Impact of Corporate Governance Practices on Firm's Performance Evidence from Family vs. Non-Family and Business Group Affiliation

Dissertation submitted in the partial fulfillment of the requirement for the award of the degree of Master in Business Administration

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Session: 2020-2022

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Dedication

This study is dedicated to “Allah Almighty”, who has given me the strength and wisdom for this achievement.

To “my parents” for their inspirational role and to my siblings for their support.

And to my respected “supervisor Dr. Zubair Ahmed” for his help and guidance throughout my research work.

Without them it would have been impossible for me to complete this research work.

Acknowledgement

All praise for **Allah** Almighty (the most beneficent and the most merciful), who gave me the courage and ability to complete this work satisfactorily. All respects are for His last **Prophet Muhammad (SAW)** who enabled us to recognize our creator.

I wish to record my cordial gratitude to my respected, learned and reverend supervisor, **Dr. Zubair Ahmad** for his authentic guidance, valuable ideas and ever encouraging attitude in connection with the completion of my research work. This research work would not have been completed without his supervision and help. His keen interest, encouraging attitude, kind thoughts and wishes have been tremendous comfort in throughout my work and will be remembered forever.

Furthermore, I extend my heartily gratefulness to my whole family without their support this work could not be finished. Lastly, I wish to thank from the core of my heart to everyone in my life whose love, prayers and help enlightened my life.

ABDULLAH YUSUFOGLU

Certificate of Supervision

This business research thesis entitled "**Impact of Corporate Governance Practices on firm's performance evidence from family vs. non-family and business group affiliation"** prepared by under my guidance in the partial fulfilment for the requirement of the degree of "MBA Executive" in the subject of "Finance" is hereby approved for submission and I am fully satisfied with the quality of research work.

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Declaration

I, Abdullah Yusufoglu, Roll no: MBE-20-24, Session 2020-2022, student of institute of management sciences solemnly declare that my research work entitled "**Impact of Corporate Governance Practices on firm's performance evidence from family vs. non-family and business group affiliation"** is written by me for the purpose of submitting it to fulfill the requirements for the degree of "MBA Executive" This thesis does not incorporate without acknowledgment any material previously submitted for a degree in any university, and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

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Abstract

The objective of this study is to examine the impact of corporate governance practices including family male director (F_Male), non-family male director (NF_Male), family female director (F_Female) and non-family female director (NF_Female) on firm's performance by looking into matter into two different aspects. First, is to identify the impact of being a family-oriented firm or a non-family-oriented firm on the firm performance. Secondly, is to examine the impact of having an association of business groups or individual (no association) firms on firm performance. We will be examining the data collected in the last ten years from listed companies in Pakistan stock exchange. Data was collected from annual reports of the listed companies from the year 2009 to 2021. Panel data technique was used particularly ordinary least squares (OLS). The results of this study indicate that the firm performance is affected by corporate governance practices. The findings of this study revealed that non-family female director (NF_Female) is having a positive and significant relationship with firm performance (Tobin's Q) and the firm's business group affiliation have no significant relationship with firm performance (Tobin's Q). This study offers insight to policymakers to encourage companies to appoint professional non-family female directors to have positive effects on the firm performance.

Keywords: Firm performance, Corporate governance practices, Business groups, Family firms, Non-family firms.

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Chapter 01: Introduction

This chapter will contain a summary of our study's methodology. The study's background will be covered in this chapter. This chapter will include the thesis organization, research aims, research questions, and significance of the study.

This chapter focuses particularly on earlier research that was done by a range of academics to identify family businesses, business groupings, and their impact on the performance of organizations. This chapter will also cover which company formation is best for firms and how family businesses and non-family businesses perform.

The family businesses are those which are controlled by the families and their major operations are being controlled by the family in daily life. There is a governance difference between family-owned businesses and dispersed ownership corporations in which family owners are facing threats and having a dominant control with multiple roles. The family business governance is depending on three components which are following; name, family, and ownership. These three components are being explained with a model named three-circle model (Davis and Tagiuri 1982).

The definition of family firms is wherever one family, or a group of families are having a direct stake in the firm. It has been studied that the firms which are having well growth are having the ability to influence the corporate performance of the firm and determine the flow of the funds growth in the industry. The main focus of corporate study is on the ways to contracts and use of market, so that the managers would maximize the shareholders wealth (Zaidi and Aslam 2006).

Different models are showing different kinds of family businesses players such as managers, outside shareholders, non-family managers, inactive family owners, family managers and lastly the controlling owners. Because of the involvement of these players in the family businesses, the family firms have a distinctive family governance structure. Family businesses are leaded by business enterprises in Pakistan. Those enterprises were having the more chances of survival because of their unique characteristics they possessed as compared to the other organizations as like low cost of capital, flexibility, strategies, and commitment towards organization (Mittal and Lavina 2018).

Family businesses statistics declared that more than 30 percent of family businesses were surviving in the second generation, 12% would be viable in 3rd generation and 3% of family businesses would be operating at 4th and beyond all. The span period of the family business is approximately based on 24 years (Jain 2006).

Firms which are family-owned have been defined that they are the mode of organization in which the management's primary source, finance the information related to the market would come from family or within the family. Therefore, having a wider network, based on trust and shared ideas of members is very essential. In this network, members can also expand their relationships by adding uncles, aunts, cousins, and other relatives. This term applies to Italian, Swedish, and even American family businesses. In Italy, the business is heavily interrupted with politics in which out of 200 60 top businesses are family owned and family controlled (Coli and Rose 1999).

History is full of family business examples. The Rothschild's not only focused the private wealth as the world has seen but they also pay focus to the changing world and history by financing monarchs and kings. Willington armies have been supported by their one of the greatest bet which was the reason of Napoleon defeat at Waterloo. There are several examples of family enterprises that have been brought down by severe family feuds, disappointment about expectations, and unfortunate stages of later generations who were unable to administer their wealth effectively. Vanderbilt fortune is the most famous example of US. It was reported that Cornelius Vanderbilt was the most ingenious businessman as it can be. But it was reported that after his death of 50 years his decedents were penniless. It has been seen that due to of some prominent family firm's success, the perception of family-controlled firms' approach to management has been held. The family perceptive of Walmart involvement by John Walton of Walmart is a prominent example of it (Bertrand and Schoar 2006).

There was a perception that family businesses were not diluting ownership in order to save SWE and raise debt. So, under that scenario the family business owners were risk seekers and were taking optimal financing decisions which was biased towards increasing leverages. But the results concluded that family firms were loss adverse because they wanted to save entity for the generations, and it was highlighted that whatever the financing decisions were taken they were in the favour of family firms and their aim was to preserve the wealth for the generations. That behaviour is specifically linked with the US Latin society in which family system is common and their focus is to protect the firm's sources for future generations. Under this the role of female directorship was also evaluated and the results concluded that independent female directors were having the adverse effect of the firms financing but the dependent female's interest was associated with family firm's interest. The family structure control has been intensifying the family firms and greatly influence self-compliance of dependent female directors to adhere the family interests Poletti-Hughes and Martinez Garcia 2020). Darmadi (2013) found that women presence on top positions was not positively linked with firm performance. He found that those firm which were having family control in Indonesia were having high share of females on board.

1.1 Comparing family-firms and non-family firms:

It can be challenging for research of this kind to define FF and NFF. Numerous FF categories have been employed in this field of research. The following three elements are frequently present in definitions: A "family business" is one in which family members control a large portion of the company's equity, hold influential positions inside the organisation, and/or appoint other family members as directors (Belen Villalonga & Amit, 2006).

(2017) Simes Vieira Compared to family businesses, non-family businesses are fresher, less leveraged, and have less financing costs (NFF). Their levels of threat have decreased, though. The evidence supports the author's assertion that FF exceeds NFF in terms of financial success. Compared to their rivals, family-owned businesses' financial performance is more vulnerable to crises and ageing. Based on their empirical research, they draw the conclusion that a company's age has a significant impact on how well it performs during recessions.

However, prior research indicates that FF can have a negative impact on business success when compared to NFF Fama & Jensen, (1985) Large, strong shareholders, such as the founding families of companies, may gain more from technological advancement, commercial growth, and company survival than from maximising shareholder wealth.

It has been found that FF and NFF operate differently when it comes to influence patterns, organisational atmosphere, and internal practices (File et al., 2016).

The researcher acknowledged that family businesses' boards of directors were different from NFF's (Bammens et al., 2010). This variation in board members Two different types of motivations were displayed by the authors in these two articles. The first was when the management and ownership were combined, as when directors served as both managers and possibly owners of the company (Anderson et al., 2003).

The second aspect was the presence of family members on the board of directors, which might occasionally act as a controlling, dominant coalition and the unique stakeholder group for the company. The task of balancing the interests of the family and those of other key stakeholders falls on the boards of directors of family firms (Bammens et al., 2010). The influence of each family owner and the bargaining process used to select board members had a significant impact on how boards were formed in the past (J. H. Chua et al., 1999).

It has been suggested that family businesses are more efficient than non-family businesses. Various factors, including reducing agency costs and the need to maintain the company's longevity, may be responsible for its improvement (Hill & Snell, 1989). Though on the other hand, according to (Barth et al., 2005), the conservative nature of its owners may prevent family-owned businesses from expanding and diversifying.

