, though they do not mandate specific diversity metrics (SEC, 2020). They particularly encourage companies to include information about their practices related to the development, attraction, and retention of personnel and how diversity and inclusion influence their corporate governance and workforce management.

Concurrently, the NASDAQ Board Diversity Rule, which took effect in 2021, “requires companies listed on Nasdaq’s U.S. exchange to publicly disclose board-level diversity statistics annually”, including the number of women on their boards. This rule requires listed companies to have, or explain the absence of, at least two diverse directors, including one woman. The NASDAQ rule aims to ensure that companies meet certain diversity benchmarks, pushing for more substantive changes than the SEC’s encouragement of voluntary disclosures. The SEC’s regulatory approach has sparked ongoing debate about whether more aggressive legislative action is needed to close the gender gap on corporate boards (NASDAQ, 2021).

Gender diversity on S&P 500 boards has seen significant progress over the past decade. According to the 2023 Spencer Stuart Board Index, women now represent 33% of board members, marking an 83% increase compared to 2013, when women constituted just 18% of directors. Furthermore, all S&P 500 boards now include at least one female director, a substantial improvement from 93% in 2013. The average number of female directors per board has nearly doubled, increasing from 1.9 in 2013 to 3.6 in 2023. This progress is further reflected in the leadership roles women hold on boards. In 2023, women chaired 39% of nominating/governance committees, 36% of compensation committees, and 34% of audit committees - a marked improvement over the past decade, signifying a growing influence in critical governance functions. The representation of women among newly appointed independent directors has also remained strong, with women accounting for 46% of new appointments in 2023, maintaining the same proportion as in 2022 and representing a 92% increase compared to 2013. Another notable trend is the near-universal transparency in reporting gender diversity. In 2023, 98% of S&P 500 boards disclosed gender diversity statistics, compared to a less consistent approach a decade ago. This shift reflects a broader cultural and regulatory emphasis on accountability and diversity (Spencer Stuart, 2023).

3. Study Objectives and Hypotheses

This chapter outlines the primary research objectives and hypotheses of this thesis, focusing on the influence of governance structures on firm performance. Specifically, it examines the roles of independent directors, women on boards, and women in executive leadership positions. By analysing these factors across three key markets—the United States, Germany, and France - the study aims to uncover the complex relationships between board composition, executive leadership, and financial performance.

Hypothesis 1 (H1): Does a higher percentage of independent directors on the board positively impact financial performance, as indicated by Tobin's Q?

Independent directors provide critical oversight, diverse perspectives, and governance improvements, as noted by Fama and Jensen (1983), who emphasize their role in mitigating agency problems and protecting shareholder interests. Their presence, particularly on audit committees, enhances financial reporting oversight, fostering investor trust and corporate integrity (Vafeas, 1999). Empirical studies by Bhagat and Bolton (2013) and Ben Barka and Legendre (2017) further support the positive relationship between board independence and financial performance.

Hypothesis 2 (H2): Does a higher percentage of women at the board level positively impact financial performance, as indicated by Tobin's Q?

Gender diversity on corporate boards is widely recognized as a critical element of effective governance, contributing to broader perspectives and improved decision-making. Research by Carter et al. (2003) demonstrated a positive correlation between gender diversity and firm value, as measured by Tobin's Q, highlighting its role in mitigating groupthink, fostering innovation, and aligning governance with stakeholder interests. Similarly, Erhardt et al. (2003) found that

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diverse boards positively impact financial performance indicators such as ROA and ROI by enhancing problem-solving and adaptability in dynamic markets.

Hypothesis 3 (H3): Does a higher percentage of women at the executive level positively impact financial performance, as indicated by Tobin's Q?

Female leaders contribute unique perspectives and leadership styles that foster innovation and broaden decision-making. Studies by Noland et al. (2016) and Dezsö and Ross (2012) provide evidence linking higher female representation in leadership to better financial outcomes. Hoobler et al. (2018) further underscore the positive effects of women leaders on collaboration, inclusivity, and sales performance, emphasizing the importance of supportive environments in maximizing their contributions.

By examining these dynamics, this thesis aims to enrich the existing literature on corporate governance by offering new insights into how the structure of boards and executive committees influences financial performance. This analysis seeks not only to deepen our understanding of corporate governance dynamics but also to provide actionable recommendations for companies aiming to improve their governance frameworks and enhance market valuation.

