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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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List of Abbreviations

AFEP ....Association Française des Entreprises Privées

AG ....Aktiengesellschaft

AXA ....AXA Group

CAC ....Cotation Assistée en Continu

CEO ....Chief Executive Officer

CFO…………………………………………………………………..Chief Financial Officer

COO…………………………………………………………………Chief Operating Officer

DAX .... Deutscher Aktienindex

DCGK……………………………………………………German Corporate Governance Code

DW ....Durbin-Watson

e.g. ....For example (Latin: exempli gratia)

ESG…………………………………………………Environmental, Social and Governance

et al. …………………………………………………………………And others (Lat: et alia)

FüPoG I...................................Erstes Führungspositionen-Gesetz (German Gender Quota Law)

FüPoG II…………………...Zweites Führungspositionen-Gesetz (German Gender Quota Law)

Log………………………………………………………………………...Logarithm

MDAX ....Midcap-Deutscher Aktienindex

MTB…………………………………………………………………………Market-to-Book

NYSE…………………………………………………………New York Stock Exchange

OECD……………………………..Organisation for Economic Co-operation and Development

OLS ....Ordinary Least Squares

R&D ....Research and Development

RBV ....Resource-Based View

ROA ....Return on Assets

ROE ....Return on Equity

ROI...Return on Investment

S&P 500...Standard & Poor's 500

SEC ....Securities and Exchange Commission

SOX ....Sarbanes-Oxley Act

USA..United States of America

VIF...Variance Inflation Factor

Group Part

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 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.

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.

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 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 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 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 Rutherfold, 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.

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 (Mizruchi, 1996; Burt, 1980; Useem, 1984). They can also enhance the legitimacy and 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.

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.

Group Part

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 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 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 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.

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 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 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-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 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 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.

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 France

Corporate governance in France has evolved significantly over the last few decades, transitioning from insider-dominated boards to a more transparent, accountable, and inclusive governance model. Historically, French corporate boards were characterized by concentrated ownership structures, often controlled by families or the state. This setup limited external oversight and board independence. However, globalization, financial scandals, and increasing pressure from international investors catalysed a wave of governance reforms aimed at modernizing corporate oversight.

The formalization of independent directors in French corporate governance emerged firstly with the Viénot I Report (1995). This report introduced governance principles focused on improving the efficiency of boards of directors. It emphasized the inclusion of independent directors to enhance decision-making and oversight. The Viénot II Report (1999) introduced additional recommendations, including a clear definition of independent directors. It specified that independent directors should have no significant ties to the company, its management, or major shareholders. The report also advocated for separating the roles of chairman and CEO to enhance board accountability (Charreaux and Wirtz, 2007).

The early 2000s represented a pivotal moment for corporate governance in France, driven by high-profile financial scandals such as those involving Enron and Vivendi. These cases highlighted significant weaknesses in governance structures, including the pursuit of overly risky strategies and fraudulent decision-making, exacerbated by a lack of independent oversight. In response to these crises, the Bouton Report emphasized the need for independent directors to take on a greater role within corporate boards. It recommended that, in widely held companies, half of the board members should be independent, while in controlled companies, at least one-third of the board should consist of independent directors (Charreaux and Wirtz, 2007).

Following the recommendations of the Viénot and Bouton reports, independent directors have played a pivotal role in transforming corporate governance in France. These reforms aligned French governance practices with international standards (Davies and Hopt, 2013).

The 2001 New Economic Regulations Law was among the first efforts to modernize French corporate governance in response to globalization and market pressures. It emphasized transparency, promoted board independence, and mandated the separation of CEO and chairman roles, overseen by independent directors (Charreaux and Wirtz, 2007). After two years, the AFEP-MEDEF code became a cornerstone of governance practices for French-listed companies. It recommended that at least 50% of board members in widely held companies and one-third in controlled companies be independent directors. These directors were required to have no direct ties to the company, and those serving for more than 12 years were no longer deemed independent (AFEP-MEDF, 2022). The 2003 Financial Security Law mandated the creation of audit committees for listed companies, requiring at least one independent director to serve on these committees (Chahid-Nouraï, 2024).

