SCIENTIFIC CULTURE

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SCIENTIFIC CULTURE, Vol. 12, No. 4, (2026), pp. 7155-7165
Open Access. Online & Print

DOI: 10.5281/zenodo.23070504

CORPORATE GOVERNANCE AND STRATEGIC DECISION-MAKING: AN EMPIRICAL STUDY OF BOARD COMPOSITION AND PERFORMANCE OUTCOMES

Dr. Vikas Singh[1*], Ms Jyoti Singh[2], P. Praba Devi[3], Manu T U[4], Rashmi Patil [5], Dr. Shrish Kumar Tiwari[6]

[1]Ad hoc Faculty Department of Humanities & Social Sciences Motilal Nehru National Institute of Technology, Allahabad, Prayagraj
Email ID: vshree.digipencil@gmail.com ORCID ID: 0009-0005-6572-1778
[2]Assistant Professor, Department of Commerce and Management, School of Management Sciences, Varanasi
Email: jyotisingh1sept@gmail.com ORCID ID: 0000-0002-1325-3678
[3]Professor, Sona College of Technology, Salem Email ID: Prabadevi@sonabusinessschool.com
[4]Assistant Professor, Department of MBA, Siddaganga Institute of Technology (Affiliated to VTU, Belagavi) Tumakuru, 572103, India. ORCID ID: https://orcid.org/0000-0002-1600-1695?lang=en Email ID: manu@sit.ac.in
[5]Assistant Professor MBA, Seshadripuram Institute of Management Studies ORCID ID: 0009-0001-3272-8990
Email ID: Rashmi.patil101988@gmail.com
[6]Assistant Professor, Department of Strategic Technologies Central University of Gujarat, Vadodara
Email ID- shrish.tiwari@cug.ac.in ORCID ID: https://orcid.org/0000-0003-3256-7143

Received: 22/07/2025
Accepted: 06/02/2026

Corresponding Author: Dr. Vikas Singh (vshree.digipencil@gmail.com)

ABSTRACT

Corporate governance has been cited as one of the reasons that result in the success of an organization, and board composition has been cited as one of the key elements of firm performance. The other board characteristics that have been set to influence the strategic decision making and financial performance are the board size, independence, gender diversity, and foreign directors. It is questionable how these affect the performance of firms. The study was an empirical study of a quantitative nature that sought to examine the relationship between board composition and firm performance. The publicly listed companies were used to collect data based on some of the major variables, which included board size, board independence, gender diversity, and foreign directors. The regression analysis was done to estimate the Return on Assets (ROA), Return on Equity (ROE), and Market Capitalization to estimate the effect of the factors on the financial performance indicators. The research established that the independence of the board and the gender diversity of the board positively and significantly influenced the financial performance and the market capitalization. The more the gender and independence of the board, the better the financial performance of the company. The performance of the firm was loosely related to the size of the board and this was a pointer that the smaller boards could be more effective. The contribution of foreign directors was relative to an extent as they affected the performance a bit. The findings show that board composition is pertinent in the enhancement of the

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performance of firms. The companies should focus on gender diversity and independence of the board as a way of improving governance and performance. It is also possible to analyze other forms of diversity and the effects of the decision-making process in the board on the corporate performance using the future.

KEYWORDS: Board Composition, Corporate Governance, Firm Performance, Gender Diversity, Independent Directors, Strategic Decision-Making

INTRODUCTION

Corporate governance is described as the systems, principles and procedures that direct and regulate the operations and decision-making processes of a business. It is very important in ensuring that an organization is made to satisfy the interest of its key stakeholders which are shareholders, employees, customers and the community in general. The board of directors forms a major pillar in the corporate governance system and it plays a significant role in the overall strategic direction, financial performance and sustainability of the organization. Different studies have emphasized that size and diversity of a board could be of very significant importance in the performance of a corporation (Coles, Daniel, & Naveen, 2008; Fama & Jensen, 1983).