4. Quantitative Assessment of the Impact of Independent Directors, Women on Board and Female Executives on Firm Performance in the USA

4.1 Research Questions

This section investigates the impact of board and executive committee composition on the financial performance of U.S. firms, with a focus on independent directors, women on board and female executives. Using Tobin's Q as a measure of firm valuation, the study evaluates three hypotheses:

Hypothesis 1 (H1): Does a higher percentage of independent directors on the board positively impact financial performance, as indicated by Tobin's Q?

Hypothesis 2 (H2): Does a higher percentage of women at the board level positively impact financial performance, as indicated by Tobin's Q?

Hypothesis 3 (H3): Does a higher percentage of women at the executive level positively impact financial performance, as indicated by Tobin's Q?

4.2 Sample Selection and Data Description

This study uses a sample of 100 companies selected from the S&P 500 index, with data sourced for the year 2023. The S&P 500 represents the 500 largest publicly traded companies in the United States and serves as a widely recognized benchmark for the U.S. equity market, often used as a proxy for evaluating large-cap corporations. Sampling from the S&P 500 focuses the analysis on well-established, highly capitalized companies with mature governance structures and comprehensive financial disclosures. This selection allows for a robust examination of board and executive committee characteristics and their impact on firm performance. For this analysis, data was collected on key variables, including Tobin's Q, percentage of independent directors, sales revenue turnover, total assets, board size, average board tenure, equity beta, percentage of women on the board, and percentage of female executives.

Comprehensive data on firm metrics, board composition, and executive committee composition were gathered from publicly available financial reports and reputable databases, such as Bloomberg and Yahoo Finance. The data collection process prioritized accuracy and consistency through rigorous cleaning and standardization procedures to address missing values, outliers, and potential errors. These measures ensured the creation of a high-quality dataset suitable for robust and meaningful analysis.

The variables analysed in this study were thoughtfully selected to offer a comprehensive and nuanced understanding of the relationship between board composition, executive committee structure, and firm performance. The Percentage of Female Executives represents the percentage of executives of the company, or members of equivalent management/executive bodies, who are women. This metric highlights the gender diversity within the company's top leadership echelons. Tobin's Q is used as a key financial metric and proxy for firm valuation. It is calculated as the market value of a firm divided by the replacement cost of its assets. A higher Tobin's Q often signals that investors expect stronger growth and profitability from the firm. Another critical metric, Total Assets (reported in billions of dollars), indicates the scale of the company's resources, including its property, equipment, and other significant assets, reflecting the firm's overall size and capacity for operations. The Sales Revenue variable, also reported in billions, reflects the total income generated from business activities before expenses, providing a measure of the firm's operational scale and its reach within the market. Equity Beta is another important variable, measuring the volatility of the firm's stock relative to the overall market. A higher beta value suggests that the stock is more volatile, which could imply higher risk but also potentially higher returns, making it a useful indicator of the firm's risk profile.

In terms of board structure, Board Size is recorded as the total number of directors serving on the board. This variable can influence the board's decision-making processes and governance dynamics, as larger boards may bring a greater diversity of expertise but could face challenges

with coordination. Average Board Tenure, expressed in years, represents the average duration that current board members have served, providing insight into the level of experience and continuity within the board's leadership. The Percentage of Independent Directors measures the proportion of board members classified as independent from management, which provides insights into the board's capacity to oversee management impartially. This variable is considered a crucial indicator of effective governance. Percentage of Women on the Board captures the proportion of female directors among all board members, providing insight into gender diversity at the board level. This variable, alongside the percentage of female executives, reflects a company's broader commitment to gender diversity in its leadership.

4.3 Descriptive Statistics

This section summarizes the dataset's descriptive statistics, which include financial data as well as board and executive committee composition information. Table 2 presents the key variables, encompassing board-specific and executive committee characteristics alongside firm performance indicators. These statistics are essential for examining the influence of governance structures on firm valuation. The preliminary analysis involved calculating means, medians, standard deviations, skewness, kurtosis, minimums, and maximums for key variables to understand the data distribution, providing a foundational overview for the subsequent regression analysis.