As a result, French law allows corporations the flexibility to choose between a unitary board structure or a two-tier system with a management board and a supervisory board. By 2004, the majority of CAC 40 companies (76%) adopted the unitary board structure. Among the unitary boards, only 22% had separated the roles of chairman and CEO, with a decreasing trend (Charreaux and Wirtz, 2007). French regulations limit internal directors (company employees) to one-third of board seats. Independent directors now constitute 60% of boards in CAC 40 companies, averaging six per 15-member board. Recent legislation also restricted individuals to a maximum of five directorships by 2004, though most held fewer (Charreaux and Wirtz, 2007). Until 2022, France implemented several key regulations and recommendations to strengthen corporate governance. The 2011 gender diversity law and the 2016 Sapin II law reinforced the role of independent directors (Chardeau, 2017). Additionally, the Middlenext Code of 2016 encouraged small and mid-sized companies to include at least one independent director on their boards (Middlenext, 2021).

The 2023 Russell Reynolds Associates report highlighted strong adherence to best practices in French corporate governance, with independent directors comprising 69% of board members in listed companies. Women represent 56% of these directors, an increase from 55% the previous year. Independent director representation is highest in the industrial (71.2%), technology/media/telecom (71%), and financial sectors (70.9%). Conversely, it is lowest in the luxury goods and mass distribution sectors (59%), where family-owned businesses often prioritize familial representation over external independence.

In the early 2000s, women were significantly underrepresented in corporate governance, holding only 8.5% of board seats and 6.3% of executive committee positions by 2008, with many companies lacking female members entirely (Ferray, 2024) (Figure 1). The 2011 Copé-Zimmermann Law mandated a 40% quota for women on boards by 2017 for listed and large private companies, with an interim target of 20% by 2014. Before this regulation, women held fewer than 10% of board seats (Zenou et al., 2017). By 2017, nearly 40% of board seats were held by women, showcasing the law's success in addressing gender disparities through gradual yet firm measures (Harnay et al., 2024). The EU's "Women on Boards" Directive mandates that by June 2026, companies listed on EU stock exchanges must ensure women hold at least 40% of non-executive director positions or 33% of all board roles.

France has emerged as a leader, with women making up about 46% of board members, surpassing countries like the United Kingdom (42%), Germany (38%), and Switzerland (35%). The following table shows the Evolution of gender diversity on the boards of directors and executive committees of CAC 40 companies from 2008 to 2023 by Ferrary, 2024.

Table 1: Evolution of gender diversity of CAC 40 companies

He examines the differing impacts of mandatory quotas and voluntary guidelines on gender diversity in French corporate governance. Although the Copé-Zimmermann law effectively raised female representation on boards to 40%, progress in executive committees was limited, with women comprising just 14.2% by 2017. To address this, France introduced the Rixain law in 2021, setting quotas for executive committees in large companies—30% female representation by 2026 and 40% by 2029, with penalties for non-compliance. Early results show improvement, with female representation rising from 15.6% in 2019 to 25.75% by 2023 (Figure 1).

Companies like L’Oréal and AXA demonstrate how gender diversity can drive inclusive leadership and sustainable practices. At L’Oréal, women made up 68% of employees in 2022, with 57% in key positions and 50% of board seats held by women. Additionally, 32% of the Executive Committee were female (L'Oréal, 2022). AXA implemented strategies such as mentorship programs, diversity training, and family-friendly policies to support work-life balance and increase female representation in leadership. These regulatory changes modernized French corporate governance. However, the influence of concentrated ownership in family-controlled or state-owned enterprises continues to pose a challenge, limiting the full impact of reforms (Crifo et al., 2014).

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 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 France

4.1 Research Questions

In line with the research questions and based on existing literature, we propose the following hypotheses for analysis:

Hypothesis 1 (H1): The presence of independent directors on a company's board is positively associated with the company's financial performance, measured by Tobin's Q.

Hypothesis 2 (H2): Gender diversity on the board positively impacts financial performance, as measured by Tobin’s Q.

Hypothesis 3 (H3): Gender diversity on the board, especially the inclusion of female executives, positively impacts financial performance, as measured by Tobin’s Q.

To test these hypotheses, we will employ a multiple linear regression analysis with the following variables, which will be explained in the next section.

4.2 Sample Selection and Data Description

The dataset for this analysis was sourced from Bloomberg, focusing on companies listed on the Paris Stock Exchange (Euronext Paris) for the fiscal year 2023. A total of 64 publicly traded firms were selected, representing a broad cross-section of sectors in the French market. These companies span seven main sectors: Consumer Goods & Retail, Energy & Utilities, Financial Services, Industrials, Technology, Telecommunications & Media, and Healthcare & Pharmaceuticals.

