

Is Board Diversity Matters for Corporate Firm Performance? Empirical Evidence from Family Firms

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Abstract

Family companies have a long history and a well-established reputation everywhere around the globe. Prevailing families have a solid incentive to derive personal benefits via controlling stake resource manipulation and to reduce minority shareholders' income. A healthy governance system guarantees against these actions. This study broadens the literature by looking at the effect of female directors on the performance of Pakistani family enterprises. For the duration 2010-2017, a sampling frame of 212 Pakistani listed was chosen. The research took a quantitative approach and employed panel data methodology. The data was analyzed using a static and dynamic method, having random, fixed and GMM models. Results shows that hiring of female directors has a positive effect on the value of family businesses. Board size has a detrimental influence on a firm's value and has poor governance. Control factors include dividend payment, the board size, and leverage. Finally, the research provides governance recommendations for investors and other stakeholders.

Keywords:Board Diversity, Board Size, Family Firms, Emerging Economy, Company Performance, GMM

1. Introduction

Corporate governance has developed at an unprecedented pace during the last three decades due to its involvement with many financial scandals and shortcomings across the globe (Nam et al., 2004). According to literature, such controversies emerged due to regulatory deficiencies and had a significant effect on the implementation of corporate regulations (Tourani et al., 2010). It was mostly responsible for the Asian Financial Crisis of 1997 (Lemmon & Lins, 2003). It is widely asserted that a lack of strong and reliable corporate governance structures was a key contributor to the 2008 financial crisis. As a result of the recent crisis, many international bodies, including the Organisation for Economic Cooperation and Development (OECD), published corporate governance guidelines and urged all countries to adhere to global corporate governance principles (OECD, 2004). These principles, which are made up of various components such as rules, laws, and corporate practises function as the basis for good governance (Okpara, 2011). To satisfy the needs of shareholders and management, corporate governance was developed in businesses with a complex equity structure. These businesses can be found in developed countries such as the United Kingdom and the United States (Gugler et al., 2008). According to Cadbury (1992), corporate governance relies on various mechanisms that regulate and steer businesses to ensure diligent representation of owners and management in company decisions to maximize stakeholder capital.

Corporate governance is an essential tool for overseeing management and assisting a company in maximizing its efficiency (Ghabayen, 2012). Corporate governance policies differ significantly across countries for various factors, including regulatory, institutional, economic, and business circumstances. As a result, to maintain good corporate governance, the OECD recommended that the structure of these standards be revised depending on the circumstances of each region. Furthermore, ownership arrangement has a significant effect on the effectiveness of corporate governance policies in every country (Schleifer et al., 1997). There is a causal relationship between shifts in corporate ownership arrangements and the various modes of corporate governance that exist from country to region (Sing et al., 2008). Distinctions between the essence of the company and the ownership relationship can often result in improved organizational effectiveness (Hussainey et al., 2003). Regardless of the significance of corporate governance, good governance is a critical tool for assessing agency issues resulting from both fragmented and consolidated ownership whilst maintaining investors' rights and concerns (Gillian, 2006). According to new reports on company ownership patterns, family companies make up a sizable portion of the corporate sector in most countries.

The familybusiness style is vulnerable to the agency problem, which is characterized by a fundamental disparity between family and non-family investors (Bebchuk et al., 1999). According to Schulze et al. (2001), family businesses have seen more agency issues than non-

family businesses due to immunization control, benign conduct, and abuse of minority shareholder rights due to their advantages. As a result, Mustakallio et al. (2002) emphasized the significance of a governance system that facilitates family business stability while reducing agency disputes. As in many Asian countries, many businesses in Pakistan are concentrated in the hands of a few influential businessmen, with the founder and family members typically owning a large number of shares and wielding tremendous leverage over the top company. Family members may also fill roles in a corporation's board, such as chairman of directors and senior executive. Furthermore, rather than relying exclusively on qualifications or credentials, it is suggested that the recruitment of directors and managers be influenced by family relations and friendship, which diminish firm value (Hussain et al., 2008).

Given this gap in the family company, we introduce an indicator of corporate governance, board diversity and explore how it helps in reducing shareholder association conflicts and increasing firm value in family businesses. In literature, various corporate governance considerations impact the company's performance (Guney et al., 2020). Such as board scale (Akshita et al., 2015), CEO duality (Huining et al., 2014), insider shareholders (Gupta et al. 2002), major shareholders (Gompers et al., 2003), audit committees (Kent et al., 2008), business operation rate (Brick et al., 2010), and independent directors (Yekini et al., 2015). Literature is vast to cover in this room. However, few researchers investigated the long-term viability of family businesses utilizing the corporate governance mechanism.