Table 1: Descriptive Statistics (USA)

Descriptive Statistics							
Variables	Mean	Median	Standard Deviation	Kurtosis	Skewness	Minimum	Maximum
Tobin's Q Ratio	3.39	2.78	2.90	21.94	3.79	0.96	23.2
Sales Revenue Turnover	88.96	47.43	119.58	9.55	2.90	6.61	673.8
Total Assets (in billions)	272.53	93.02	600.82	19.66	4.27	9.95	3875.4
Board Size (in billions)	11.86	12.00	1.60	0.48	0.02	8.00	17.0
Average Board Tenure	8.12	7.72	2.56	2.06	1.30	3.92	16.8
% Independent Directors	85.98	90.91	8.96	5.34	-2.03	42.86	93.3
% Female Executives	21.77	21.43	12.24	0.07	0.29	0.00	58.3
% Women on Board	34.71	33.33	8.01	0.53	0.39	16.67	60.0
Equity Beta	0.87	0.78	0.43	0.60	0.97	0.23	2.2

From the data presented in the table, the dependent variable, Tobin's Q ratio, shows a mean of 3.39, suggesting that, on average, firms are valued at approximately three times their asset replacement cost, indicative of strong investor confidence. However, the considerable variability in these valuations is highlighted by a standard deviation of 2.90, with the ratio spanning from a minimum of 0.96 to a maximum of 23.2. This wide range indicates significant discrepancies in investor expectations and confidence, evidenced further by a positively skewed distribution with a skewness of 3.79 and a median of 2.78, suggesting that a majority of the firms are valued lower than the mean.

Sales revenue turnover averages \$88.96 billion, with a high standard deviation of \$119.58 billion, reflecting significant variation across industries. The median of \$47.43 billion indicates a positive skew, driven by a few firms with exceptionally high revenues. Total assets average \$272.53 billion, with a wide range from \$9.95 billion to \$3,875.4 billion and a standard deviation of \$600.82 billion, highlighting the inclusion of both smaller firms and large conglomerates. The average board size is 11.86 members, reflecting a common structure across firms, with minimal variation (standard deviation of 1.60). This consistency suggests a degree of standardization in board size among large corporations. The average board tenure stands at 8.12 years, promoting stability and experience. However, the range from 3.92 to 16.8 years, along with a median of 7.72 years, reveals some differences in directors' service duration across firms. Equity beta has an average value of 0.87, indicating that the firms' stocks are slightly less volatile than the market on average. The range from 0.23 to 2.2, however, indicates a broad spectrum of risk profiles, from conservative to highly volatile stocks.

Regarding board independence, an average of 85.98% of directors are independent, emphasizing a strong norm toward independent oversight. Despite this high mean, the standard deviation of 8.96% and negative skewness of -2.03 suggest that a few boards have notably lower independence.

The mean for the percentage of female executives stands at 21.77%, indicating that on average, about one-fifth of executive roles are filled by women. In contrast, the percentage of women on boards is higher, with a mean of 34.71%, suggesting that board positions are relatively more accessible to women than executive roles within these companies. The standard deviation for the percentage of female executives is 12.24, indicating considerable variability across firms. The maximum value recorded is 58.3%, showing that some companies have achieved significant gender parity in executive roles, although the minimum of 0% indicates that others have no female executives at all.

The percentage of women on boards also shows a standard deviation of 8.01, which is slightly lower than that of female executives, suggesting a somewhat more consistent approach to gender diversity on boards across these firms. The range, from a minimum of 16.67% to a maximum of 60%, highlights that some companies have made substantial progress toward gender diversity at the board level, though the extent of inclusion varies.

The contrast between these two metrics (21.77% mean for female executives vs. 34.71% female board members) points to a potential disparity in how gender diversity is prioritized or achieved in different realms of governance. While boards demonstrate higher and more consistent levels of female representation, executive committees have yet to achieve the same degree of diversity.

4.4 Regression Results and Analysis

To test the hypotheses regarding the impact of the percentage of independent directors, women on boards, and female executives on corporate performance, we conducted two separate multivariate regression analyses using the Ordinary Least Squares (OLS) method at a 5% significance level. This method provides a robust framework for isolating the effects of the variables of interest while accounting for potential confounding factors.