To assess firm value and governance, this study incorporates both financial metrics and governance indicators, chosen based on theoretical and empirical evidence linking them to firm performance. Below is a brief rationale for each variable:

Tobin's Q: Calculated as the ratio of a company's market value to its total assets, is used as a measure of firm value. A high Tobin's Q indicates that the market values the firm more than its asset base, often reflecting investor optimism about future growth.

SALES_REV_TURN: Sales revenue turnover reflects a company's efficiency in generating revenue from its assets. High revenue turnover is often an indicator of strong operational performance and can be associated with better asset utilization.

CUR_MKT_CAP: Current market capitalization represents the market's valuation of the company. As a direct measure of firm size and value, market cap captures investor sentiment and reflects expectations about future earnings, thus aligning closely with Tobin's Q.

RETURN_COM_EQY: Return on common equity represents the profitability available to shareholders. This metric is often used to assess how effectively a firm is using shareholder investments to generate profits, providing insight into management's efficiency and performance.

BS_TOT_ASSET: Total assets provide a sense of the company's scale and operational capacity. Larger asset bases can support greater production and sales, but they can also indicate increased risk if the assets are underutilized or inefficiently managed.

Corporate Governance Variables and Theoretical Implications

The corporate governance indicators in this study were chosen to capture key aspects of board composition, gender diversity, and board independence, all of which are increasingly recognized as essential for effective governance and long-term performance.

BOARD SIZE: The total number of board members can affect decision-making efficiency and oversight.

BOARD_AVERAGE_TENURE: Board tenure reflects the experience and stability of the board. Longer tenures may indicate continuity and a deep understanding of the company, which can be advantageous for strategic decision-making. However, according to agency theory, extended tenure might lead to reduced board independence.

PERCENTAGE_OF_FEMALE_EXECUTIVES and **PCT_WOMEN_ON_BOARD:** Gender diversity metrics, such as the percentage of female executives and board members. The resource dependence theory suggests that diversity enhances the board's range of perspectives.

Dummy Executive Females – This variable represents a binary classification derived from the percentage of female executives in a firm. Firms with a percentage of female executives above the average are assigned a value of 1, while those below the average are assigned a value of 0. This dummy variable is used to investigate whether firms with a higher-than-average presence of female executives exhibit a measurable impact on firm value, as reflected by Tobin's Q.

PERCENTAGE_OF_INDEPENDENT_DIRECTORS: Independent directors are expected to provide unbiased oversight of management, aligning with agency theory, which emphasizes the need for board independence to protect shareholder interests. Independent directors can help reduce conflicts of interest, monitor executive performance objectively, and mitigate risks of mismanagement, potentially enhancing firm value.

EQY_BETA: Equity beta measures the company's systematic risk relative to the market, indicating its volatility compared to broader market trends. High beta values suggest greater sensitivity to market fluctuations, which can affect investor confidence and, subsequently, firm value.

By including these financial and governance variables, this study seeks to build a regression model that examines how factors such as board diversity, size, independence, and company performance metrics influence Tobin's Q among Euronext Paris-listed companies.

4.3 Descriptive Statistics

The following table presents the descriptive statistics for a dataset on French firms, with Tobin's Q ratio serving as the dependent variable in a linear regression analysis. Tobin's Q is a principal indicator of firm value, comparing market value to asset replacement cost, and reflects the extent to which assets are expected to generate value. The analysis includes the percentage of independent directors as the primary explanatory variable, along with control variables that capture company performance, board structure, and size.

Table 2: Descriptive statistics of the first regression model (France)

FRANCE	Mean	*Median*	*Standard Deviation*	Number of observations
TOBIN_Q_RATIO	1,479	1,303	0,738	63
SALES_REV_TURN	27141,459	10510,000	36017,643	63
PCT_WOMEN_ON_BOARD	0,458	0,455	0,066	63
BOARD_SIZE	12,968	13,000	2,765	63
BS_TOT_ASSET	150344,179	35195,000	460875,380	63
BOARD_AVERAGE_TENURE	6,644	6,101	2,450	63
PCT_INDEPENDENT_DIRECTORS	0,536	0,533	0,153	63
RETURN_COM_EQY	12,520	12,672	8,463	63

The mean value of Tobin's Q in this sample is 1.479, with a median value of 1.303. A Q ratio exceeding 1 signifies that the market ascribes a higher valuation to the firm than its recorded asset cost, indicating that many firms within this sample are performing well in terms of market valuation. The variability ($\sigma = 0.738$) indicates a moderate dispersion around the mean, thereby demonstrating that there is a certain degree of diversity in firm valuations within the sample.