Family firms and privately held, non-publicly listed companies were 18% less productive than non-family businesses (Wall, 1998). According to the literature (Westhead & Cowling, 1998), there were no obvious differences in performance between private FF and NFF.

Another study found that non-family firms outperformed family businesses in the manufacturing and service sectors, when it comes to trading and construction sectors, FF beat NFF. (Rettab & Azzam, 2011).

1.2 Firm performance and family ownership

The question of whether or not family ownership boosts a company's bottom line has been debated by economists and businessmen for almost 20 years.

According to this school of thought, family corporate governance, such as, other large undiversified stakeholders, might have different priorities than the minority or essentialist shareholders (Fama & Jensen, 1985).

As a result, they might place a higher priority on corporate growth, technological advancement, and company survival than on generating profits and raising shareholder value. Another group of experts asserts that families prefer hiring family members for leadership roles, which hurts nonfamily businesses' ability to compete (Gomez-Mejia et al., 2001).

Some analysts assert that family businesses, which frequently undergo a lot of ownership and management changes, typically have lower debt financing costs than nonfamily enterprises (Anderson et al., 2003). After governmental ownership, family ownership is the second-oldest type of business ownership.

(Maury, 2006) examines experimentally how Western European businesses with family control perform in compared to those with nonfamily stockholders. They've gathered information from 1,672 non-financial businesses. Profitability is unaffected by family control that is only passive. Under a variety of legal systems, active family control keeps the profitability higher than nonfamily control.

Active or passive family control is related to higher firm valuations, correlated with economies that offer robust shareholder protection. The advantages of familial management do not apply to companies where the majority of ownership is not held by a single family. High levels of family control and lax shareholder protections make it simpler for owners and management to collaborate, but they also increase the likelihood of conflict between the family and minority shareholders.

Another argument is made by (Chu, 2011) and examines factors including family management, degree of control, and business size that contribute to the success of family-owned enterprises. The study found a link between family businesses and how well the business was doing using proxy founding from 786 public family businesses in Taiwan from 2002 to 2007. When members of the same family hold leadership positions in the company, such as the CEO, top management, chairman, or director, there is a high positive correlation, and there is a weaker link when same roles are held by individuals from outside the family. The findings indicate that family members who are actively involved in managing and controlling the business are more likely to realise the potential advantages of family ownership. In conclusion, small and medium-sized enterprises benefit more from family ownership than large ones do.

(Shyu, 2011) Empirical studies demonstrate that family ownership enhances business performance, regardless of whether profitability is determined using ROI or valuation is determined using Tobin's Q. The data also demonstrate that family ownership initially increases a company's return on assets (ROA), but subsequently decreases it. There is a link between corporate entrenchment and poor performance and a company with more than 30% family ownership.

Numerous studies have been conducted on family companies and their success (Anderson, 2003) The purpose of the study was to determine whether family companies and financial success in America are related. According to the report, family firms perform better and are more structured than non-family businesses (McConaughy et al., 1998).

In Western Europe, family-owned businesses outperformed non-family businesses in terms of success (Maury, 2006). n.d. (Cronqvist et al.) noticed that a Swedish corporation's value had been significantly diminished. Family-owned and -managed businesses in Norway were less effective and productive than non-family businesses (Barth et al., 2005).

Businesses with concentrated ownership perform better (Hill & Snell, 1989). (2006) Peng and Delios Family enterprises will have a greater chance of succeeding if they have more influence than minority shareholders, despite the reduction in the firm's valuation and performance. . According to the author, family businesses make up between two-thirds and eighty percent of all businesses worldwide and provide employment in the majority of nations. As a result, women progress to higher positions in family businesses, but the female directorship and its impact on firm performance are underexplored (Giraldez-Puig et al., n.d.).

The study in Japan examined the connection between family control and business performance. Associated with family holdings, family management, and managers with family dynamics, the data was created. The conclusion of this research was based on the finding that 36% of listed firms were owned by their ancestors' families. Additionally, founding families made up more than a fifth of the corporation's top owners. Businesses that are family-owned and run earn a premium on the market. According to the findings, family-owned and -managed companies underwent less successful post-founder retirement performance than non-family-owned and -managed companies. In contrast, family firms owned and run by the founders' descendants outperformed non-family enterprises in terms of success (Saito, 2008).

1.3 Advantages of group affiliation

A corporation can gain from a well-known corporate organization's reputation capital just by being linked with them (Chang & Hong, 2000). A company's capacity to maintain a high level of performance over time may be influenced by the group's reputation capital (Barney, 1991). A company's capacity to maintain its financial health is essential to its success in a developing economy. China's financial intermediaries are largely similar to those of other developing nations (Palepu, 1997).

Business group affiliates are stronger to independent enterprises given the presence of business groups in advanced economies and the fact that they have resources and capabilities that individual firms do not (Amsden et al., n.d.). Given these factors, the vast majority of empirical studies on business organisations have reached the same conclusion: membership in one of these groups improves members' economic performance in emerging nations (Peng & Delios, 2006). Consequently, a group partner can aid in bridging institutional gaps, such as those in areas or sectors where FDI is scarce (Chang & Hong, 2002; Palepu, 1997).

1.4 Business groups in Pakistan

On April 21, 1968, Dr. Mahboob ul Haq, the Planning Commission of Pakistan's then-chief economist, released a list of the 22 richest families in Pakistan at the height of Ayub Khan's military rule in the 1960s. Dr. Haq claimed that these families controlled 87 percent of the banking and insurance sectors and 66% of Pakistan's industrial complexes. Twenty-two business families were on his list, including the following: Dawood, Saigols, Adamjees, Colony, Fancy, Valika, Jalil, Bawany, Crescent, Wazir Ali, Gandhara, Ispahani, Habib, Khyber, Nishat, Beco, Gul Ahmed, Arag, Hafiz, Karim, Milwala, and Dada. The wealthiest investments made by this family were in the fields in which they are most knowledgeable. The Muslim Commercial Bank was created by the Adamjee Group, whereas Habib Bank Limited, Pakistan's first and largest bank, was started by the Habibs. These twenty-two families prospered under the rule of Ayub Khan, consolidating their riches, until the nationalisation wave under Z. A. Bhutto in the early 1970s tore them apart.

Following the Pakistan-India conflict in 1971, the eastern portion of Pakistan gained its independence as Bangladesh. Yaha Khan's military regime in western Pakistan was overthrown by Z.A. Bhutto's democratically elected government in 1972. (Now referred to as Pakistan). Immediately after gaining office, Bhutto set out to nationalise the vast bulk of the assets owned by the so-called "twenty-two families," including the highly effective and expertly run banks and insurance companies. He nationalised 31 of the most significant businesses, including 13 banks, 12 insurance companies, 10 shipping firms, and 2 oil cartels (Hussain, Dilawar, daily Dawn, and December 9, 2007). Several Pakistani families suddenly lost all of their wealth. It wasn't until the late 1980s that Nawaz Sharif's administration—who is also a descendant of a prominent business family—started returning some nationalised properties to these families. In the 1990s, the business environment improved for family-owned enterprises. New business families also appeared, while existing families reorganised and expanded into new industries like cement and autos. By privatising state-owned banks and manufacturers of heavy tools, the military dictatorship of General Pervaiz Mushraf continued the trend toward liberalisation (Ghani et al., 2011).

1.5 Firm performance based on business groups

This section analyses the research on the implications of business group financial results. Corporate parents' effects on subsidiary performance in hierarchical organisations have long been observed in the literature on strategic management and finance (Golden 1992). Parent companies are only directly to blame for 4% of profit swings, according to early empirical study (Mcgahan & Porter, 1997) based on a sample of public enterprises in the United States. However, it appears that in business teams that use both formal and informal forms of coordination, the impact is multiplied by a great deal. . Numerous studies have sought to analyse how various corporate connections impact the financial results of their subsidiaries (e.g., Chang & Hong, 2000). Globalization, investment in innovation, and the acquisition of competitive advantages are all indirect effects of business organisations that affect financial success. The findings of a survey given to businesses in fourteen developing countries were as follows: (Khanna and Rivkin) (2001) The findings show that joining a group has the same impact on income as entering a particular industry.

It is a well-known fact that business associations may have a significant impact on their affiliates' financial health, but that this impact varies widely from one association to the next (Carney, 2008), and that there are circumstances in which it is likely to have conflicting and overlapping effects on partners. Additionally, the severity of the effect varies from nation to nation (Carney, 2008; RIVKIN*, n.d.). For instance, Carney (2008) examined various processes and moderating and mediating elements in a study of 141 empirical studies to determine how business group affiliation may affect affiliates' financial performance.

Businesses must diversify their risks in order to achieve economies of scale and scope due to the intense competition they face as a result of economic liberalisation and globalisation. Businesses must look for new markets, leverage their assets to obtain a competitive advantage, and strengthen their interdependence through mergers, investments, and cross-stake holdings in the company’s equity. A different strategy for achieving these objectives is the creation of a business group.