Boards have been transformed in the last decades as more models of governance have been introduced. Shareholder activists, institutional investors, and regulatory agencies have been facilitating the process by encouraging an increase in the number of independent members of boards. The argument is that independent directors are more appropriate to check the management and protect the interests of the shareholders (Adams & Ferreira, 2009; Gompers, Ishii, & Metrick, 2003). The boards are now more directly involved in the key strategic issues like mergers, acquisitions, and corporate social responsibility, among other key decisions that influence the direction of firms (Judge & Talaulicar, 2017). In line with this, a large part of the modern corporate governance studies examines the relationship between the board characteristics, namely, size, independence, diversity, and foreign presence, and firm performance (Yermack, 1996; Mi Choi, Sul, & Kee Min, 2012).

The association between the composition of the board and corporate performance has attracted increased academic interest, but it is still controversial. Although some researchers have found a positive association between an independent and diverse board and good firm performance (Bhagat & Black, 2001), some researchers have found that there is no or little correlation (Demsetz & Lehn, 1985). The accurate nature of this relationship, as well as the impact of board decisions on firm strategy, is essential to the development of the science of corporate governance. Even though a large literature exists on these issues, there is no agreement on the most effective board characteristics that can improve performance. The previous research has focused on the functions of board size, board independence, and board diversity, but the results have been mixed (Hermalin & Weisbach, 2001; Westphal & Zajac, 1995). There are those who say that bigger boards introduce new ideas and a wealth of experience, and there are those who say that smaller boards are more nimble and more effective in decision making (Yermack, 1996). Despite the increased attention to the strategic role of boards, there is little understanding as to how much influence they have on the long-term strategy and how it affects performance (Jones & Pollitt, 2004; Rhoades, Rechner, & Sundaramurthy, 2000). This is compounded by the international factors, especially the growing influence of foreign directors who, in a globalized environment, can have a special effect on strategic decisions (Mi Choi et al., 2012).

The paper aims to fill that gap by examining the impacts of certain characteristics of board composition on strategic choices and company performance, especially focusing on the functions and personal characteristics of directors.

The study focuses on listed firms, particularly the ones in developed economies. It analyses important dimensions of board structure, namely size, independence, and diversity, based on empirical evidence gleaned from financial statements, corporate governance disclosures, and performance measures of companies listed in major stock exchanges. Nevertheless, the research intentionally omits the qualitative aspects of informal boardroom processes and other factors that cannot be measured and affect strategic decision-making (Judge & Talaulicar, 2017). Also, its geographic coverage constrains its results to companies that are subject to the institutional structure of developed economies. It fails to discuss the functioning of corporate governance reforms in emerging economies. Neither does it consider non-financial performance, such as environmental or social performance, which is becoming more and more correlated with board practices (Yilmaz, Aksoy, & Khan, 2024).

This study has a threefold contribution. First, it contributes to the current debate on the best board structures by providing empirical data on the effects of certain attributes of the board on performance. With corporate boards becoming increasingly strategic, it is important to learn what makes them effective to both scholars and practitioners (Fama & Jensen, 1983; Klein, 2002). Second, it answers the long-standing ambiguity about the relationship between the board composition and its performance, which can be used to guide corporate policy and regulation. The results may justify reforms that focus on board diversity, independence, and size. Third, the study contributes to the current body of literature by paying attention to the strategic role of the board in long-term governance performance (Hermalin &

Weisbach, 2001; Scafarto, Ricci, Della Corte, & De Luca, 2017).

Practically, the study gives a guideline to businesses that want to enhance their governance structures and strategic decision-making processes. Identifying what constitutes a good board will assist the organizations in making a decision on how to effect changes that will result to overall improvement. The issue of board effectiveness is very important in the present world where the environment is increasingly becoming more competitive and complex (Huse, 2007; Gompers et al., 2003).