The explanatory variable is a measure of the proportion of independent directors on each firm's board, which is regarded as a key indicator of board independence. The mean and median indicate that, on average, boards are composed of slightly more than half independent directors, although there is considerable variability (15.6%). This range will permit an investigation of whether board independence exerts a substantial influence on Tobin's Q. It is anticipated that the proportion of independent directors will have a positive effect on the Tobin's Q ratio, given that greater independence may facilitate more effective governance, which could enhance firm performance and value. Nevertheless, the control variables, including ROE, board size, total assets, and board tenure, will assist in isolating the impact of independent directors by accounting for performance, scale, structural, and experiential factors.

Table 3: Descriptive statistics of the second regression model (France)

FRANCE	Mean	*Median*	*Standard Deviation*	Number of observations
TOBIN_Q_RATIO	1,48	1,31	0,70	64
EQY_BETA	0,96	0,97	0,23	64
SALES_REV_TURN	26186,37	8380,95	35922,05	64
PERCENTAGE_OF_FEMALE_EXECUTIVES	23,91%	25,00%	13,81%	64
CUR_MKT_CAP	3,23E+10	1,10E+10	5,03E+10	64
BOARD_SIZE	12,81	13,00	2,82	64
PCT_WOMEN_ON_BOARD	45,78%	45,45%	6,62%	64

In this dataset, we continue to examine Tobin's Q ratio as the dependent variable, with a shift in focus to a new explanatory variable: **the percentage of female executives on the board**. This variable represents gender diversity within executive leadership and will be tested for its potential impact on firm valuation. Furthermore, additional control variables are included to capture other relevant aspects of firm characteristics and performance that may influence Tobin's Q. The explanatory variable captures the proportion of women in executive roles, thereby providing a measure of gender diversity in the boardroom. The mean and median indicate that, on average, women occupy approximately a quarter of executive positions in these firms. The standard deviation of 13.81% indicates considerable variation, with some firms exhibiting a significantly higher or lower proportion of female executives. This allows us to explore whether this diversity is associated with firm value as measured by Tobin's Q.

In this regression analysis, Tobin's Q will be examined in relation to the percentage of female executives, with the control variables included to account for other potential influences on firm value. The dataset provides a comprehensive range of firms, encompassing diverse market sizes, performance levels, and executive compositions. This allows for a thorough examination of the potential relationship between female executive representation and firm valuation within the French business context.

4.4 Regression Results and Analysis

4.4.1 Regression Results with Percentage of Independent Directors (Model 1)

Table 4: Regression results of model 1 (France)

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,619
R Square	0,384
Adjusted R Square	0,305
Standard Error	0,615
Observations	63

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-0,553	0,820	-0,675	0,503
SALES_REV_TURN	0,000	0,000	-0,785	0,436
PCT_WOMEN_ON_BOARD	-0,010	0,012	-0,823	0,414
BOARD_SIZE	0,061	0,033	1,864	0,068
BS_TOT_ASSET	-1,55E-07	2,01E-07	-0,767	0,446
BOARD_AVERAGE_TENURE	0,104	0,035	2,954	0,005
PCT_INDEPENDENT_DIRECTORS	0,012	0,006	2,110	0,039
RETURN_COM_EQY	0,036	0,010	3,731	4,54E-04

Based on the table above, a regression analysis was estimated linking the relationship between independent variables and dependent variable through the model of this study is established by the following equation:

Tobin's Q = β0 + SALES_REV_TURN β1 + PCT_WOMEM_ON_BOARD β2 + BOARD_SIZE β3 + BS_TOT_ASSET β4 + BOARD_AVERAGE_TENURE β5 + PCT_INDEPENDENT_DIRECTORS β6 + RETURN_COM_EQY β7

Considering this regression, it is crucial to grasp a few fundamental concepts that could prove invaluable in interpreting the values. The model exhibits an R-squared value of 0.384, signifying that 38% of the observed variation in Tobin's Q can be attributed to the independent variables. This indicates that these corporate governance characteristics and the selected metrics exert a considerable influence on the company's results, as measured by Tobin's Q.