Through the combined efforts of member companies, affiliated companies can join a business group and have access to valuable financial and intangible resources and talents. In actuality, corporate groupings create economies of size and scope to reduce their transaction costs and improve the efficiency of their asset allocation. These collaborative efforts maximise the worth of companies and their financial performance (Cheung et al., 2006).

The definition of a business group in the literature on business groups is "a collection of legally autonomous enterprises linked by official and informal ties," which is well-defined and commonly recognised. (2005) Khanna and Yafeh

As stated by (Chu, 2004) Additionally, it is questionable if group participation can, on average, benefit specific business lines in emerging nations. In particular, it is unclear whether group participation in emerging economies offers advantages great enough to balance out the informational and agency costs. Group-affiliated businesses perform better than independent businesses, according to a number of experts (Hoskisson, et al. (2004); Castaneda (2007); Ghosh (2010); Waqar, Ghani, 2004). While others (Laeven and Levine (2007), van Lelyveld and Knod (2009), Schamid and Walter (2009), and Gohar and Karacaer (2009) argue the opposite is true.

He and others (2013) According to research, state-owned companies are more likely than private businesses to have access to internal capital markets within business groups that serve as alternative funding routes. Additionally, connected businesses owned privately by local governments have a higher chance of gaining from the internal capital market than either centrally owned businesses or businesses based in areas with strong institutional frameworks.

They demonstrate the importance of business groups in risk sharing across related firms, but come to the conclusion that membership in a business group has no bearing on a company's financial performance. Thanks to this research, we now have a greater understanding of China's economic growth as well as a broader understanding of what a business is and what its boundaries are.

1.6 Research Objectives

In this research we are going to examine the effects of corporate governance practices including family female director, family male director, non-family female director and non-family male director, etc. on the firm's performance (Tobins Q) by looking into the matter from two different aspects of it. First aspect is going to be the effects of being a family-oriented firm or a non-family-oriented firm on the firm performance. In the second aspect we will be looking into the effects of having association of business groups or individual (no association) firms on firm performance. We will be examining the data collected in the last ten years from listed companies in Pakistan stock exchange. Aforementioned aspects are the independent variables of our research and firm's performance is the dependent variable. Therefore, we will be witnessing the effects of non-financial, independent variables on a financial dependent variable such as firm's performance. The data which we will extract by analyzing different firms is going to help other firms or entrepreneurs when they are starting a new company or a new project. Or it would be helpful for other researchers to use in further studies.

1.7 Research Questions

Q1. What are the effects of "Corporate Governance Practices" such as family vs. non-family and business group affiliation on firm's performance?

Q2. Which board structure is more effective in the companies in terms of profitability or market value?

1.8 Thesis Structure

Chapter 2 will include the literature review about the family firms and non-family firms performance and impact of business group affiliation on the firm performance. Chapter 3 will include the research methodology by having all information of methods, techniques and data collection. Findings will be included in the chapter 4. Chapter 5 will add the conclusion, suggestions, and limitations.

Chapter: 2 Literature Review

This chapter will include literature on board gender diversity and its impact on firm's performance. Additionally, the literature will be based on CG practices globally and under the context of Pakistan. The literature will provide the key discussion on family female directors and non-family female directors impact on firm performance. Moreover, this chapter will build a strong discussion about the impact of women chairman on board and female cross directorship on firm performance.

2.1 Diversity

In today's world, the groups have become diverse in the organizations and in coming years they will be more diverse. Even though organizations are becoming more diverse in terms of demographic differences among people (e.g., in terms of gender, age and ethnicity). The organizations are moving towards workgroup composition at the corporate level and these organizations are focusing on workgroup diversity because workforce diversity is having a dual effect on the performance of groups either positive or negative. Diversity is the concept of having different characteristics between two persons it means one person is having a different attribute in compression of the other one (Van Knippenberg and Schippers 2007).

Diversity in the workplace is involving people having different mindsets, beliefs, and different backgrounds in a cohesive and productive unit. In workplace diversity, people are having different values, objectives, and goals regarding the work and by managing them effectively workplace productivity can be enhanced. So diversified workplace help to learn from others who are different from us (Sundari 2018).

Diversity can be referred to as to differentiate the group of people from one and other having visible or invisible dimensions. Workplace diversity is where the workplace would be heterogeneous in terms of gender, race, age, qualities of people, ethnicity, and employees' characteristics and qualities would be different from one another. The researcher defined that it's a border range of differences in which different people interact with each other and achieve their business goals possessing different qualities such as race, beliefs values, and actions which may vary from person to person in the diversity (Al-Jenaibi 2017).

Brancato and Patterson (1999) defined that the work board diversity in a group was the variety of individual attributes. Blau (1977) had identified the difference in diversity in working groups. (Milliken and Martins 1996) found that there were two types of diversity which were observable and non-observable. Observable diversity was that kind of attributes which were able to easily detect such as race, age, and gender diversity. On the other hand, no observable diversity was something that was not easily observable such as education, background, and value.

Diversity in the workplace is having numerous effects but still, it's beneficial for organizations and workplaces. It must be the top thing which should be addressed by the businesses. Every business and organization must pay attention to the hiring of diverse employees because there are so many things that are associated with diversity and among them, one of the main goals is to eliminate gender discrimination. In addition to this globally due to diversity, women and people having disabilities are entering the workforce and they are also provided with equal opportunities to contribute their talent in the organizations (Foma 2014).

2.2 Gender Diversity

Gender diversity is touted as the key to a more equal workplace. Equality is everyone's right and everyone should have equal freedom to choose what they wish thereby sharing insights into male dominance in a few sectors and her empowerment for women in sectors. Gender diversity leads to having an equal proportion of two genders (Østergaard et al., n.d.). Traditionally corporate boardrooms are men-dominated. To get your business forward to increase your workplace productivity, to enhance your staff development gender diversity is the main key to being improved in the workforce. Men's dominance leads to having adverse effects on women's careers (Ritter-Hayashi et al., 2019).

Every individual is unique and authentic and every individual is having different background and DNA and when the question is about gender men and women have so many reasons to think and communicate differently which is the basis of gender intelligence showing that if having knowledge regarding gender intelligence then individuals teams and entire organizations, companies can transform and see a positive shift in their workplace because there focus is to attract and retain the top talent which will become profitable for them. Gender diversity in the workplace means that women or men have consistent or similar hiring rates or be paid equal opportunity. Mostly it is agreed that for a fair productive environment at the workplace there is must require a balance between gender on board. It is thus proven that diverse workforces outperform ones that are not. It helps to increase profitability and reduces turnover (Sundari 2018).

Gender diversity is providing developing countries with innovation which has just received the least attention in the literature. Diversity facilitates innovation due to having diversified knowledge and it also helps in decision making. This is also playing a vital role in economic growth and reduced poverty. Diversity not only brings creativity and innovation but also highlighted the different viewpoint on unsatisfied product needs that is difficult for undiversified workforce to find out. Diversity helps to attract top talents (Governance, 2017)

Firms can gain competency over marketing, problem solving and creativity by having diverse workforce. Managing the diverse workforce effectively leads to be more competitive.(Hunt et al., 2015)Based on organization literature, the groups of demographically heterogeneous having the men and women combo rather than only women or men gives the best diversity perspective which might leads to the expansion of knowledge and may enhance the development of knowledge(Addis & Villa, 2003).

Firms can gain competency over marketing, problem-solving, and creativity by having a diverse workforce. Managing a diverse workforce effectively leads to being more competitive (Van der Vegt & Janssen, 2003). According to Guardian, gender diversity in leadership is the key area to be improved for business success. Many recent consultant reports have found that organizations having a greater number of women as directors were performing in a better way in comparison of those which are having the least women as directors by having huge margins which were great.

Many researchers have started to work on board diversity (Mínguez-Vera and López-Martínez 2010). (Robinson and Dechant 1997) argued that if there would be great gender diversity then great knowledge would be implied in the market operations and that would be helpful in the best identification with customers and employees and would be helpful to operate in the market easily.

Herring (2009) found that a business would achieve high and best results if they would have diverse board, so it was very important for getting high earning and income. He suggested that through gender diversity the returns would be high, and customers would be increased and ultimately the profit would be high. The reason for it was that diversity in people was creating more prone to the conflict of ideas which lead towards the simple solutions and firm creativity and performance would be high.

In previous studies, some encouraged those women directors are having a definite effect on firm performance. Firstly, it has been indicated by the gender diversity that if directors are diverse in the corporate board room, then business competitiveness and reputation will be improved by having distinct qualities expertise, and talent in the boardroom. The second reason is that if there would be females on the corporate board then problem capacity will be increased through a variety of opinions and better discussion. Under this concern, the decision-maker will have a variety of choices and it will make him or her more alert regarding the choices and decision making. A diverse board with a board of directors with more skills, different backgrounds, and cultures will generate the strategic resources and ultimately firm performance will be increased (Kılıç and Kuzey 2016). Many businesses include women in their business so that they can have a good tie with female customers (Kılıç and Kuzey 2016).

2.3 Gender Diversity Practices (Global and Pakistan)

The focus has been given to the top executive gender in the firm for the last 8 to 10 years. Women's presence on corporate boards is increasing in the United States and several European countries, but the trend of women achieving the top positions in the rest of the globe is relatively low (Smith, Smith et al. 2006). The gender structure of the board of directors continues to influence the quality of the monitoring function and the firm's financial performance.