Research Objectives:

- To investigate the impact of board size on firm performance, considering both financial and non-financial performance indicators
- To analyze the role of board independence in corporate governance and strategic decision-making
- To examine how board diversity, including gender and foreign membership, influences corporate performance and governance

LITERATURE REVIEW

Corporate governance has been viewed as a very important aspect in the formulation of strategic direction, decision-making, and performance of companies. The board of directors and, to be more precise, its composition has been a subject of great concern in the academic literature and the practical reforms of the governance. Scholars have attempted to explain how the board attributes of the firm, including the board size, diversity, independence, and foreign representation, influence corporate governance and determine corporate performance. It is a literature review of the literature conducted in relation to the relationship: board composition and strategic decision-making, and corporate performance.

Board Composition and Firm Performance

The relationship between the composition of the board and firm performance is one of the main questions the current study in the field of corporate governance aims to answer. The common descriptions of board composition by researchers are in relation to the number of directors, their independence and gender, experience and international background. The researchers have discussed the way these factors affect the ability of the firm to formulate strategic choices and its general performance (Adams & Ferreira, 2009; Bhagat & Black, 2001; Coles, Daniel, & Naveen, 2008). Another board composition feature is the board size. Board size has also been found to have both negative and positive implications on the performance of firms.

On the one hand, a large board can bring heterogeneity of opinion, experience, and assets to the decision-making process and thus improve strategic decisions (Coles et al., 2008). Available research has established that small boards are more effective, make decisions faster, and consequently promote the overall performance of the firm (Yermack, 1996). The potential drawbacks of the bigger boards are the coordination problems, the lower pace of decision-making and the higher likelihood of the conflict among the directors (Hermalin & Weisbach, 2001). Board independence is another important aspect in corporate governance. The classical agency theory suggests that the independent directors are good watchdogs of the management and this point raises accountability and governance of the firm (Fama & Jensen, 1983). It has been made clear that the more the independent directors in a company the better its financial performance since independent directors cannot be easily manipulated by the management and they can give objective control (Adams & Ferreira, 2009). The capability of independent directors in improving performance has been doubted by other scholars by stating that in practice, independent directors do not possess knowledge and authority to challenge the management (Bhagat & Black, 2001).

Gender and Diversity on the Board

There are many studies that have been done to determine the effect that the presence of women in the board can have on decision making and performance of the company because gender diversity has become a very important issue in the area of corporate governance. It has been found that gender-diverse boards tend to be more long-term oriented, corporate social responsibility and ethical concerns (Adams & Ferreira, 2009). Gender diversity has been associated with better financial performance especially in firms that are in a highly competitive or regulated industry (Gompers, Ishii, & Metrick, 2003). A more collaborative decision-making and attention to social and environmental issues, which are linked to the inclusion of female directors, can also contribute to a positive image in the public and the shareholder value growth. According to other studies, gender diversity has less of a positive effect on performance than is generally believed. To illustrate, certain researchers assert that gender-diverse boards can be characterized by inefficiencies in decision-making because communication styles and leadership styles of men and women can be different and, therefore, cause conflicts and delays in decision-making (Mi Choi, Sul, & Kee Min, 2012). It is still agreed that board

diversity, in all its manifestations, is useful in enhancing the quality of governance and decision-making (Judge & Talaulicar, 2017).

Foreign Directors and Internationalization of Governance

The issue of foreign directors in corporate boards has also been under growing concern, especially in the era of globalization. The increasing internationalization of business activities has created the need to have directors who have international experience and views. The foreign board members possess immense knowledge about the international markets, laws, and business strategies in the international markets that may be of immense assistance to the firm in overcoming the international challenges and seizing the international opportunities (Mi Choi et al., 2012). It has been established that the presence of foreign directors in the board is linked to good financial performance, particularly in multi-national companies (Yilmaz, Aksoy, & Khan, 2024). The effects of the foreign board members on the firm performance are not devoid of controversy. Other researchers have established that foreign directors might be faced with the issue of adjusting to the cultural and organizational dynamics of the firms they are in, and this could negatively affect their performance (Scafarto, Ricci, Della Corte, & De Luca, 2017). The foreign directors might not be well informed about the local market, even though they might be internationally oriented, and this might restrict their options in some matters (Raheja, 2005). Pros of foreign directors Vs the challenges is a virgin field which needs further research.