This research aims to look into the impact of corporate board diversity on the financial performance of listed family businesses in Pakistan's emerging capital markets. The objective of this study is to investigate the effects of corporate governance on firm outcomes, specifically the influence of board diversity, the board size, stability, dividend distribution, and firm size on the company's performance in Pakistani family enterprises. The static with dynamic models: random, fixed, and GMM was used on secondary data from published financial statements and governance activities records of 212 non-financial listed family enterprises from 2010 to 2017. The results suggest that female directors on board positively affect a company's performance, indicating that governance is vital in family businesses. In comparison, the scale of the board has a detrimental influence on firm performance, meaning poor governance.

This study contributes by broadening debates on corporate governance and firm value in emerging economy listed family firms. Furthermore, it contributes by researching the effects of board diversity and board size on corporate business performance in a listed family company in Pakistan's rising economy. It also investigates the significance of business size, leverage, and dividend yield in determining the corporate value of family businesses.

The rest of the paper is prepared as follows; the first part summarizes associated literature and hypotheses. The next part discusses data and processing processes. Last, the fourth section is about analysis and research's conclusion.

2. Literature Review

This part details the relevant previous research and hypothesizing behind the analysis.

2.1. Firm's governance and the performance

There is a considerable body of research on the connection between corporate governance and valuation. Al-Hadd et al. (2011) established a correlation between organizational CG and FP on the 44 Jordanian entities. Like this, Elsayed (2011) analyzed the findings from 92 Egyptian firms to investigate board size. This research concludes that CG affects the productivity of the Company. Previous studies have found similar results using variables such as company ownership, CG accountability, and firm efficiency. An empirical study by (Yaser et al., 2011) from 2003 to 2005, a study of 50 listed companies in Pakistan's non-profit sector, found that corporate governance correlates strongly with firm performance. In a complementary study, Makki et al. sought to determine whether a correlation existed between these findings and this way but found that they were hard to discern.

As per the analyst, the firm would see better financial performance if the corporate governance were implemented correctly. Suppose businesses refuse to follow governance principles and simply fail to provide information in the way that investors are entitled to receive it? Shareholders are less satisfied and lose their incentive to participate, while businesses face a reduction inefficiency. But there is a range of governance traditions in emerging economies. Based on their research, Brown et al. (2006) determined that well-run businesses produce equity and profits. Several studies have shown that established governance is beneficial to both productivities and adds value to a company. Brown and colleagues concluded that successful businesses are more stable, market value is very well estimated, and has superior performance. Furthermore, Shahe et al. (2007) have done a study on CG and company' performance and revealed a high correlation. Using a subset of Pakistan's listed companies, Javed et al. (2006) examined the importance of CG in company performance. They stated a well-managed environment with clear regulations and accountability could expose underperformance and inadequate regulation of a firm. In the Nigerian stock market review, Ehikioya et al. (2009) found a strong partnership between CG and organizational FP; board members play a crucial role in the Company's performance. According to the most recent literature, this research determined that board diversity positively impacts business value.

2.2. Females on Board and Company Performance

Women board members would have a comparative benefit (Cox et al., 1991) due to a positive impact on corporate performance by the settlement of disputes and increasing tools such as innovative thinking (Rose et al., 2007). Furthermore, the women managers can also boost the entering market potential of the organization because they provide businesses with more credibility, enhance their reputation, and increase the firm's market awareness (Campbell et al., 2008). Daily et al. (1999) demonstrate that women buy up 60 percent of all sales in the US. On that basis, they recommend that a female manager be assigned to an appropriate board of directors since a member of women is a responsive business supervisor and may adopt a more

pragmatic strategy and represent the customer's point of view. Thus, the business success and shareholder value may be greatly influenced (Smith et al., 2006). In this sense, The study of Catalyst (2004) utilizing 353 Fortune 500 companies from 1996 to 2000 reveals that a larger proportion in the Board of Directors of women has achieved a more outstanding performance than those with a lower female presence in the Board of Directors.