Researchers who have done work on gender and business ethics suggested women are more ethical as compared to men in terms of behavior and attitude(Bilimoria 2006). It has been found that companies who are having more than three women in their corporate are having better performance in terms of finance and corporate governance. Empirically it is proved that due to social reluctance women are not awarded top positions and as a result, there are few numbers of women in emerging economies. The recent studies provide evidence that Pakistan, India Japan, and the Netherland are having minimum friction of women on the corporate board (Markarian and Parbonetti 2007).

Many parties, including academics, have expressed interest in the topic of gender balance on corporate boards (Hillman, Shropshire et al. 2007). In Malaysian companies, Abdullah, Ismail et al. (2016) found that there was a low involvement of women in the corporate board which was 7.7% in 2008. But it was found by Abdullah (2015) that the women's involvement was increased by 26% taking the observations from the year 2000 to 2011. He further stated that 26% of Malaysian companies were having at least one female in their corporate board and more than 50% of companies were having no female on their corporate board. However, these findings contradicted the Malaysian government's June 2011 regulation, which stated that by 2016, 30 percent of all listed firms' corporate boards must be reserved for women (Abdullah 2015).

Despite of all these efforts and laws still, women's participation on the corporate is low and questionable (Abdullah, Amran et al. 2017). It was described by the researcher that women's shortage in corporate board was based on so many reasons and one of the reasons was that women were incapable of achieving success in elite leadership (Carter, D'Souza et al. 2010). (Matanda, Luke et al. 2015) analyzed the relationship between corporate board independence and commercial bank performance in Kenya from 2001 to 2013. The study looked at return on assets, return on equity and Tobin's Q ratio. And that study provided some recommendations which were suggesting that if Kenya's commercial banks would improve their performance that would have to focus on other variables as well other than board composition (Adesanmi, Sanyaolu et al. 2019).

Bebeji, Mohammed et al. (2015) suggested in the study that there would be adequate board size to the scale and organization operation's complexity and diversity would be ensured without compromising independence, availability of directors in meeting and integrity as well.

Mirza, Andleeb et al. (2012) used measures including return on assets and return on equity to determine the influence of female directors on firm performance. Different approaches were used but the major focus was Pakistan's Economy. The data was collected by those companies which were listed in KSE, Pakistan. There was similarity in results with the previous studies that if top management was having females in it then it was having a negative impact on investors because they were taking it as a negative sign and as a result the financial performance of the firm was declining. That study further provides the reasons that it may be due to those women have been considered emotionally weak and less confident and as well as less educated and there may be some hidden barriers imposed by society to keep women in low position. The research looked into the impact of board structure on firm success. The major goal of the corporate board is to ensure that all stakeholders' interests are aligned through effective decision-making (Hermalin and Weisbach 2001, Bolton, Becht et al. 2002).

Tacheva and Huse (2006) said board dynamic and effectiveness have been affected by women. It was suggested by them that the number of women directors on board was having a negative influence on two tasks which are financial control and service tasks. The power of women can be judged through different tasks performed by them.

Nielsen and Huse (2010) found that the input is given by the women in decision making and found that how much strategically involved they were. Their survey was based on 120 Norwegian firms and their results were based on those women from different backgrounds and professional experience were having an influence on each other in decision making.

2.4 Importance of Gender Diversity

Gender diversity is the silver bullet that is meant to solve all problems of the company, and this puts very tremendous pressure on women leaders and sets up a very high bar. There is research that has shown women are disproportionately hired by companies when companies are doing badly and that sets them up to fail to misfire. So, does this means gender diversity matters? Context is important. Once your account for context the effect of gender diversity is double or triple. The executive or non-executive roles matter (Rible, n.d.). Reducing gender gaps in labor market participation in science Math, tech and engineering and wages increases the size of the UK economy by 2% by 2030. Companies that enforced the increase in gender balance in upper levels may expect benefits from improved performance financially, reduce risk, becomes more challenging and robust decisions making and increase the ways to attract at wider level talent pool (Santos Silva & Klasen, 2021).

Every society is having its own culture values and norms and under all these women are having different status in the society. But there is a similarity in all cultures that men are being considered superior to women and the result is the societies are male dominant. If the management has been focused rather than corporate management, globally women are having small segment in top management and the common belief regarding women is that women are having lack to decision power, women are considered emotional and less rational, that’s why they do not have strategic mind and vision which is a basic need and important to survive in the corporate world(Mirza, Andleeb et al. 2012).

Gender diversity has become the most important and highlighted issue within the senior management team. The diversity of thoughts for a good decision-making process are depending on good corporate, and the main source of it is the diversity of people because diverse people will be from different backgrounds experiences and perceptive. Women were holding small number of seats. But gender diversity importance is in its initial stages in Pakistan. So, therefore, the researchers focused to investigate the connection between gender diversity and firm performance particularly, in Pakistan’s baking sector by measuring return on assets. The outcomes indicated that the number of women on the board of directors had an influence on the firm's performance, but the proportion of female CEOs had no meaningful impact on the firm's performance (Shafique, Idress et al. 2014).

(Morrison 1992) suggested that if there would be great gender diversity in the firms that would lead towards the quality of decision making although the group thinking would be complex and near to real. So, gender diversity was helpful in increasing creativity and innovation which was helpful in problem-solving (Robinson and Dechant 1997). In this world the focus of the organizations is to gain success, therefore the organizations are paying more attention to the recruiting process of employees so that the business strategies can be implemented successfully. The organizations are well aware of the power of the talented people they bring in the organization (Matanda, Luke et al. 2015). Campbell and Mínguez-Vera (2008) have been suggested that the gain in the economy is due to gender diversity.

After this discussion, it was said by Hoogendoorn, Oosterbeek et al. (2013) that if the group of people is having diversity in it means the group is based on both men and women both and as result, the firm performance will be better in terms of revenue and profit.

Daily and Dalton (2003) identified that business imperative was based on the extensive representation of females on boardroom. They suggested that the women presence on the board might be sending the signals to the women in board and as well as in general. Women would be considered as the role model to promote the breaking of the glass ceiling and were considered important for the firm and as well as women were having positive effect on the bottom line. It was affirmed that women were having unique perceptive working styles and experiences as compared to the male in the board room. Furthermore, women were having more part in enhancing the board's deliberation and they were also having a unique communication style and were more process-oriented.

Adams and Ferreira (2009) found that female directors were having a significant impact on the board input and a significant effect on the output of the firm. Female directors were having better attendance records as compared to the male directors and women were more likely to pay attention to the committees and attendance. So, the conclusion was that the more diverse the board is in gender the more efforts were allocated to the monitoring. Under certain circumstances, the results were based on that if gender quota for directors would be mandatory for the firms will reduce the value of the firm for well-governed firms.

The business environment would be understood in a better way if corporate board is diverse having different people (Al-Shaer and Zaman 2016). If the corporate board is having female directors they can introduce strategies regarding stakeholder engagement and reliability of the corporate reports can be increased (Al-Shaer and Zaman 2016). Women directors differ from males in terms of educational backgrounds, communication skills, professional experience, and temperament (Liao, Luo et al. 2015).

(Erkut, Kramer et al. 2008) studied the corporate governance behavior. He concluded that women on the board room were more likely to ask direct questions and details. (Farrell and Hersch 2005) found that women were the rare resources, and the firm higher-level performance was depending on the selection of board room. It was reported in the French study that female board members were more active than male directors(Virtanen 2012).Smith, Smith et al. (2006) found that firm performance and women were positively linked if they were in the top management although after controlling numerous characteristics of firm and direction of causality.

Mirza, Andleeb et al. (2012) indicated in Pakistan if women were working on top then the firm performance would be decline and the investors would get the negative sign. On the other hand, it was suggested by one study that women were treated significant factor by 86% of the companies because women were having more managerial skills related to law management, human resource management, and public relations in contrast with men.

2.5 Board Gender Diversity and Firm Performance

The impact of board gender diversity on firm performance has been studied extensively. However, the results aren't clear. Regarding the influence of gender diversity on firm performance, some researchers have found favorable outcomes, while others have found negative consequences (Campbell and Mínguez-Vera 2008). High profitability Firms were those which were having female CEOs (Izgi and Akkaș 2012). This research was based on the baking sector and the sample was six leading banks and the results identified that the presence of one woman on board is having a positive impact and the bank profitability level is high. However, gender stability should be achieved by making low supervisory law making efforts(Oba and Fodio 2013)

(Tukur and Balkisu 2014) looked into the relationship between board gender diversity and company financial performance for Nigerian insurance businesses, and the findings were significant. It was found by the authors that there was a positive relationship that gender diversity and foreign directors were having positive effect on insurance company's financial performance. It's been stated by some researchers that businesses who do have women in their corporate board are having better performance because women are the human tools having better nature which bring a positive change in the firm performance (Erhardt, Werbel et al. 2003) whereas some of the researchers have identified the negative relationship with company's performance there involvement in the corporate board is linked negatively (Bøhren and Strøm 2010). But it was pointed out that there was no connection between firm value and women on board (Rose 2007). If the board is diverse it will affect decision-making because there would be different point of views and non-traditional approach towards problem-solving (Adams 2015).