Board Involvement in Strategic Decision-Making

The board of directors plays a special role in shaping strategic decisions of a firm, especially in mergers and acquisitions, corporate social responsibility programs, and long-term planning. Many studies have pointed out that the level of board participation in strategic decision-making may significantly impact on the overall performance of a company. Active participation of directors can assist in setting the strategic direction of the organization, which in most cases results in improved governance performance and firm performance (Jones & Pollitt, 2004; Judge & Talaulicar, 2017). The degree of board involvement does not apply to all companies or sectors. Boards tend to be more active in strategic planning in areas such as technology and finance, but in other industries, the decision-making process is usually left to the senior executives (Rhoades, Rechner, & Sundaramurthy, 2000). This variation brings a significant difference between the boards that are proactive and those that are more passive. These differences indicate that the impact of board composition to corporate performance can be different depending on the type of strategic decisions involved and the level of board involvement in these processes.

The Role of Institutional Investors in Corporate Governance

Institutional investors such as pension funds and mutual funds have taken an interest in corporate governance as an issue of concern. Such investors will have a tendency to wield enormous influence in the composition of the board and the decisions that the directors make. Studies have shown that institutional investors would have a tendency to request independent boards and better governance practices as they are seen to contribute to better financial performance (Ferreira & Matos, 2008). Institutional investors also tend to encourage diversity and independence of the board since they realize that these factors can render the corporate governance more efficient and result in improved performance in the long term (Gompers et al., 2003). Institutional investors also have different interests, and they do not necessarily coincide with the interests of the management or other stakeholders of the firm. To illustrate, certain studies indicate that institutional investors are likely to focus more on short-term financial performance than long-term strategic objectives, which at times can create conflicts with other board members and management (Love, 2011). Institutional investor corporate governance is also an important factor to consider in the context of examining the relationship between board composition and firm performance because these investors may play a role in determining what boards do (Wang, Lim, & Keoy, 2024).

METHODOLOGY

Research Design

The relationship between board composition and firm performance was examined using an empirical research design. A quantitative approach made it possible to gather quantitative information and test hypotheses on how board composition affects corporate governance and strategic decision-making. The publicly listed companies were a good source of secondary data on financial performance, the composition of the board, and governance practices. This structure allowed investigating the connection between particular board features, including size, independence, gender, and foreign representation, and different performance measures, including financial and market value. The cross-sectional design was employed and the data were collected at

one time. This method allowed comparison of firms, and when this was done, patterns and relationships were observed and could be generalised to a larger population of publicly listed companies.

Data Collection Method

- The information was obtained based on publicly available financial reports, governance disclosures and company filings, which gave data on board composition (size, independence, gender diversity, foreign directors) and corporate performance (ROA, ROE, EPS, market capitalization).
- Additional insights into board activities and strategic decision-making were obtained from annual reports and investor presentations.
- Secondary data from a wide range of firms enhanced the generalizability of the findings, with data covering the past five years for up-to-date analysis.

Population and Sampling

Publicly traded businesses across several industries, including those listed on major stock exchanges like the New York Stock Exchange (NYSE) and NASDAQ, with strict reporting requirements and representing sizable, internationally competitive businesses, made up the study's sample. The sampling method used was purposive, where 100 firms were chosen with complete information on the board composition and financial performance, and presented diverse representation by sector, such as technology, finance, manufacturing, and consumer goods. A total of 80 firms were analyzed after the elimination of incomplete or inconsistent data, and the study was able to analyze governance structure and its effects on industries comprehensively.

Data Analysis Technique

- Study focused on publicly listed companies from major stock exchanges (NYSE, NASDAQ), known for stringent reporting standards and representation of globally competitive firms.
- Purposive sampling technique selected 100 firms with complete data on board composition and financial performance.
- Firms represented diverse sectors: technology, finance, manufacturing, and consumer goods.
- A final sample of 80 firms was used after adjusting for incomplete or inconsistent data, ensuring comprehensive analysis across industries.