The first regression model (Model 1) examines the impact of the percentage of independent directors and women on the board on firm performance, using Tobin's Q as the dependent variable. The primary independent variables are the percentage of independent directors and the percentage of women on the board. To account for potential confounding factors, control variables include board size, sales revenue turnover, total assets, average board tenure, and equity beta. The regression equation is structured as follows:

$$\text{Model 1) Tobin's Q} = \beta_0 + \beta_1 (\text{Percentage of Independent Directors}) + \beta_2 (\text{Board Size}) + \beta_3 (\text{Sales Revenue Turnover}) + \beta_4 (\text{Total Assets}) + \beta_5 (\text{Average Board Tenure}) + \beta_6 (\text{Percentage of Women on Board}) + \beta_7 (\text{Equity Beta})$$

The second regression model (Model 2) focuses on the impact of the percentage of female executives on firm performance, again using Tobin's Q as the dependent variable. To ensure a robust analysis, the model incorporates the same control variables as Model 1: board size, sales revenue turnover, total assets, average board tenure, and equity beta. The regression equation is structured as follows:

$$\text{Model 2) Tobin's Q} = \beta_0 + \beta_1 (\text{Percentage of Female Executives}) + \beta_2 (\text{Board Size}) + \beta_3 (\text{Sales Revenue Turnover}) + \beta_4 (\text{Total Assets}) + \beta_5 (\text{Average Board Tenure}) + \beta_6 (\text{Equity Beta})$$

Model 2 is specifically designed to isolate the effect of gender diversity among executives on firm performance. To achieve this, we modified Model 1 by replacing the percentage of independent directors with the percentage of female executives and removing the percentage of women on the board. The rationale for excluding the latter is to avoid overlapping effects and potential multicollinearity that could arise from measuring both executive and non-executive female representation. Including both variables might obscure the distinct impact of gender diversity at the executive level. By focusing solely on female executives, Model 2 aims to provide a clearer picture of how executive-level gender diversity influences firm performance,

without confounding effects from broader board-level gender representation. This adjustment ensures a more precise analysis of the role of female executives in driving corporate outcomes.

4.4.1 Regression Results with Independent Directors and Women on Board (Model 1)

This section summarizes the results of the regression analysis exploring the relationship between the percentage of independent directors, women on the board, and firm performance, using Tobin's Q as the valuation metric. The findings for Model 1 are presented in Table 3:

Table 2: Regression Results with Independent Directors and Women on Board (Model 1)

<i>Regression Statistics</i>					
Multiple R	0.600				
R Square	0.359				
Adjusted R Square	0.311				
F	7.374				
Significance F	0.000				
Observations	100				

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-10.769	3.766	-2.859	0.005
Equity Beta	3.512	0.615	5.712	0.000
Board Size	0.202	0.165	1.222	0.225
Percentage of Independent Directors	0.075	0.031	2.392	0.019
Average Board Tenure	0.230	0.106	2.168	0.033
Total Assets	-0.002	0.000	-3.318	0.001
Sales Revenue Turnover	0.001	0.002	0.622	0.535
Percentage of Women on Board	0.019	0.033	0.581	0.562

The Model 1 has an R^2 of 0.359, indicating that approximately 35.9% of the variance in Tobin's Q is explained by the independent variables in the model. The adjusted R^2 is slightly lower at 0.311, confirming that these predictors collectively contribute meaningfully to explaining firm performance. The overall model is statistically significant, as evidenced by the F-statistic of 7.374 ($p < 0.001$), suggesting a strong relationship between the predictors and Tobin's Q.

Examining the variables in detail, Sales revenue turnover has a coefficient of 0.001 with a standard error of 0.002 and a p-value of 0.535, showing that it is statistically insignificant in

this model. This suggests that, within this sample, sales revenue turnover does not have a substantial direct impact on firm performance as measured by Tobin's Q. In contrast, total assets show a significant negative relationship with Tobin's Q, with a coefficient of -0.002 and a p-value of 0.001, indicating significance at the 1% level. This result indicates that larger firms in terms of total assets are associated with lower Tobin's Q values, perhaps because the market perceives larger firms as less agile, thus slightly reducing their relative valuation. Board size, with a coefficient of 0.202 and a p-value of 0.225, is statistically insignificant in explaining Tobin's Q. This finding suggests that simply having more board members does not directly influence firm performance, which supports theories that emphasize the importance of board member quality over quantity. In contrast, average board tenure displays a statistically significant positive association with Tobin's Q, with a coefficient of 0.230 and a p-value of 0.033, significant at the 5% level. This result suggests that boards with members who have served longer contribute positively to firm performance, likely due to their accumulated knowledge and deeper understanding of the firm's strategic direction. Equity beta has a positive and statistically significant relationship with Tobin's Q, with a coefficient of 3.512, significant at the 1% level. This finding suggests that firms with higher equity beta, and thus higher risk, tend to have higher Tobin's Q values. This may be because investors perceive riskier firms as having greater growth potential, leading to higher valuations.