In contradictory Prihatiningtias (2012) suggested that board gender diversity was having a positive and a negative relationship with firm performance. Firm performance was measured with Tobin's Q and ROA. Smith, Smith et al. (2006) found that women in top positions were affecting the firm performance in positive way. He said that positive affect was due to the qualification of women on top positions. Darmadi (2013) found that women presence on top positions was not positively linked with firm performance. He found that those firms which were having family control in Indonesia were having high share of female on the board.

The researcher tried to find gender diversity relationship with firm financial performance, by selecting attributes of females with the sample size of FTSE 100 firms based in UK.

Gender diversity measurement in terms of female representations in the boardroom, the study revealed that gender diversity and financial performance was having a significant relationship. Though the results were highly significant when three or more than three female directors were appointed on the board in comparison of where two or less than two female directors were appointed on the board as a board of directors. Furthermore, the studies identified that there was a significant positive impact of female age, level of education on the firm performance. Then alternative, measures were applied for measuring the firm performance such as ROA and Tobin's Q but the result was same (Brahma, Nwafor et al. 2020).

2.6 Women and Board Performance

It has been indicated by the literature that there would be more creativity, innovation and better decision-making by the individual if the corporate board is having diversity. There are two main functions which have been identified by the researchers having linked with the firm performance. The first one is that boards in their structural position, are the most authoritative actors who take all decisions and set directions through establishing strategic plans. The second function of the boards is monitoring which includes the representation of shareholders and the proper monitoring of the organization's resources, reactions towards threats and retaining good people in the firm and as well as the proper monitoring of top management behaviors (Erhardt, Werbel et al. 2003).

If the corporate board is diverse then the potency of the board will be increased and as a result, the productivity and enhancement of the board will be increased and ultimately it will lead towards higher profitability and higher shareholders wealth (Stephenson and Nt 2004). Some countries have enforced the law to remove the inequality of gender, either on corporate board females are necessary or not (Martínez and Rambaud 2019).

It was investigated by (Saleh 2016) that board of directors attributes were affecting the financial performance of banks in Nigeria and the study revealed that if they wanted to improve their performance in terms of finance and deposit there was a need of good corporate governance practices because those practices would enhance board attributes especially the functional background of the directors. Selby (2000) argued that women are having more skills and have more analytical power as compared to men. Women directors have shown more concern towards the raising issues in the company through asking sensible and valued questions in the board meetings. Women are having more interpersonal skills which help them to take corrective decisions and also influence the board decision-making process (Konrad, Kramer et al. 2008).

Furthermore, it was confirmed by the study that women presence on board was having positive impact on the firm performance because they were better in buying decisions as compared to men (Smith, Smith et al. 2006). It was claimed by the researcher in the USA that appointment of females as director was directly linked with firm performance, the profitability was associated with the female appointment (Catalyst 1995). The top 50 profitable companies which were listed in Fortune 500 in US, 82% of them were having at least one female member in their Board of directors (Catalyst 2001). There was a direct relationship having a strong effect on firm performance between independence director and ROE in Belgian organizations (Dehaene, De Vuyst et al. 2001).

The practical explanation has been provided by the researcher to have women on the corporate board. It was noted by him that recently there are not talented directors go around. The invitation of joining the -level board is declining by the CEO's. Lately, male people are serving on corporate board, so little time have been by them for additional responsibilities. It shows that board members are increasingly depending on male CEO's who do have less rationality in decisions and are lower in quality. So, businesses will open pool for talented people to join. It was noted by him that if an organization is having women on the corporate board it will have a positive impact and considerable symbolic value within and outside the organization (Burke and Mattis 2013).

It has been referenced that in the banking industry the relationship between diversity, corporate strategy and efficient performance was challenged. The company's performance was calculated in the terms of ROE and the sample size was 34 banks from three states. The results concluded that diversity in corporate board was positively linked with firm performance and profitability. And that corporate diversity was providing competitive advantage to the banks(Richard 2000).

2.7 Effect of Women on Board

From a few past decades, the interest is renewed to know the effect of women's representation on corporate boards. In the United Kingdom, they have chosen a voluntary method over a quota-based strategy. This voluntary method is reasonable because it allows organizations to make internal radical changes in the board attitude instead of forcing reforms from the outside, which may just lead to an increase in the number of females on boards. Despite the fact that the United Kingdom has a discretionary strategy, the number of women on the board continues to rise. Although UK is following the voluntary approach, still the women number is continuously increasing on the board. The analysis was made, and the results concluded that in FTSE 100 firms, female representation was 14% in 2005 which has shown a gradual increase of 27% which was the highest in past 10 years before it went down in 2016 by 25%. That rise of women in board representation clearly depicts that women as directors have improved the firm performance (Brahma, Nwafor et al. 2020)

Torchia, Calabrò et al. (2011) suggested that the level of firm innovation can be enhanced by having one or two women or minimum of three women. Further, it was concluded that board strategic tasks are having an effect on the relationship between women director's number and firm innovation. Another study showed that if 30% of the board is based on women then firm performance and governance can be affected by them (Kans and Stengard 2012). One of the studies says that 30% of the women on the board mean having abbot three women on board (Joecks, Pull et al. 2013). If the percentage of women on board is good then the whole sector will get benefits in terms of skills, innovation, and creativity. If top slots are accommodated by women then there would be a better working environment which will lead toward a better future (Cox and Blake 1991, Robinson and Dechant 1997).

Board room, corporate profitability and gender diversity were having a positive relationship but was having a negative effect on the executive suite. A company who is having one or more females on board is more successful in term of profitability as compared to the company who is having one or more females as the executive (Lehobo 2011).

Green and Homroy (2018)found that a strong constructive outcome of female board representation on firm performance while past work has considered female representation comprehensively and the results showed that the appointment of females as directors were having a positive impact on firm performance and to the board committee. According to several researches, women on boards are more inclined to raise inquiries (Bilimoria and Wheeler 2000).

2.8 Gender Diversity and Firm Performance in Pakistan

The most heavily contested topic of research now a days is board gender diversity. Women are having unique skills and resources which can bring a positive change in the firm performance, and they have been considered the human capital as well. The study focus was to investigate the gender diversity and its effect on firm performance in Pakistan. The study made the comparison between firm’s performance characteristics having gender diversity and without gender diversity in boards. The data was collected from 2015 to 2018 based on 100 firms. The results showed that board without women were taking higher risk by taking leverage and women on board is having a negative effect on the firm. It was shown that those firms having no women in board were having higher return on asset, where the return on equity was higher for women (Awais and Siddiqui 2020).

Yasser (2012) found that in Pakistan firm performance and gender diversity was having no significant results. Board gender diversity was not affecting gender diversity. The present study of Mirza, Andleeb et al. (2012) study examined the representation of women on boards of directors at 395 non-financial companies listed on the Karachi Stock Exchange (KSE) in Pakistan from 2004 to 2009. His research found a negative correlation between the number of female directors and corporate success. Chandani, Mabood et al. (2018) conclude results that board gender diversity was having an insignificant association in Pakistan’s baking sector.

Furthermore, researches were done in Pakistan to evaluate the relationship between gender diversity in senior management teams and business profitability. According to the paper data was collected from the highest market capitalized firms which were related to the manufacturing sector. This data was based on five years from year 2010 to 2014. The statistical analysis was done in this research which concluded that two types of relationships were existing between gender diversity and firm performance under the context of profitability. The finding reveals that highly profitable firms tend to work by females which was bringing tremendous profit for the firm. The next relationship was associated with males. It was raveled by the research that profitability was negatively associated with male percentage working in top management (Zahoor 2016).

Although gender diversity is the hot issue now a days in Pakistan. Diversity of thoughts are required for good corporate decision making which would be possible from different kind of people or diverse people who are having and linked with different backgrounds, experiences and perceptive. On the corporate board, there is a small number of seats which are hold by women. Under the context of Pakistan, the diversification in gender is in its initial stages. As a result, the main objective of this study was to evaluate the relationship between board gender diversity and corporate performance in Pakistan (especially the banking sector). ROA was used to measure the firm performance. This research was based on 6 banks and panels from the period 2008 to 2012. Correlation and regression analysis were used to obtain descriptive statistics. According to the findings of the study, there was a significant relationship between business performance and the number of women on the board of directors, but women's proportion on the board and the presence of a female CEO appeared to have no significant influence on company performance at the time (Shafique, Idress et al. 2014).

2.9 Family Business and Gender Diversity

The family businesses are those which are controlled by the families and their major operations are being controlled by the family in daily life. There is a governance difference between family-owned businesses and dispersed ownership corporations in which family owners are facing threats and having a dominant control with multiple roles. The family business governance is depending on three components which are following name, family, and ownership. These three components are being explained with a model named three-circle model (Davis and Tagiuri 1982).

The definition of family firms is wherever one family or a group of families are having a direct stake in the firm. It has been studied that the firms which are having well growth are having the ability to influence the corporate performance of the firm and determine the flow of the funds growth in the industry. The main focus of corporate study is on the ways to contracts and use of market, so that the managers would maximize the shareholders wealth (Zaidi and Aslam 2006).