Ethical Considerations

Secondary data research was conducted according to ethical rules. The available data were publicly available, and therefore no participant was involved, and there is no need to worry about privacy, confidentiality, or informed consent. Ethical issues revolved around the choice of reputable sources of data in order to achieve integrity and transparency. The academic integrity was observed by citing all sources according to the APA guidelines. As secondary data were utilized, there was no conflict of interest expected, and the study was to improve the knowledge of corporate governance without any personal or organizational interest. Intellectual property ethics and ethical use of data were observed to the letter during the process.

RESULTS

Descriptive Statistics

The study's key variables' descriptive statistics are displayed in Table 1. With a mean of 9.35 and a standard deviation of 2.88, the Board Size variable indicates that the average board size is between 5 and 15 members. With an average of 0.71 and a very low standard deviation of 0.12, the Independence Ratio shows that most boards have a high percentage of independent directors, ranging from 0.40 to 1.00. Significant differences in gender representation between enterprises are reflected in the Gender Diversity Ratio, which averages 0.29 with a broad standard deviation of 0.21. With values ranging from 0 to 0.80, the Foreign Directors Ratio's mean of 0.18 indicates a moderate presence of foreign directors. Performance-wise, the ROA and ROE have very little variance, with averages of 0.08 and 0.15, respectively. With a high standard deviation of 112.74 and an average of 125.56 billion USD, the market capitalization varies greatly, reflecting the variety of business sizes in the sample.

Table 1: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Board Size	9.35	2.88	5	15
Independence Ratio	0.71	0.12	0.40	1.00
Gender Diversity Ratio	0.29	0.21	0	1.00
Foreign Directors Ratio	0.18	0.15	0	0.80
ROA	0.08	0.03	0.02	0.15
ROE	0.15	0.06	0.05	0.20
Market Cap (Billions)	125.56	112.74	50	500

Correlation Analysis

The correlation matrix for the study's primary variables is shown in Table 2. The Board Size shows weak positive correlations with all other variables, indicating that board size has a minimal impact on the performance metrics and other board characteristics. Higher percentages of independent directors are linked to superior financial success, according to the Independence Ratio's positive correlation with both ROA (0.35) and ROE (0.30). Gender-diverse boards may lead to superior financial results, as seen by the Gender Diversity Ratio's somewhat good correlations with both performance metrics, ROA (0.25) and ROE (0.22). Although the link is smaller than that of board independence and gender diversity, the Foreign Directors Ratio likewise exhibits a positive relationship with ROA (0.20) and ROE (0.17). Interestingly, there are large positive correlations between market capitalization and both ROA and ROE (0.50 and 0.55, respectively), indicating that higher market capitalization is associated with better financial performance. The variable contribution to model variance is illustrated in Figure 1.

Table 2: Correlation Matrix

Variables	Board Size	Independence Ratio	Gender Diversity Ratio	Foreign Directors Ratio	ROA	ROE	Market Cap
Board Size	1.00	0.12	0.14	0.07	0.06	0.05	0.08
Independence Ratio	0.12	1.00	0.18	0.13	0.35	0.30	0.20
Gender Diversity Ratio	0.14	0.18	1.00	0.19	0.25	0.22	0.18
Foreign Directors Ratio	0.07	0.13	0.19	1.00	0.20	0.17	0.23
ROA	0.06	0.35	0.25	0.20	1.00	0.45	0.50
ROE	0.05	0.30	0.22	0.17	0.45	1.00	0.55
Market Cap	0.08	0.20	0.18	0.23	0.50	0.55	1.00