H1: Women's on board have a positive influence on the corporate performance of listed family firms

2.3. Board Size and Company' Performance

The discussion is accessible about which board size is better suited to business performance (Van et al., 2011; Yermack et al., 1996; Jensen et al., 1993). According to some analyses, a small Board of Directors can optimize a company's value (Guest, 2009). Some researchers contend that the large board is more effective because it makes the process easier and leads to vital administration (Coles, 2008; Adhikary et al., 2014; Coles et al., 2012). As it is the board's duty, which has control over the Company's operation, to establish a company's strategy path, the board size is thus deemed a significant variable to demonstrate a company's success over time.

The involvement of the board of directors in evaluating the Company's success is mixed proof. Studies such as Jackling et al. (2009) and Belkhir et al. (2009) have revealed a certain coherence with agency theory by evaluating that company success increases in the presence of the more fantastic board, while studies such as Zabri et al. (2016), and Rudkin et al., (2010), as well as several other studies, have identified negative connections. The results are in line with Jensen (1993), which states that the big bodies neglect efficiency and experience, which considerably decrease their influence in designing and sticking policies. In addition, he proposed that the members of the board could not reach eight.

The problem of endogeneity influences Board size and their association with firm-level performance, so we can assume it is possible that the stated analysis (negative or positive) about associations is not valid. The topic of endogeneity can be concurrent or dynamic (Guest 2009). The board size and the variable of company performance will lead to unnoticed heterogeneity, induced by a third variable that has not been observed. Regression of panels like the model with fixed effects can resolve this restriction (Guest 2009). Previous studies already use instrumental variable regressions to solve parallel or complex endogeneity (Kongsted et al., 2008). However, identifying the appropriate instrumental variables is the critical drawback in instrumental variable regression. The complex GMM assessment approach alternatively overcomes these issues as a cure for everyone. Furthermore, firm performance, even after considering the impact of endogenousness by dynamic GMM estimation methodology, has not been associated with a board size (Wintoki et al., 2012). As a result of confusing literature, we establish a specific hypothesis.

H2: Board size has a negative effect on the performance of listed family firms.

2.4. Company' Performance and Control Variables

Dividend Payment: Dividend Policy remains an unresolved subject in corporate finance, via several studies (farsio et al., 2004). Several explanations were given to illustrate the importance and effect of dividend policy, but no agreement was established on the impact of business valuations (DeAngelo et al., 2006). The recent findings on the connection between dividend and corporate efficacy continue to emerge from Howatt et al. (2009). Further, Amidu (2007) found that a dividend strategy has a profitability measured impact on business performance. The results showed that profit margin, return on equity, sales output and policy on dividends have a positive and statistically significant connection. Howatt et al. (2009) also argued that dividend adjustments correspond with potential capital-income increases.

Leverage: The impact of leverage on company performance is widely regarded as unclear, and analysis reveals a negative correlation, with maybe some suggesting either a positive or no relevant relationship (Tian et al., 2007; Azeez et al., 2015). Theoretically, opposing theories will partly clarify the differences in previous research. Though picking order theory suggests that leverage can positively be related to business performance, agency theory assumes a negative relation between leverage and business performance. The impact of capital structure on industrial output is investigated by Simon et al. (2011) using debt finances as a proxy for capital structure and profit efficiency as a proxy for company performance and demonstrate a negative relationships.

Firm Size: Research on the effect of organizational size on organizational performance has shown contradictory results, with some supporting a positive relationship between these factors and others opposing it. Furthermore, this relationship may be positive for certain firm size ranges and negative for others with the same firm sample. These contradictory empirical results may result from a variety of trials, market industries, time horizons, indicators, and business conditions. Akinyomi and Adebayo (2013) discovered a positive relationship between corporate scale and firm worth. So based on the literature, develop the following hypothesis.

H3: Dividends has a positive effect on the Company's performance in listed family firms

H4: Leverage influences adversely on the performance in listed family firms

H5: There is a strong relationship between corporate size and the performance in listed family firms

3. Data and Research Methodology

This study uses CG variable, business-specific variables and performance measurements for a subset of family-owned companies identified in PSX over the 2010-2017 timeframe. The research includes all companies which during the time, were part of the PSX. The sample of Pakistani firms comprised only of family firms mentioned on (PSX). Initially, on 31 December 2017, 558 companies occupied PSX. Align with prior researchon company governance and

performance (Al-Fayoumi et al., 2010), the financial sector is not part of the study scope because of its regulatory structure and differing financial reporting standards (Chtourou et al., 2008). Since withdrawing financial firms,

The data in this analysis was applied to the following constraints: First, firms are excluded from the sample if any of the independent variables used for the study are omitted from annual reports received from the PSX official database, the CG files, or the companies' websites. Second, firms that did not last more than the research duration (2010 to 2017) were removed from the dataset. Over the time 2010-2017, this selection process reduced the sample size from 256 to 212.