Different models are showing different kinds of family businesses players such as managers, outside shareholders, non-family managers, inactive family owners, family managers and lastly the controlling owners. Because of the involvement of these players in the family businesses, the family firms have a distinctive family governance structure. Family businesses are leaded by business enterprises in India. Those enterprises were having the more chances of survival because of their unique characteristics they possessed as compared to the other organizations as like low cost of capital, flexibility, strategies and commitment towards organization (Mittal and Lavina 2018).

Family businesses statistics declared that more than 30 percent of family businesses were surviving in the second generation, 12% would be viable in 3rd generation and 3% of family businesses would be operating at 4th and beyond all. The span period of the family business is approximately based on 24 years (Jain 2006).

Firms which are family-owned have been defined that they are the mode of organization in which the management's primary source, finance the information related to the market would come from family or within the family. Therefore, having a wider network, based on trust and shared ideas of members is very essential. In this network, members can also expand their relationships by adding uncles, aunts, cousins, and other relatives. This term applies to Italian, Swedish, and even American family businesses. In Italy, the business is heavily interrupted with politics in which out of 200 60 top businesses are family owned and family controlled (Coli and Rose 1999).

History is full of family business examples. The Rothschild's not only focused the private wealth as the world has seen but they also pay focus to the changing world and history by financing monarchs and kings. Willington armies have been supported by their one of the greatest bet which was the reason of Napoleon defeat at Waterloo. There are several examples of family enterprises that have been brought down by severe family feuds, disappointment about expectations, and unfortunate stages of later generations who were unable to administer their wealth effectively. Vanderbilt fortune is the most famous example of US. It was reported that Cornelius Vanderbilt was the most ingenious businessman as it can be. But it was reported that after his death of 50 years his decedents were penniless. It been seen that due to of some prominent family firm's success, the perception of family-controlled firms approach to management has been held. The family perceptive of Walmart involvement by John Walton of Walmart is a prominent example of it(Bertrand and Schoar 2006).

There was a perception that family businesses were not diluting ownership in order to save SWE and raise debt. So, under that scenario the family business owners were risk seekers and were taking optimal financing decisions which was biased towards increasing leverages. But the results concluded that family firms were loss adverse because they wanted to save entity for the generations, and it was highlighted that whatever the financing decisions were taken they were in the favor of family firms and their aim was to preserve the wealth for the generations. That behavior is specifically linked with the US Latin society in which family system is common and their focus is to protect the firm's sources for future generations. Under this the role of female directorship was also evaluated and the results concluded that independent female directors were having the adverse effect of the firms financing but the dependent female's interest was associated with family firm's interest. The family structure control has been intensifies the family firms and greatly influence self-compliance of dependent female directors to adhere the family interests Poletti-Hughes and Martinez Garcia 2020). Darmadi (2013) found that women presence on top positions was not positively linked with firm performance. He found that those firm which were having family control in Indonesia were having high share of females on board

2.10 Family Firms under the Context of South Asia

In South Asia region, there is a concept on intermarriage for expanding the business. The marriage between prominent families is considered as norm and rather than an exception. The caste system is considered an important element for meeting business needs. So, it has been performing the important function of much larger business group or an umbrella group in which specific caste are heaving heavy rely on especially when they are having the requirement of capital, business advice or political connections. The group-based reliance is beyond the family does not exist in the West. In India caste have been appeared the important form of economic control. But under the context of Pakistan, it is not true and caste clustering as occupation is still existing. Therefore, Chinioti who are big business caste always try to have control over the market. Here the society is male dominant and there is very limited involvement of females in the family firms. The women role has been restricted to the silent shareholder they are having equity in the business but do not have the executive position in the board. This does not show that the male is dominant over the woman, but yes, the power of elder over the younger in which the elders are founders. This era is having an intense debate on the women's appointment on the corporate board. The researcher has already shed light on Asian countries corporate board structure by identifying that how in family business board women are affecting the dividend announcement of business organization. The data was collected from Asian countries such as India, Pakistan, and China. The period was taken from 2010 to 2018. The results of this research were negative. It was showed that Tobit regression was having adverse effect and women impact on dividend announcement was significant in family business. The researcher suggested that there is need to do analysis of every aspect of the firm by the policymakers (Zaidi and Aslam 2006).

One of the studies showed that in Southeast Asian countries family firm's performance was underachieved as compared to non-family firms. But still in Asian countries there was extensive control of families on firms almost more than half corporations were controlled by families. Old firms were controlled by families in contrast of small firms and the corporate wealth was concentrated between few families (Claessens, Djankov et al. 2000). Family firms have been considered the main and key feature of Pakistani economy. The listed companies approximately 80% of all listed companies in the KSE are having family involvement and indirectly having affiliation with large business family. And those companies which are not listed barring a few and having access to private equity which can be classified as family firms (Zaidi and Aslam 2006).

2.11 Family Firms/Businesses vs. Non-Family Firms/Businesses

It's been recognized by the researcher that family firms board of directors were different from non-family firms board of directors (Bammens, Voordeckers et al. 2011). This distinction in the board of directors in these two there were two types of motives which were illustrated by authors. The first was that if management role and ownership were overlapping that was the case where directors were working as a mangers and may be as the owner of the firm(Anderson and Reeb 2003). The second reason was the existence of family on the board of directors, which may often act as a controlling dominant coalition as well as the firm's distinctive stakeholder group. The interests of the family and the interests of other major stakeholders must be balanced by boards of directors connected with family firms (Bammens, Voordeckers et al.

2011). These characteristics use to have a significant impact on board composition, despite the fact that board members were negotiated and based on the relative authority of family owners (Chua, Chrisman et al. 1999).

Family businesses have been considered fundamental to nation building because they have been playing a major part of that country’s GDP by contributing into and as well as they have been the major employment creators. That is why family business management have been the key area of academic interest. As a result, the researchers' main focus has been on the comparison of family and non-family businesses. The researchers compared Indian family businesses with non-family businesses for companies listed on the BSE 500 Index. This sample was based on from the year 2005 to 2015, a period of 11 years. The firms which were having 40% premotor or group of promoters were identified as family businesses. The measurement of family business performance was done with viz, profitability, size, market position and debt position. So, the comparison was made on ROCE, RONW, ROTA, and total assets, DER, QR, CR, MACP and INTCOV by using independent t-test. The findings reveled that in Indian context, non-family business were outperforming than family businesses(Kota and Singh 2016).

The comparison of family businesses and non-family businesses has piqued the researcher's interest, but the results are still inconsistent. Almost 41 number of studies have been conducted worldwide to made the comparison between family business and non-family business performance and came up with results that 60% of the studies with family businesses were outperformed in comparison of non-family business, the studies which were having opposite results were 12% and 28% studies identified that family businesses performance was not significantly different form non-family businesses (Al-Jenaibi 2017).

Allouche, Amann et al. (2008) investigated the performance of family firms in Japan from 1998 to 2003 and found that their performance was better than non-family businesses. Family businesses were better performer in his results. On contrast the similar study was done in Indonesia based on the period of 2006 to 2010. And the results were complete opposites based on that non family businesses were having better performance as compared to family business and they were better performer (Singapurwoko 2013).

In theory it has been suggested that family businesses have been more efficient as compared to the non-family businesses. The reasons of its betterment can be several reasons which are lower agency cost, the motivation of maintaining the businesses longevity(Hill and Snell 1989). On the other hand according to Barth, Gulbrandsen et al. (2005),family firms growth and diversification may limited due to the specific cautious behavior of the family owners.

Apart from all this many studies tried to find and analyzed the difference in productivity level of the family firms and non-family-firms. The studies of Górriz and Fumás (1996) found the difference in level of production of family businesses in Spain. The findings revealed that while the profitability of family firms was not considerably different from that of non-family businesses, the degree of productivity of family businesses was significantly greater.

Family businesses and firms that were not listed publicly and private in nature were having less productivity as compared to non-family business by 18%(Wall 1998). On the other hand Westhead and Cowling (1998) discovered that there was no considerable difference in performance between private family firms and non-family firms.

One of the studies made comparison of family businesses firm industry wise and they came up with the results that family businesses were performing better in trading and construction industry as compare to non-family businesses although the performance of non-family businesses were better in manufacturing and service sector as compared to family businesses firms (Rettab and Azzam 2011).

2.12 Impact of Family Female Directors

Female directors who were related to the owner's family were thought to be more powerful managers without the foundation of control, according to the literature. So the net impact of the family affiliation was less straightforward(Cruz, Justo et al. 2019). So, family members were appointed as the board of directors and management not considering their qualifications and skills for the job (Campopiano, De Massis et al. 2017).

Under the context of family firms in Italy, Bianco, Ciavarella et al. (2015) has defined the difference between family affiliated female directors and non-family affiliated female directors. It was defined by them female directors were common in small firms having concentrated ownership. On the other hand, non-affiliated female directors were more common in big and listed firms, and they were high in fraction of independent directors.

Another study focused to examine female representation on board and their impact on the financial distress. The sample was based on the Indian family firms from the period of 2013 to 2016. Different statically analysis was used, and the results and findings showed that on average, there was just 9 percent share of females on board to maximum 28 percent and only there were 2 percent firms having females as a CEO. It was recognized that although female's presence in the board was very low and they were having significant impact on the financial distress. Moreover, it was revealed through the study that other insignificant variables were negatively associated with financial distress. It was indicated that gender diversity on board was causing minimum financial distress(Mittal and Lavina 2018).