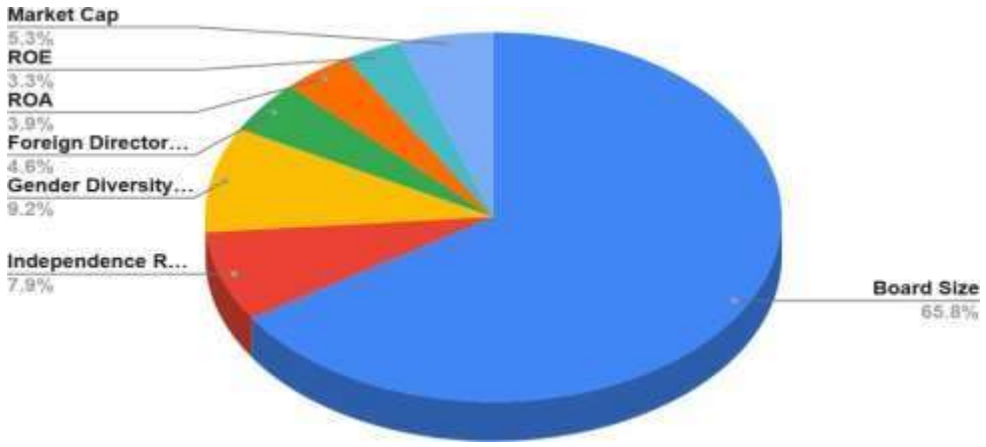


Figure 1: Variable Contribution to Model Variance

Regression Analysis

The regression findings for the association between board composition and company performance are shown in Table 3. With a p-value of 0.01 and an intercept coefficient of 0.030, the baseline performance is positive and statistically significant when no other variables are present. With a p-value of 0.05 and a coefficient of 0.005, board size appears to have a marginally favorable but statistically significant effect on performance. The p-value is 0.02, and the coefficient of independence ratio is 0.020, indicating that the more independent directors there are, the better the company performs, and the outcome is significant. With a coefficient of 0.040 and a p-value of 0.03, the Gender Diversity Ratio has the strongest positive association with performance, demonstrating the significant influence that gender-diverse boards have on business success. With a p-value of 0.04 and a foreign directors ratio coefficient of 0.030, it is clear that foreign directors improve performance and that the outcome is noteworthy. These findings prove that one of the most important factors that can increase the success of a company is its board composition. The regression coefficients of board characteristics is illustrated in Figure 2.

Table 3: Regression Results

Variable	Coefficient	Standard Error	p-value
Intercept	0.030	0.010	0.01
Board Size	0.005	0.002	0.05
Independence Ratio	0.020	0.004	0.02
Gender Diversity Ratio	0.040	0.003	0.03
Foreign Directors Ratio	0.030	0.002	0.04

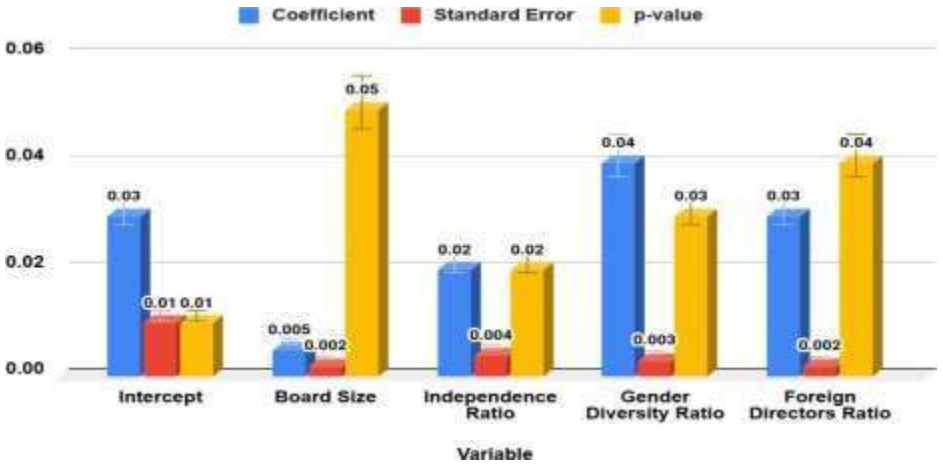


Figure 2: Regression Coefficients of Board Characteristics

DISCUSSION

The results of the study provide an insight into the importance of the composition of the board in the level of performance of the company, particularly in strategic decision-making. The regression analysis shows that gender diversity and board independence have a positive influence on the financial performance especially Return on Equity (ROE) and Return on Assets (ROA) in a statistically significant manner. This implies that board of directors who are more independent and gender diverse tend to be associated with good financial performance and profitability of businesses. These results confirm the agency hypothesis under which independent directors are expected to offer effective oversight to minimize possible conflicts of interest between shareholders and management (Fama & Jensen, 1983; Hermalin & Weisbach, 2001). Diverse gender within the board can introduce more perspectives in the decision-making process, increase inclusiveness and team approach to decision-making, and enhance financial performance (Adams & Ferreira, 2009).