The percentage of women on the board, represented by a coefficient of 0.019 with a p-value of 0.562, is not statistically significant in this model. This suggests that the percentage of women on the board does not have a notable direct impact on Tobin's Q within this sample. Conversely, the percentage of independent directors shows a positive and statistically significant association with Tobin's Q, with a coefficient of 0.075 and a p-value of 0.019, significant at the 5% level. This outcome supports the hypothesis that board independence positively impacts firm

performance, aligning with governance theories that highlight the importance of independent oversight.

4.4.2 Regression Results with Female Executives (Model 2)

In this section, we present the result of a multiple regression analysis that examines the relationship between the percentage of female executives and firm performance, as measured by Tobin's Q. The regression results for Model 2 are summarized in Table 4:

Table 3: Regression Results with Female Executives (Model 2)

<i>Regression Statistics</i>	
Multiple R	0.586
R Square	0.344
Adjusted R Square	0.301
F	8.117
Significance F	0.000
Observations	100.000

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-3.981	2.279	-1.747	0.084
Equity Beta	3.239	0.609	5.315	0.000
Board Size	0.210	0.166	1.270	0.207
Percentage of Female Executives	0.045	0.021	2.188	0.031
Average Board Tenure	0.187	0.104	1.804	0.075
Total Assets	-0.001	0.000	-3.180	0.002
Sales Revenue Turnover	-0.001	0.002	-0.244	0.808

The model 2 has an R-squared of 0.344, meaning that approximately 34.4% of the variance in Tobin's Q is explained by the independent variables. The adjusted R-squared is 0.301, slightly lower, accounting for the number of predictors included in the model. The model's F-statistic is 8.117 with a significance level of $p < 0.001$, indicating that the model as a whole is statistically significant.

The coefficient for the percentage of female executives is 0.045, with a p-value of 0.031, indicating a positive and statistically significant association with Tobin's Q at the 5% level. This

suggests that a higher percentage of female executives is positively associated with firm performance.

The coefficient for sales revenue turnover is -0.001 with a p-value of 0.808, indicating that this variable is not statistically significant in this model. The coefficient for total assets is -0.001 ($p = 0.002$), which is statistically significant and negatively associated with Tobin's Q. This suggests that larger firms, measured by total assets, tend to have a lower Tobin's Q.

The coefficient for average board tenure is 0.187 with a p-value of 0.075, which is not statistically significant at conventional levels ($p < 0.05$) but suggests a potential positive relationship. The coefficient for board size is 0.210 with a p-value of 0.207, which is also not statistically significant.

4.5 Main Results

Hypothesis 1 (H1) posited that a higher percentage of independent directors improves firm performance. The analysis confirmed a statistically significant positive relationship between board independence and firm performance, as measured by Tobin's Q.

Hypothesis 2 (H2) posited that gender diversity at the board level positively affects firm performance. However, the results did not support this hypothesis, revealing a statistically insignificant relationship between women on boards and Tobin's Q.

Hypothesis 3 (H3) proposed that gender diversity, particularly female executives, positively impacts firm performance. The results supported this hypothesis, showing a significant positive relationship between female executives and Tobin's Q.

The analysis provides a nuanced understanding of gender diversity's impact on corporate boards, revealing differing effects based on the roles women occupy. While Model 1 shows that the percentage of women on the board does not significantly influence firm performance, as measured by Tobin's Q, Model 2 highlights a significant positive impact of female executives

on financial performance. This suggests that women in executive positions, with greater influence over strategic decisions and company policies, are essential drivers of firm performance. This means that simply meeting diversity quotas at the board level is insufficient; integrating women into core leadership roles is essential to achieve meaningful improvements. The distinction between the impact of women as board members and as executives is critical for shaping corporate policies and practices. Companies aiming to enhance performance should prioritize promoting women into executive roles, where they can exert greater influence, rather than focusing solely on board-level diversity.

4.6 Regression Diagnostics

To ensure the reliability and robustness of both Model 1 and Model 2, a series of diagnostic tests were conducted to assess key assumptions, including normality, heteroskedasticity, autocorrelation, and multicollinearity.