Percentage of Independent Directors: The variable in question exhibits a coefficient of 0.012 and a **p-value of 0.039**, indicating statistical significance at the 5% level. These findings illustrate the advantageous influence of board independence on firm value. Despite the low coefficient, the variable is a significant factor that positively affects the dependent variabl e in the model. Furthermore, the average tenure of board members represents another pivotal variable in the model, exhibiting a coefficient of 0.104 and a p-value of 0.005, which is statistically significant at the 1% level. This finding indicates that boards comprising members who have served for longer periods contribute positively to firm value. Moreover, return on common equity is the most influential variable in the model, with a coefficient of 0.036 and a p-value of 4.54E-04 (highly significant at the 1% level). This suggests that firms with higher profitability tend to achieve higher market valuations. Conversely, the coefficient for board size is 0.061 with a p-value of 0.068, indicating marginal significance at the 10% level. Although this indicates that board size may exert some influence on firm performance, the relatively high p-value suggests that this effect is not statistically significant. Conversely, the percentage of women on the board has a coefficient of -0.010 and a p-value of 0.414, which indicates that this variable is statistically insignificant. This suggests that the proportion of women on the board does not have a discernible impact on the value of the firm. Similarly, sales revenue turnover has a coefficient of 0.000 and a p-value of 0.436, indicating no significant relationship with Tobin's Q. This result suggests that, within this dataset, the firm's revenue turnover does not directly influence its market valuation. Furthermore, the total assets (BS_TOT_ASSET) also exhibited a result that was not statistically significant.

The regression analysis revealed that there were significant positive relationships between Tobin's Q and **board independence**, board average tenure, and return on common equity. In contrast, other variables, such as board size, total assets, sales revenue turnover, and the percentage of women on the board, did not exhibit statistically significant effects.

4.4.2 Regression Results with Percentage of Female Executives (Model 2)

Table 5: Regression results of model 2 (France)

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,587
R Square	0,344
Adjusted R Square	0,275
Standard Error	0,592
Observations	64

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	1,831	0,625	2,929	0,005
EQY_BETA	0,263	0,345	0,761	0,450
SALES_REV_TURN	0,000	0,000	-3,306	0,002
Dummy Exc Females	0,377	0,160	2,351	0,022
CUR_MKT_CAP	8,93E-12	1,90E-12	4,696	1,72E-05
BOARD_SIZE	-0,048	0,031	-1,552	0,126
PCT_WOMEN_ON_BOARD	-0,006	0,012	-0,475	0,636

Tobin’s Q = β0 + EQY_BETA * β1 + SALES_REV_TURN * β2 + Dummy Exc Females * β3 + CUR_MKT_CAP * β4 + BOARD_SIZE * β5 + PCT_WOMEN_ON_BOARD * β6

In addition to examining the presence of independent directors, an investigation was conducted to assess the influence of gender diversity on corporate boards, specifically the presence of women in executive roles. The table above presents the results of the same study, in which the percentage of independent directors was eliminated and replaced with new independent variables.

The regression analysis revealed that the variable "Dummy Exc Females" is statistically significant. The explanatory dummy variable representing the presence of female executives is statistically significant with a p-value of 0.022, indicating a meaningful association with Tobin's Q at the 5% significance level. The coefficient value of 0.377 means that firms with a higher-than-average presence of female executives are associated with a 0.377 increase in Tobin’s Q.

In terms of model fit, the R-squared value of 0.344 indicates that the model explains 34.4% of the variation in the dependent variable, Tobin's Q. Furthermore, the adjusted R-squared value of 0.275 confirms that the model remains robust even after accounting for the number of predictors included. With regard to the individual variables, current market capitalisation is identified as being of particular significance, with a coefficient of 8.93E-12 and a p-value of 1.72E-05. This is statistically significant at the 1% level. In contrast, the coefficient for equity beta is 0.263 with a p-value of 0.450, which is not statistically significant. Conversely, sales revenue turnover exhibits a coefficient of 0.000 and a p-value of 0.002, indicative of statistical significance at the 1% level. However, the negative coefficient indicates that an increase in sales turnover is associated with a reduction in Tobin's Q. Similarly, the coefficient for board size is -0.048, with a p-value of 0.126, which suggests that this variable is not statistically significant. This suggests that the number of board members does not have a quantifiable direct impact on Tobin's Q within the context of this model. Furthermore, the percentage of women on the board also lacks statistical significance, as evidenced by a coefficient of -0.006 and a p-value of 0.636.

4.5 Main Results

This study examines the relationship between corporate governance practices, specifically board independence and gender diversity, and financial performance, as measured by Tobin's Q, for companies listed on the Paris Stock Exchange in 2023. The results provide an evaluation of the research hypotheses.

Hypothesis 1: The Positive Impact of Independent Directors

The first hypothesis (H1) proposed that the presence of independent directors on a company's board would have a positive impact on financial performance, as measured by Tobin's Q. This hypothesis was tested using a regression model, with the percentage of independent directors as the explanatory variable. The results demonstrate that the coefficient for the percentage of independent directors is 0.012, with a p-value of 0.039, indicating statistical significance at the 5% level. This indicates that an increase in the proportion of independent directors is associated with a positive, though modest, increase in Tobin's Q.