3.1. Variables Operationalization

The analysis parameters were split into three groups for our methodological study: company performance is a dependent variable, and the separate parameters are board diversity, the board size, and control variables: corporate size, leverage and dividend distribution.

3.1.1. Family Firms

According to Claessens et al. (2000), companies are classified as family enterprises in this analysis if two or more family members are grouped as the primary owners in the corporation and have a minimum shareholding of 10%. However, in certain situations, the most prominent owner is a person, and we examine why there is a particular person on the board of directors of the same name. In such situations, we should ensure that at least two family members participate in the enterprise and thus regard it as a family business.

3.1.2. Dependent variable

We used market-based metrics such as Tobin's Q in this analysis, which is the ratio of Tobin's Q = Equity Book Value divided by Equity Market Value. Tobin's Q has been used as a proxy for corporate performance in most prior research (Anderson and Reeb, 2003).

3.1.3. Independent Variables

Board Diversity: The number of women's on the organization's Board (Ahmad et al., 2018). *Board Size:* That is the percentage of the board's directors to the general membership (Yoshikawa et al., 2014). *Company Size:* To calculate corporations' size, the logarithm of a corporation's total assets is taken (Akinlo et al., 2010). *Dividend payment:* the percentage of dividend to net assets (Adaoglu et al., 2011). *Leverage:* The ratio of gross debt to net assets of a company is represented. (Azeez et al., 2015). Table 1 contains information on all of our study's variables.

Table 1
 Variables' Summary

Variable types	Variable name	Symbol	Variable clarification
Dependent Variable	Firm Performance	FPFC	Equity Book Value divided by Equity Market Value
Independent Variables	Board Diversity	BDIV	The number of women on the organization's board
	Board Size	BDSE	the percentage of the directors of the board to the overall membership
Control variable	Dividend Payout	DDPO	the percentage of dividend to net assets
	Firm Size	FMSE	the logarithm of a corporation's total assets
	Leverage	LEVG	<i>The ratio of gross debt to net assets of a company</i>

3.2. Econometric Methodology

In previous research, endogeneity in the association between corporate governance and company valuation was discovered. Several alternate interpretations have been proposed in the literature. Explanatory variables are shown to be endogenous by Ullah et al. (2018), culminating in these insightful variables being related to predicted model residuals. Second, according to Demsetz et al. (2001), the endogeneity between corporate governance and firm value may be due to unexplainable phenomena. Ordinary least squares (OLS) coefficients are skewed and inconsistent in some situations due to endogeneity and the fixed effect of the non - observed firm (Nguyen et al., 2015). One logical approach for the time-invariant unobserved Company's (set) impact is to use a fixed-effect model, which may help to solve the Company's fixed effect problem. On the other hand, endogeneity continues to be an issue (Nguyen et al., 2015). Bhagat et al. proposed related equations such as 2SLS and 3SLS to solve this issue (2008). The Arellano-Bond (AB) simplified scheme of moments (GMM) suggested by Arellano and Bond can be used, according to Nguyen et al. (2015) and others. The GMM method corrects for endogeneity without using external exogenous instruments rather than 2SLS and 3SLS (Wintoki et al., 2012).

A series of tests were used to confirm GMM's suitability. When VIF tests are used to scan for multicollinearity, the data is guaranteed to be free of issues. The Sargan analysis will be used to determine the instrumental importance of over-identified thresholds. The results show that the instruments are trustworthy and that the limits would be overestimated. The AR (1) and (2) tests were used to look for and rule out an auto-serial relation. This analysis estimates the following econometric equations:

$$FPFC_{i,t} = \beta_0 + \beta_1 * FPFC_{i,t-1} + \beta_2 * BDIV_{i,t} + \beta_3 * BDSE_{i,t} + \beta_4 * INDY_{i,t} + \beta_m * Year_{i,t} + \varepsilon_{i,t} \dots \dots (1)$$

$$FPFC_{i,t} = \beta_0 + \beta_1 * FPFC_{i,t-1} + \beta_2 * BDIV_{i,t} + \beta_3 * BDSE_{i,t} + \beta_4 * LEVG_{i,t} + \beta_5 * DDPO_{i,t} + \beta_6 * FMSE_{i,t} + \beta_1 * INDY_{i,t} + \beta_m * Year_{i,t} + \varepsilon_{i,t} \dots \dots (2)$$