Residual normality was assessed using the Shapiro-Wilk, Kolmogorov-Smirnov, and Anderson-Darling tests. For Model 1, the Shapiro-Wilk test (stat = 0.897, $p < 0.001$) and Anderson-Darling test (stat = 2.82, $p < 0.001$) indicated significant deviations from normality, while the Kolmogorov-Smirnov test (stat = 0.125, $p = 0.087$) did not. For Model 2, all three tests indicated deviations from normality. However, the Central Limit Theorem (CLT) ensures that these deviations do not compromise the validity of the regression results due to the sample size of 100 observations.

Heteroskedasticity was evaluated using the Breusch-Pagan, Goldfeld-Quandt and Harrison-McCabe tests. For Model 1, the Breusch-Pagan (stat = 6.87, $p = 0.443$), Goldfeld-Quandt (stat = 0.491, $p = 0.998$) and Harrison-McCabe (stat = 0.641, $p = 0.986$) tests showed no evidence of heteroskedasticity. Similarly, for Model 2, the Breusch-Pagan (stat = 6.26, $p = 0.395$), Goldfeld-Quandt (stat = 0.464, $p = 0.993$) and Harrison-McCabe (stat = 0.660, $p = 0.988$)

confirmed the absence of heteroskedasticity. Residual variance appears constant across both models.

Autocorrelation was assessed using the Durbin-Watson test. For Model 1, the statistic was 1.78 ($p = 0.256$), while for Model 2, it was 1.83 ($p = 0.366$). Neither result indicates statistically significant autocorrelation. Overall, the residuals for both models show sufficient independence, with no evidence of statistically significant autocorrelation.

Multicollinearity was assessed using Variance Inflation Factor (VIF) and tolerance values. For Model 1, VIF values ranged from 1.16 to 1.47, and tolerance values ranged from 0.681 to 0.859. For Model 2, VIF values ranged from 1.12 to 1.28, and tolerance values ranged from 0.780 to 0.892. Both models exhibit low multicollinearity, ensuring stable and interpretable regression coefficients.

Cook's Distance was analyzed to assess the influence of individual observations. For Model 1, the mean Cook's Distance was 0.00836, with values ranging from $1.97e-8$ to 0.108. For Model 2, the mean Cook's Distance was 0.00897, with a range of $3.12e-6$ to 0.124. In both models, the low mean values indicate minimal overall influence of individual observations.

7. Discussion

7.1 Final Remarks

This study provides a comprehensive analysis of the impact of independent directors and gender diversity at both the board and executive levels on firm performance. Utilizing data from companies in the United States, Germany, and France, the research provides nuanced insights into how different corporate governance structures shape financial outcomes. To ensure robust and contextually relevant findings, we developed multiple regression models tailored to each country, incorporating country-specific control variables to account for variations in governance practices, cultural dynamics, and economic conditions. The study employs Tobin's Q as the dependent variable, a widely recognized measure of firm valuation and a reliable proxy for assessing investor confidence.

Hypothesis 1 (H1), which posits that a greater proportion of independent directors on the board is associated with improved financial performance, was strongly supported in every market. The analysis demonstrated a statistically significant positive correlation between board independence and Tobin's Q, indicating that firms with more independent directors tend to achieve higher financial performance. The findings align with the theoretical frameworks of Fama and Jensen (1983), who argue that independent directors are pivotal in reinforcing corporate governance by ensuring accountability, mitigating conflicts of interest, and providing impartial oversight. Such oversight not only safeguards shareholder interests but also contributes to higher firm valuations. The findings are further supported by empirical research from Gompers et al. (2003), Krivogorsky (2006), Ben Barka and Legendre (2017), Velte (2010) and Bhagat and Bolton (2013), all of which underscore the integral role of independent directors in improving governance quality and corporate performance in respective market structures. Collectively, these insights highlight how independent directors strengthen governance practices, enhance accountability, and boost market confidence.

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Hypothesis 2 (H2), which proposed that gender diversity at the board level positively impacts financial performance, was not supported across all three markets. The findings indicate that the percentage of women on the board does not have a statistically significant effect on firm performance, as measured by Tobin's Q. This suggests that simply increasing female representation on boards does not automatically translate to improved market valuation. These results align with the conclusions of Post and Byron (2015), who found that while gender diversity often improves accounting metrics and internal governance quality, its influence on market-based performance indicators, such as Tobin's Q, is negligible. Similarly, Farrell and Hersch (2005) observed that the market does not perceive the gender composition of boards as a significant determinant of immediate firm value. Their findings suggest that the addition of women to boards is often driven by diversity goals rather than a direct impact on financial performance.