The results suggest that companies with a higher proportion of independent directors on their boards are likely to benefit from improved market perceptions and stronger financial performance, as reflected by Tobin's Q. It can be posited that firms should consider increasing board independence to attract investor trust and enhance overall performance. These findings support the argument for greater board independence and are consistent with the tenets of agency theory and the role of oversight in reducing conflicts of interest between management and shareholders.

Hypothesis 2: The Positive Impact of Gender Diversity on the Board

The second hypothesis (H2) proposed that gender diversity on the board, as measured by the percentage of women on the board, would have a positive influence on financial performance, as reflected by Tobin's Q. However, the results show that the coefficient for the percentage of women on the board is -0.0010 in the first model and -0.006 in the second regression, with p-values of 0.414 and 0.636, respectively. The results indicate that there is no statistically significant correlation between gender diversity on the board and Tobin's Q.

Notwithstanding the aforementioned findings, they are not in accordance with several studies in the existing literature that highlight the positive impact of gender diversity. Consequently, the current results reflect the mixed evidence in the literature, indicating that the impact of gender diversity on financial performance may be influenced by contextual factors, such as institutional and legal frameworks.

Hypothesis 3: The Positive Impact of Gender Diversity on the Executive Board

The third hypothesis (H3) proposed that gender diversity on corporate boards, specifically the presence of female executives, would positively influence financial performance. This hypothesis was tested using a separate regression model, with gender diversity represented by a dummy variable indicating a higher-than-average presence of female executives. The results provide substantial support for the hypothesis. The coefficient for the presence of female executives (dummy executive females) is 0.377, with a p-value of 0.022, indicating statistical significance at the 5% level. This suggests that firms with higher-than-average proportion of female executives tend to demonstrate elevated Tobin's Q values.

The regression results provide substantial support for Hypothesis 3, indicating a positive correlation between gender diversity and financial performance. The presence of female executives on corporate boards introduces a diversity of perspectives and a broader understanding of stakeholder needs, thereby enhancing governance and strategic alignment with market demands. The statistical results provide support to hypotheses 1 and 3. The presence of independent directors is conducive to enhanced governance and market valuation. Moreover, evidence suggests that gender diversity is associated with the fostering of innovative decision-making, which in turn adds value.

5. Discussion

5.1 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.

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 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.

5.2 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.

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.

6. 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 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 6: Diagnostic Test Results (Model 1 France)

Model 1 -France Heteroskedasticity test	statistic	p-value	
Goldfeld-Quandt test	1,612	0,189	No evidence of heteroskedasticity (p > 0,05)
Harrison-McCabe	1,980	0,056	No evidence of heteroskedasticity (p > 0,05)

Normality test	statistic	p-value
Shapiro-Wilk normality test (W)	0,977	0,282
Kolmogorov-Smirnov test (D)	0,085	0,748
Anderson-Darling test (A)	0,298	0,577

Collinearity Statistics Variable	VIF	Tolerance (1/VIF)
SALES_REV_TURN	1.596	0.626
PCT_WOMEN_ON_BOARD	1.107	0.903
BOARD_SIZE	1.353	0.739
BS_TOT_ASSET	1.414	0.707
BOARD_AVERAGE_TENURE	1.228	0.814
PCT_INDEPENDENT_DIRECTORS	1.226	0.815
RETURN_COM_EQY	1.104	0.906

Table 7: Diagnostic Test Results (Model 2 France)

Model 2 -France			
Heteroskedasticity test	statistic	p-value	
Goldfeld-Quandt test	1,174	0,686	No evidence of heteroskedasticity (p > 0,05)
Harrison-McCabe	2,744	0,739	No evidence of heteroskedasticity (p > 0,05)

Normality test	statistic	p-value
Shapiro-Wilk normality test (W	0,787	3,22E-08
Kolmogorov-Smirnov test (D)	0,196	1,30E-02
Anderson-Darling test (A)	1,709	0,745

Collinearity Statistics		
Variable	VIF	Tolerance (1/VIF)
EQY_BETA	1.06	0.942
SALES_REV_TURN	1.66	0.603
CUR_MKT_CAP	1.64	0.609
BOARD_SIZE	1.28	0.783
PCT_WOMEN_ON_BOARD	1.08	0.927

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