The study of Abdullah, Amran et al. (2017) is providing the empirical evidence regarding the women presence on the corporate board in real estate companies of Malaysia that the performance is not depending on the women presence on corporate board and women directors having dominancy in family firm only. Thus, they have considered it unimportant in increasing the financial performance of the company.

According to the author, the study of female executives in family business was having specific relevancy because family companies were the most common type of companies in all over the world and there was accountability by these companies over two-third of all companies and they have to generate 50% to 80% of employment in most off the countries, therefore women reaches in the executive position in the family business but still the female directorship and its impact on firm performance was not able to attain enough attention (Giraldez-Puig and Berenguer 2018)

In family firms, the women involvement was based on three main goals based on three main targets. The first was that the women entry in family firm was based on the entrepreneurship and succession, women career development in family firms, and the presence of static’s of women in family firm (Anderson and Reeb 2003). This study was based on family firms and women directorship impact on family firms. The results indicated that women were having a negative effect on firm’s performance. This study was based on two main groups of women directors one group was associated with family women directors and the second was non-family female directors’ group. It was found by the researchers that outside female directors were having a positive and significant effect on the firm performance (González, Guzmán et al. 2020).

2.13 Importance of Corporate Governance and Family Firms

The aim of corporate governance is to provide an equality of opportunity for all stakeholders. The reason for this is because CG's primary role was to fully investigate corporate frauds. Transparency between the owner and the shareholder is provided through corporate governance. In publicly listed firms, the corporate operations and ruled are controlled by the corporate governance(Klein 2010).

Arrow (1974) had a debate on corporate governance by defining that it is basically the means available to corporations so that it can be ensure that any gain by the authority is directly linked with benefits of the company and as well as not exploiting the advantages which have been considered private.

The literature review on corporate governance in family firms was very clear that board members were in two relevant dimensions when there was about the power and legitimacy (Cruz, Justo et al. 2019). Family affiliation was the first one which was associated with individual level variables such as remuneration benefits right to take decisions in the family firm (Cruz, Gómez-Mejia et al. 2010). Finkelstein (1992) emphasized the importance of family ties, suggesting that power derived from the family would be won directly through shareholder representation. As a result, corporate governance took into account the significant impact of family affiliation on the directors' power (Anderson and Reeb 2003).

Understanding the director's strength and legitimacy in the context of insider and outsider directors was the next stage (Cruz, Justo et al. 2019). Further the existing studies suggested that corporate performance and gender diversity was having relationship with corporate governance(Fan 2011).

From the last few decades, the attention has been given the importance of corporate governance practices in family business. Corporate governance has been measured at the family and businesses level, providing good solutions to the family ownership challenges. Corporate governance has gained the attention of all businesses including family businesses because of its purposes which are accountability, transparency, fairness in disclosers and other values which are associated with the succession of family business in Pakistan. The principle of good corporate governance has proved useful for non-listed companies and for listed companies. Corporate governance rules and practices which have been made for listed companies can be used for family businesses in Pakistan either they are listed or not listed (Gulzar and Wang 2010).

In the Pakistan economy, listed family-owned companies have been considered the backbone of Pakistan economy. But somehow these companies are not fully aware of corporate governance codes and practices and working in a less open environment. Good governance promotion for family businesses has become crucial for strong economic sector development. The Sharpe growth in firms has proved as fuel in Pakistan's private sector growth and creating good governance is even more important for the businesses in Pakistan (Ali Shah, Butt et al. 2009).

Currently, the corporate governance code is only ensuring the compliance for those companies which are listed on stock exchange. Corporate governance concept has now become vital for the continuity and sustainability of companies which are playing role in supporting the economic growth of Pakistan. A number of amendments have been recorded in the companies Act of Pakistan 2017, which are used to strengthen the corporate practices in the region.

Family firms having good governance practices are more likely to have strategies about succession planning. One of the corporate practices is about BODs in which it was clearly mentioned that the board must have reasonable number of members and some suggested that the ideal range of board is 7 to 10 members in the listed firms. To support effective and objective board management, there must be a balance between non-executive and executive directors, particularly independent non-executive directors and he/she would be able to acquire the sitting fees in the meetings and companies act 2017 suggested that 1/3 board composition should base on independent directors (Sikandar and Mahmood 2018).

According to the corporate governance practices, size of board must base on the company size, age, and nature of business operations. It was made mandatory for the firms to have at least five directors according to the regulation the companies' act 2017. The researcher indicated the importance of corporate governance in family businesses in Pakistan for getting sustainability and profitability (Mansoor, Ellahi et al. 2020).

Pakistani market is controlled by family controlled large and diversified businesses like other markets (Alim and Khan 2016). Yasser, Entebang et al. (2011) analyzed the impact of corporate governance practices on firm performance in financial terms. It was indicated by Mansoor, Ellahi et al. (2019) there was a positive relationship between firm performance and corporate governance three indicators although firm performance was not significantly related with CEO duality. Abdullah, Ismail et al. (2016) examined the role of ownership structure on firm performance in financial terms through using accounting and market-based measures. The study found that there was positive impact on firm's market-based measures (Tobin's QP) when ownership was associated with holdings and blockage of holdings.

2.14 Family Firms and Firm Performance

The relationship between family businesses and their performance has been widely researched. Anderson and Reeb (2003) attempted to make a connection between family firms and firm performance in the United States. In comparison to non-family firms, the study's findings revealed that family firms have more efficient and effective performance and organizational structure (McConaughy, Walker et al. 1998).

Firms owned by founding families in Western Europe were more successful than non-family businesses (Maury 2006). Cronqvist and Nilsson (2003) found that the value of firm was largely discounted in Sweden. Firms which were owned and managed by families in Norway were less productive and efficient in term of performance as compared to non-family firms (Barth, Gulbrandsen et al. 2005).

Companies who are having high concentrated ownership have high performance(Hill and Snell 1989). (Peng and Jiang 2010) stated that if the family companies having greater control, then it will lead towards the greater opportunities for them as compared to the minority shareholders, although the firm’s value and performance will go down. According to the author the study of female executives in family business was having specific relevancy because family companies were the most common type of companies in all over the world and there was accountability by these companies over two-third of all companies and they have to generate 50% to 80% of employment in most of the countries, therefore women reach in the executive position in the family business but still the female directorship and its impact on firm performance was not able to attain enough attention (Giraldez-Puig and Berenguer 2018).

The study examined the relationship between firm performances which were controlled by families in Japan. The data which was constructed based on family’s ownerships, family management and managers which were associated with families. The finding of this paper was based on that approximately 36% listed companies were owned by the families of their descendants. And almost 25% firm’s largest shareholders were founding families. Family firms which were managed by families traded at premium. The results were mixed after the retirement of founders that the firms which were family, and both owned and managed by family’s founders descendent were having inferior performance as compared to non-family firms. In contrast, family firms performance which are owned and managed by founders descendants were having superior performance as compared to the non-family firm (Saito 2008).

2.15 Issues in Family Business

Family businesses have been considered the most common type of business organization. It has appeared the complex has unique weaknesses and strengths which are associated with the stem from being family owned and managed. One of the issues in a family business is they tend to focus on issues and tensions within the family. The tightened control has limited the growth and opportunities for the family businesses. There was a need to form the set of governance and its implementation in family firms due to agency problems in the firm. The criticism was made on family firms because of their conservatism and lack of professionalism. The reason for this problem was the presence of strong family control over management decisions (Liu, Wei et al. 2014).

In family concentration, there is an issue of concentrated holdings which has been couched and run by the founder or the founders of the family. That kind of corporate governance system in which family-based structure is most appropriate and relevant for those countries which are in the developing stage. The private and publicly traded both companies are having a family ownership system (La Porta, Lopez-de-Silanes et al. 1999, Claessens, Djankov et al. 2000).

However, most firms were represented as family-owned firms, the decisions regarding succession taken by entrepreneurs determined that the degree of control and separation (Burkart and Panunzi 2003). The professional manager was hired by the founder of Anglo-Saxon firms. But in developing countries the most firms were not having the ownership and control separation, however most firms were controlled and managed by the founders. Some cases in which owners may relinquish control to professional managers (Zaidi and Aslam 2006). Through collective behavior, majority owners and agents may be maximize their collective utility because the priority of the agent is to minimize the conflicts with the principal. So under this situation, shareholders having minor interest would diverge by those of majority owners and managers, and the price which they are paying will reflect the monitoring costs which have been paid by the owner (Zaidi and Aslam 2006).

(Pollak 1985) argue that there is poor performance by the board in family firms which may be creating the difficulty in supervision of family members. It can be argued by anyone that family members are not suitable for directors because sometimes they do not match with the business operations which is an issue in family business.

One of the researchers identified that the family business was facing the issue in managing the human resources especially when it was concerned with the family member or the transition from the founder to the successor. The author tried to find that whether that issue was faced b family businesses or not in growing business and as well as tried to find out the factors which were constrained the ability of the family business to grow. The results concluded that human resource management was appearing the main issue in family businesses.