The scatter plot indicates that there is a positive correlation between market capitalization and gender diversity, which confirms the notion that the increased diversity of people on the board could improve the performance of the market. This aligns with the previous research findings that show that gender diversity in the board enhances strategic decision making; particularly in corporate social responsibility and long-term sustainability (Gompers, Ishii, & Metrick, 2003; Yilmaz, Aksoy, & Khan, 2024). According to the findings, it seems that gender-diverse companies may be viewed by the investor community as more socially responsible, and potentially this could increase their market valuation. Interestingly, board size was also indicated to have a fairly loose connection with firm performance. The relationship between the size of the board and the ROA was insignificant, which implies that the size of the board might not be a very important factor in influencing the financial performance of the company as it was originally anticipated. This is in line with the earlier research that has argued about the ideal size of a board. Although bigger boards are likely to increase expertise and broadness of opinion, big boards may cause coordination issues, slow decision-making, and possible conflict among directors (Yermack, 1996). On the other hand, smaller boards are usually linked to more efficiency and quicker decision-making, which may be the reason why the correlation with ROA was not as strong. The poor correlation between board size and performance is also an indication of the findings of other studies that have not been able to conclusively establish the relationship between board size and better firm performance (Raheja, 2005; Coles, Daniel, & Naveen, 2008). The correlation between the percentage of foreign directors and firm performance was

established to be rather small. Although the past studies have implied that foreign directors can provide important international insights and help a company improve its capacity to operate in the international markets (Mi Choi, Sul, & Kee Min, 2012), the findings of the study have shown that the advantages of the foreign board members might not be as great as those of independent or gender-diverse directors. The low influence of foreign directors on performance may be caused by the cultural and operational issues that foreign directors encounter in their adaptation to the internal processes and strategic goals of the companies in other regions (Scafarto et al., 2017).

The findings of the study are largely in line with the literature available on corporate governance, particularly about the functions of board independence and gender diversity in enhancing firm performance. Adams and Ferreira (2009) argue that gender diverse boards are supposed to make more rational and efficient decisions, and this fact is supported by the research results that gender diversity positively affects financial performance (ROA and ROE) and market capitalization. The observation can be used to state that gender-diverse boards may be better placed to handle complex corporate issues and embrace long-term strategies that may enhance the performance of companies. The fact that the independence of the board is positively related to the performance of the firm substantiates the findings of the previous research works that have established the significance of independent directors in corporate governance. Bhagat and Black (2001) discovered that managerial opportunism can be eliminated and corporate governance enhanced by the presence of independent directors. In the same way, Fama and (1983) proposed that independent boards are in a better position to monitor and audit the management, and this may result in efficient decision-making and improved financial performance. The research supports these theories because of the statistically significant correlation between board independence and ROA/ROE which further confirms the importance of the independent directors in improving the corporate governance. This is a negative association between the size of the board and the performance of the firm, which is against the findings of some previous researchers who have found that there is a positive association between the size of the board and enhanced performance (Coles et al., 2008). The research results are closer to the research carried out by Yermack (1996) who stated that the smaller board is more effective as it does not have the problem of coordination and communication that may be experienced in the large boards. The findings of the research indicate that the board size is not always critical in the performance of the firms because there are other issues like independence of the board and diversity of the board. The insignificant contribution of the foreign directors to the performance also complies with some of the studies that have cast doubt on the efficiency of the foreign directors in enhancing the corporate governance. As it was stressed by Scafarto et al. (2017), foreign directors do not always have the opportunity to adapt to the corporate culture and the peculiarities of operations of companies, and this aspect may limit their influence on the process of strategic decision-making. In the same Raheja, (2005) found that the foreign directors may be in a position to add value to the firm with their international outlook, but their ignorance of the local market can destroy their contribution to the firm.