Where;

FPFC = Corporate Performance

BDIV = Board Diversity

BDSE = Board Size

LEVG = Leverage

DDPO = Dividend Payment

FMSE = Corporate Size

ε = Error Term

4. Empirical Findings

4.1. Descriptive statistics and Correlation Analysis

The descriptive figures are shown in Table 2. Tobin's Q has an average score of 0.601, indicating that stock value was higher than book value for chosen non-financial family companies during the sample period. It also shows that customers have a good view of the firms' ability to leverage their resources (Lewellen et al., 1997). For the aggregate survey, the average board size is about 8. Previous observational experiments have shown that the current results are relevant (Bokpin et al., 2011). Similarly, 1.205 are female directors on average for all board members of the whole study. The average firm size is 8.078, with a high of 12.815. The average dividend return in family businesses is .023, indicating an abysmal dividend-paying percentage in family businesses. The debt level on average is .613. The VIF test is also run, with no score higher than 10 in either result, the criterion, and a mean VIF of 1.178.

Table 03 displays the association matrix. Correlation expresses the frequency and form of the interaction between the factors under consideration. Firm performance is positively associated with female directors and dividend payout while negatively associated with leverage firm size and board size. There was no multi-co linearity in the correlation matrix of variables, and no significance equalled or exceeded the 0.7 thresholds.

Table 2
Descriptive Summary

Variable	Mean	Std. Dev.	Min	Max	VIF
FPFC	.601	1.055	.006	16.676	
BDIV	1.205	1.323	0	6	1.069
BDSE	8.078	1.747	8	15	1.124
DDPO	.023	.042	0	.321	1.331
FMSE	8.091	1.708	2.773	12.815	1.095

LEVG	.613	.259	.03	.991	1.27
				Mean VIF	1.178

Table 3
Pair wise correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)
FPFC	1.000					
BDIV	0.019**	1.000				
BDSE	-0.074**	0.065**	1.000			
DDPO	0.393***	0.097***	0.272***	1.000		
FMSE	-0.015	-0.193***	0.191***	0.073**	1.000	
LEVG	-0.530***	0.061**	-0.157***	-0.441***	-0.134***	1.000

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

4.2. Association of Corporate Governance and performance

We are dealing with both static and dynamic models with the fix, random and GMM results. The only feedback is given on GMM outcomes due to the skewed impacts of random and fixed effects. The regression figures for female directors and board members size are seen in table 4, along with variables including debt, dividend payment and organizational scale. The dependent variable is corporate performance, while the independent variables are the females on board, the size of the board, debt, organizational size and allocation of dividends.

Table 4
Association of Corporate Governance and performance (Fixed Effect Model)
Static

FPFC	Coef.	St.Err.	p-value	Sig
BDIV	.043	.043	.138	
BDSE	-0	0	.992	
DDPO	3.193	3.193	0	***
FMSE	-.003	-.003	.914	
LEVG	-1.048	-1.048	0	***
Constant	1.138	1.138	0	***
F Stat (P – value)	21.135 (0.000)		R-squared	0.091
Modified Wald test heterogeneity (P-value)	1.3e+08(0.0000)			

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 5 shows the model projections for the association, the board size, female directors, and other factors such as dividend payout, leverage, and corporate size concerning firm value. The valuation of a company is a contingent variable. The size of the board and the presence of a female board are independent variables.