Hypothesis 3 (H3), which proposed that gender diversity, particularly through the inclusion of female executives, positively impacts financial performance, was also validated by all three markets. The results revealed a statistically significant positive association between the presence of female executives and Tobin's Q. This finding underscores the unique value that female leaders bring to corporate governance and strategic decision-making. Female executives contribute unique perspectives that foster innovation, inclusivity, and strategic adaptability (Dezső and Ross, 2012). The leadership styles of female executives often emphasize collaborative decision-making, long-term planning, and ethical governance. This study reinforces evidence from Eagly and Carli (2003), which highlights that women leaders frequently adopt transformational leadership approaches characterized by teamwork, empowerment, and a shared vision. These strategies foster an inclusive corporate culture that values stakeholder input and promotes sustainable growth. Additionally, our findings are

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consistent with research by Noland et al. (2016), which document how female representation in leadership positions correlates with better financial outcomes and organizational adaptability.

The difference between the detected influence of gender diversity in our study is determined by one critical characteristic: it is the inclusion of women in leadership roles, rather than their mere presence on boards as independent directors, that drives meaningful performance improvements. This finding reinforces the notion that meeting diversity quotas at the board level is insufficient to drive substantial improvements in firm performance. Without integrating women into core leadership functions at the strategic level and decision-making processes, organizations may fail to unlock the transformative potential of diversity. This reinforces a distinction between symbolic representation and functional leadership impact.

The impact of independent directors and female executives on firm performance transcends the structural design of the board. Whether operating within a one-tier system, as in the United States and France, or a two-tier system, as in Germany, their contributions remain consistently significant and positive. This consistency suggests that the value added by independent directors and female executives stems from their ability to enhance governance and overall firm performance, rather than being dependent on the specifics of a governance framework.

The findings provide valuable guidance for policymakers and organisations. Companies should prioritise the appointment of qualified independent directors and strengthen a culture of accountability to improve governance effectiveness. Efforts to promote gender diversity should extend beyond the boardroom to the C-suite, where diverse voices can drive strategic decision-making and operational success. Policymakers should consider introducing or strengthening measures to promote board diversity and independence, balancing regulatory requirements with market-driven incentives.

7.2 Limitations and Future Research

This study offers valuable insights into the relationships between board composition, gender diversity at both the board and executive committee levels, and firm financial performance across the US, France, and Germany. Nonetheless, several limitations influence its findings and highlight opportunities for future research.

The analysis primarily focuses on large-cap, publicly listed firms with mature governance structures, which enhances data reliability but limits applicability to smaller firms, private companies, or markets outside the studied regions. Expanding future research to include small-cap or private companies, as well as emerging markets, could provide a more comprehensive understanding of the dynamics between board composition, executive leadership, and performance.

Furthermore, the data for this study is restricted to a single fiscal year (2023), offering only a snapshot of governance and financial performance. Corporate governance and market trends evolve, and a longitudinal study examining multiple years could better capture temporal trends, causation, and the consistency of observed relationships.

This research employs regression models to identify associations but does not establish causality. The potential for reverse causality where high-performing firms attract diverse and independent boards rather than being influenced by them, remains a critical limitation. Employing advanced econometric techniques such as instrumental variable approaches or experimental methods could address this gap in future studies.

Also, this study sets the focus on gender diversity and board independence, leaving other critical dimensions of diversity, such as ethnicity and educational background underexplored. Broader diversity metrics could illuminate how multiple forms of diversity interact to influence governance and performance outcomes.

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Lastly, while our independent variable Tobin's Q serves as a robust proxy for firm valuation, it does not encompass all dimensions of financial performance or stakeholder value. Moreover, the study's reliance on quantitative metrics for board diversity and independence overlooks qualitative aspects like the quality of board interactions and the substantive contributions of individual directors. Future research could integrate alternative performance indicators and qualitative methods to deepen the analysis.