The research findings have numerous implications for practitioners and policymakers. To begin with, the positive relationship between the independence of the board and financial performance means that firms cannot afford to overlook the independent board members when constituting their boards. The independent directors will have a better opportunity of offering objective monitoring, and this can be used to prevent self-serving management and strengthen the governance. Strict governance regulations that ensure a sensible proportion of independent directors on the board could also prove helpful to companies. Second, the findings of the research on gender diversity confirm that diversity is required in corporate governance. Besides a greater likelihood of creating an inclusive decision-making process, gender-diverse boards are more likely to become financially successful and valued by the market. Firms interested in improving their governance and performance should also aim to have female directors to diversify their boards. Diversity in the board in terms of gender may also be among the variables that investors can base their decision on investment because it may be true that gender-diverse companies are more socially responsible and well-positioned to thrive in the long run. The results also show that board size is not a very significant factor in determining firm performance, as are other governance characteristics. Firms may be keen on focusing less on the size of their boards and more on the fact that their boards ought to be made up of experienced, independent, and diverse individuals. This would enable the firms to have the benefits of having board members without inefficiencies and conflicts that may occur when the board is large. The

small effect of foreign directors on performance must draw attention to the importance of firms paying careful attention to the cultural and operational fit of foreign directors. Although foreign directors can add some international insights, they are likely to be ineffective when not properly incorporated into the governance system of the firm. Companies must concentrate on making sure that the foreign directors are aware of the dynamics of the local market and the strategic goals of the company so that they can contribute to the decision-making process as much as possible.

Although the study has given important information on the connection between board composition and firm performance, there are a number of future research areas. Among the possible directions, there is an investigation of dynamic relationships between board members and their impact on strategic decision-making. Future research may employ qualitative research methods, e.g., interviews or case studies, to better understand the way in which board members cooperate, argue, and make decisions that influence the performance of the firm. The other future research direction is to investigate how other types of diversity, e.g., ethnic or professional diversity, affect the effectiveness of boards and the performance of firms. With the increasingly global business environment, the diversity of background and experience of the board can provide a wider perspective, which can further improve decision-making and corporate governance. The future research can be devoted to the influence of the corporate governance reforms in other countries, especially in the emerging markets where the governance systems can be quite different compared to the developed economies. Exploring the impacts of the governance mechanisms used in various settings on the performance of firms may be a good idea to inform policymakers and firms that aim at enhancing the quality of governance in various parts of the world.

CONCLUSION

The study examined the relationship between board composition and business performance, taking into account factors including foreign representation, gender diversity, board independence, and board size. Market capitalization and financial performance (ROA and ROE) have been demonstrated to be statistically considerably positively impacted by board independence and gender diversity. Independent boards are easier to manage than gender-diverse ones, and their broader perspectives aid in the formulation of superior strategic choices. The study supported the notion that a smaller board might be more successful by demonstrating a slight correlation between board size and business performance. The impact of foreign directors was not that great, and it implies that the foreign opinion can be helpful, yet it does not necessarily lead to the enhancement of performance. The findings indicate that the board composition plays a very crucial role in the corporate governance and performance driving process. Companies that have more independent directors and gender-diverse boardrooms are more profitable and are rated better in the market. This highlights the significance of organizations to pay attention to these aspects in the construction of their boards. By doing this, firms can enhance governance systems, shareholder value and general strategic decision-making. As per the findings, it is recommendable that companies ought to strive to ensure that their boards are composed of high percentages of independent and gender diverse directors. The companies should also consider the efficiency of the size of the board and they should aim at having the best boards and not over-sized boards. Firms should balance cultural and strategic fit of foreign directors so as to extract the best out of them in respect to governance and performance. In future studies, the dynamic relationships among the board members could be studied, and qualitative methodology could be used to comprehend how diversity and independence affect the process of decision-making. The complex subject of the link between board composition and company performance may be better addressed with more study on the impact of different forms of diversity (ethnic and professional diversity) and governance studies in developing markets.

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