Table 5.
Association of Corporate Governance and performance (Random Effect Model)

Static				
FPFC	Coef.	St.Err.	p-value	Sig
BDIV	.033	.026	.197	
BDSE	-.002	.021	.924	
DDPO	3.748	.707	0	***
FMSE	-.017	.022	.457	
LEVG	-1.238	.119	0	***
Constant	1.383	.264	0	***
Overall r-squared	0.316		Hausman Stat(P -value)	23.98 (0.002)
Wald Stat (p – value)	175.48 (0.000)		Chi-square (P -value)	175.484 (0.000)
<i>Endogeneity test: Durbin (score) chi2(1) 123.44 (p = 0.0000), Wu-Hausman F(1,1151) 137.595 (p = 0.0000)</i>				

*** $p < .01$, ** $p < .05$, * $p < .1$

In our analysis, the Hausman test shows that the fixed model is suitable for distinguishing between fixed- and random models since the p-value extent is less than 0.05. A wald test (Christopher Baum) results in a p-value below 0.05, eliminating the null hypothesis of homoscedasticity. The study of endogeneity shows the existence of endogeneity. Consequently, all heterogeneity and heteroscedasticity experiments are vulnerable to fixed impact equations. As a result, we also use the GMM evaluation technique.

Table 4.
Association of Corporate Governance and performance (Fixed Effect Model)

Dynamic				
FPFC	Coef.	St.Err.	p-value	Sig
L	.497	.027	0	***
BDIV	.019	.026	.473	
BDSE	-.001	.022	.956	
DDPO	1.09	.695	.117	
FMSE	-.003	.026	.893	
LEVG	-.718	.119	0	***
Constant	.742	.289	.01	**
F Stat (P – value)	76.740(0.000)		R-squared	0.323
Modified Wald test heterogeneity (P-value) 5.4e+07 (0.0000)				

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 7.
Association of Corporate Governance and performance (GMM)

Dynamic				
FPFC	Coef.	St.Err.	p-value	Sig
L	.54	.001	0.00	***
BDIV	.077	.001	0.00	***
BDSE	-.06	.002	0.00	***

DDPO	.775	.087	0.00	***
FMSE	.02	.002	0.00	***
LEVG	-1.071	.008	0.00	***
Constant	1.153	.024	0.00	***
Arellano-Bond test(AR1-P)	-1.567	Sargan test (p value)	79.5147(0.2059)	
(0.117)		Wald Stat(p value)	(0.000)	
Arellano-Bond test(AR2-P)	1.277 (0.202)			

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 7 recorded negative board size coefficients, which constitute a significant determinant of performance by controlling payout, leverage, and firm size in regression. The research indicates that a limited board of directors would increase the Company's value (Guest, 2009). According to Brickley et al., BORID (1994) has a positive connection to the business performance consistent with this report, and BORID is a strong predictor for a company. The coefficient of debt is negative following the results of (Khan 2011). The coefficient of dividends is favourable to the business value, backed by Hunjra (2018), which provides evidence on the positive impact on dividend payments' performance. Company size has a negative Tobin Q coefficient consistent with the study results (Lee 2009).

4.3. Hypothesis Reliability- CG and Performance of a Company

The empirical results mentioned above are discussed and reviewed according to the table by referring them to the previous studies and a hypothesis established for this research. The hypothesis developed is summarized below.

Table 8. CG-FRMP hypothesis findings, developed on outcomes

Variables	Variables hypothesis	Results
BORID	H1: women's onboard have a positive influence on the corporate performance of listed family firms.	Supported
BORSE	H2: Board size has a negative effect on the performance of listed family firms.	Supported
FRMSE	H3: Dividends has a positive effect on the Company's performance in listed family firms	Supported
LVRG	H4: Leverage influences adversely on the performance of listed family-owned companies	Supported

DVDP

H5: There is a strong relationship between corporate size and the performance of family firms

Supported

5. Conclusion

This paper investigates the effects of corporate governance on business performance, particularly the impact of female directors, the board size, allocation of dividends by Company, control and size of a corporation on the performance of Pakistani family business. The principal measurement methods are the static and dynamic models: random, fixed and GMM. For each subset of family businesses collected from annual company accounts, secondary details and company governance statements and corporate websites were used to determine the effectiveness of the CG in the value of family firms. This thesis explores endogeneity by the use of 2-GMM to gain trust in these estimates. The dataset consists of 212 non-financially classified family companies operating in Pakistan between 2010 and 2017. Female directors positively impact corporate performance, ensuring that family business management is competitive, while board sizes have a negative effect that indicates ineffective governance. This study shows that greater Board variety is advantageous in terms of realistic results for performance-enhancing strategies. However, a different board is more efficient than a less representative board.

We suggest that prospective researchers focus on other corporate governance features such as board independence, board expertise, the number of boards of auditors and the participation of the CEO and Chairman in evaluating corporate performance as study guidelines. It can also be explored in other emerging markets, including India, China and Malaysia.

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