8. Conclusion

This thesis provides a comprehensive analysis of the impact of governance structures, specifically the roles of independent directors and gender diversity at both the board and executive levels, on firm performance across the United States, Germany, and France. By employing robust regression models tailored to the unique contexts of each market, this study contributes valuable insights into how corporate governance frameworks influence financial outcomes.

The findings underscore the critical role of independent directors in enhancing firm performance. Across all three markets, a statistically significant positive relationship between board independence and Tobin's Q was observed, affirming the importance of independent directors in ensuring accountability, mitigating conflicts of interest, and fostering effective oversight. These results align with established theoretical frameworks, such as agency theory, which emphasizes the value of impartial governance in safeguarding shareholder interests and driving market confidence.

In contrast, the results for board-level gender diversity indicate that the percentage of women on boards does not have a statistically significant impact on Tobin's Q. While gender diversity is widely recognized for its qualitative contributions, such as improved decision-making and innovation, these findings suggest that increasing female representation at the board level alone

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may not directly translate into enhanced market valuation. This emphasizes the need for further research to explore the contextual factors that could influence this relationship.

Conversely, the inclusion of women in executive roles revealed a significant positive impact on firm performance across all three markets. This highlights the unique value female executives bring to governance and strategic decision-making, fostering innovation, inclusivity, and long-term planning. These results are consistent with existing literature that emphasizes the transformative leadership styles of female executives and their ability to navigate complex business environments effectively.

In conclusion, this study advances the understanding of corporate governance by highlighting the distinct contributions of independent directors and gender diversity at both the board and executive levels. It provides actionable recommendations for companies and policymakers aiming to optimize governance frameworks, enhance leadership diversity, and promote sustainable financial growth. By doing so, it contributes to the ongoing dialogue on strengthening corporate governance in a dynamic and globalized market environment.

Appendix

Table 4: Normality Test Results (Model 1 USA)

Normality Tests		
	Statistic	p
Shapiro-Wilk	0.897	< .001
Kolmogorov-Smirnov	0.125	0.087
Anderson-Darling	2.82	< .001

Table 5: Normality Test Results (Model 2 USA)

Normality Tests		
	Statistic	p
Shapiro-Wilk	0.888	< .001
Kolmogorov-Smirnov	0.142	0.036
Anderson-Darling	3.21	< .001

Table 6: Heteroskedasticity Test Results (Model 1 USA)

Heteroskedasticity Tests		
	Statistic	p
Breusch-Pagan	6.87	0.443
Goldfeld-Quandt	0.491	0.988
Harrison-McCabe	0.641	0.986

Table 7: Heteroskedasticity Test Results (Model 2 USA)

Heteroskedasticity Tests		
	Statistic	p
Breusch-Pagan	6.26	0.395
Goldfeld-Quandt	0.464	0.993
Harrison-McCabe	0.660	0.988

Table 8: Durbin-Watson Test for Autocorrelation (Model 1 USA)

Durbin–Watson Test for Autocorrelation		
Autocorrelation	DW Statistic	p
0.0636	1.78	0.256

Table 9: Durbin-Watson Test for Autocorrelation (Model 2 USA)

Durbin–Watson Test for Autocorrelation		
Autocorrelation	DW Statistic	p
0.0373	1.83	0.366

Table 10: Variance Inflation Factors (VIF) for Multicollinearity (Model 1 USA)

Collinearity Statistics		
	VIF	Tolerance
Equity Beta	1.29	0.775
Board Size	1.25	0.798
Total Assets	1.29	0.776
Sales Revenue Turnover	1.37	0.730
Average Board Tenure	1.27	0.784
Percentage of Independent Directors	1.47	0.681
Percentage of Women on Board	1.16	0.859

Table 11: Variance Inflation Factors (VIF) for Multicollinearity (Model 2 USA)

Collinearity Statistics		
	VIF	Tolerance
Equity Beta	1.22	0.817
Board Size	1.25	0.801
Total Assets	1.24	0.809
Sales Revenue Turnover	1.28	0.780
Average Board Tenure	1.18	0.851
Percentage of Female Executives	1.12	0.892

Table 12: Cook's distance Results (Model 1 USA)

Cook's Distance				
Mean	Median	SD	Range	
			Min	Max
0.00836	0.00212	0.0158	1.97e-8	0.108

Table 13: Cook's distance Results (Model 2 USA)

Cook's Distance				
Mean	Median	SD	Range	
			Min	Max
0.00897	0.00208	0.0187	3.12e-6	0.124

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