Herdhayinta, Lau et al. (2021)suggested that family businesses may be suffering from limited organizational capability which was resulting to the inadequacies and complexity in the planning process of family businesses.

The issue which was highlighted by Barth, Gulbrandsen et al. (2005) as a coaching issue in family business. That was the emerging issue in family businesses which was associated with the presence of blended coaching approach for family businesses through or with an interdisciplinary focus in practices. The other hot issue in family businesses was conflict in family business which may occur at any level. This conflict may be arising due to the stress of interaction between the company culture and the family unit. Problems were occurring in family business due to difference in opinion at one point and the same time.

2.16 Female Cross-Directorship

Over the last century, cross-directorship has gained the main attention of the researcher and it has become the hot topic of research for the researchers since the corporate environment is changing, so are different paradigm. There are many theories which are explaining cross-directorship and one of the best theories is resource dependency theory which is explaining the cross directorship. The main purpose of cross-directorship is the removal of uncertainty. Through this, a relationship is created by the firm to ensuring the access to resources which may not produce internally. Through this the chances of uncertainty can be minimized and can be decreased to a possible level. If the firm’s board of director is having cross-directorship he/she is having access to the networks which will be valuable for the firm in terms of knowledge experience and so on. It is difficult to obtain knowledge of a firm. However, a director who serves on the boards of two companies has the ability to act as a conduit (O’Hagan, 2016).

This study was based on the corporate performance in Malaysia. This study focused on one of the issues in corporate governance which was cross-directorship and its impact on firm performance. This study came up with the results that there was no significant relationship between corporate performance and cross-directorship in Malaysia (Wan Abdullah 2010). O'Hagan (2017) argued on the effect of cross-directorship of women. The findings revealed that cross directorship of women/females is causing the greater corporate performance. Furthermore, the comparison between men cross directorship and female cross-directorship was also done and the findings came up with that women having cross directorship were having great corporate performance as compared to men. And the results of this study suggested that women were performing better on corporate when they already sit on board or more than one board.

Chapter 3: Research Methodology

Chapter's Introduction:

The methodology of the current study and the research plan will be included in this part. It will outline the general approach taken by this study to accomplish its goals. This chapter will include the following:

- Research framework
- Research Design
- Data sources/Data collection
- Sampling of data
- Variables Identification
- Simulation Equation Model
- Method of Analysis

3.1 Research Framework

In this research we are going to examine the effects of corporate governance practices including the presence of family male, family female, non-family male and non-family female on the firm's performance (Tobins Q) by looking into the matter from two different aspects of it. First aspect is going to be the effects of being a family-oriented firm or a non-family-oriented firm on the firm performance. In the second aspect we will be looking into the effects of having association of business groups or individual (no association) firms on firm performance. The dependent variable is firms' performance which is being measured by tobin's Q. The independent variables are family firm which is dummy varible, business group is also a dummy variable, family male, family female, non-family male and non-family female.

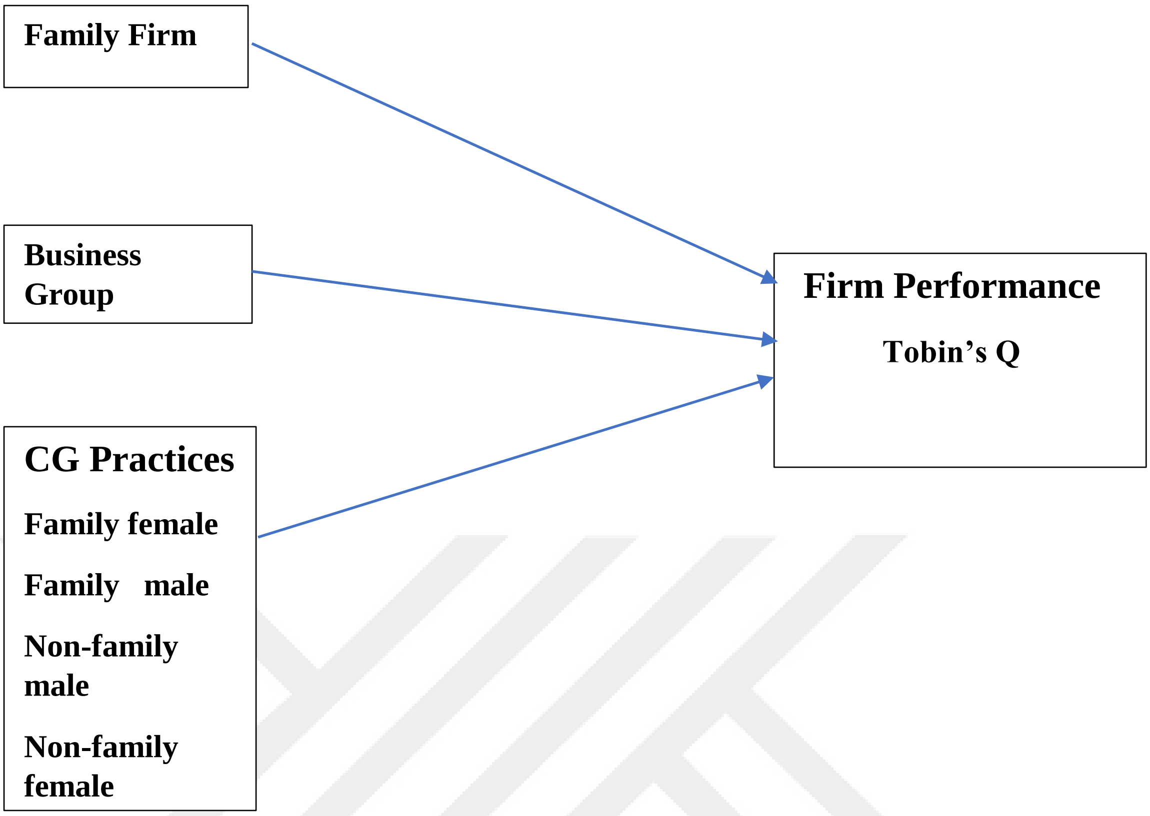


Figure 3.1: Research Framework

3-2 Research design

Quantitative approaches are utilised in this study's research design. Numerous literature evaluations highlighted the shortcomings and limits of earlier research. The primary data source for this study is secondary information obtained from company financial reports. There are six independent varibles and one dependent variable. And, this research incorporates two control variables. An anlysis will be performed to identify the impact of corporate governance practices, family firm and business group affiliation. This analysis will identify that the impact of corporate governance practices on the firm's performance and also to analyze that the impact on performance of firm which are family firms and having an affiliation with a business group. The relationship will bw analyzed by using different techniques which includes regression analysis and descriptive analysis also.

3.3 Data sources / data Collection

We have consulted secondary sources to investigate the dependence between predictor and explanatory variables. We have used secondary data for this research that was collected from the firms' yearly audited reports. There are 172 companies in the data sample that are listed on the Pakistan Stock Exchange. From 2009 to 2021, both financial and non-financial data are gathered.

3.4 Sampling of data

Data for this study was gathered from the published annual reports of the KSE-selected corporations. This study compares the effects of female directors from families and non-family female directors and the presence of family male and non-family male directors on the firm performance. Furthermore, impact of family firm and affiliation with business group.

Table 3.1 Industry Sector

Sr. no	Industry Sector	# of firms	% of firms
1	AUTOMOBILE-ASSEMBLER	01	0.59%
2	AUTOMOBILE ACCESSORIES	02	1.18%
3	CABLE AND ELECTRICAL GOODS	01	0.59%
4	CEMENT	17	10.06%
5	CHEMICAL SECTOR	05	2.96%
6	ENGINEERING	01	0.59%
7	FERTILIZER	05	2.96%
8	FOOD AND PERSONAL CARE PRODUCTS	05	2.96%
9	GLASS AND CERAMICS	02	1.18%
10	JUTE	01	0.59%
11	LEATHER & TANNERIES	02	1.18%
12	MISCELLANEOUS	01	0.59%
13	OIL & GAS MARKETING COMPANIES	01	0.59%
14	PAPER & BOARD	06	3.55%
15	PHARMACEUTICALS	02	1.18%
16	POWER GENERATION AND DISTRIBUTION	01	0.59%
17	SUGAR INDUSTRY & ALLIED	25	14.79%
18	SYNTHETIC & RAYON SECTOR	02	1.18%
19	TECHNOLOGY & COMMUNICATION SECTOR	01	0.59%
20	TEXTILE COMPOSITE	33	19.53%

21	TEXTILE SPINNING	50	29.59%
22	TEXTILE WEAVING	04	2.37%
23	WOOLLEN	01	0.59%

Above table is representing all sectors from which the data has been collected and included in this research. The sample of data is having 23 sectors of Pakistan which are based on 169 companies. From this table, we can see that textile spinning sector is having the highest percentage in data which is 29.59%. Textile composite and Sugar industry and Allied is also having prominent percentage of the data sample which is 19.53% and 14.79%. After that, the cement sector is also having significant proportion which is 10.06%. Most of the sectors are having equal proportion of 0.59%.

3.5 Definition of Variables

Table 3.2 Definition of Variables

Variables	Symbols	Definition
Tobin's Q	Tobin's Q	Assets minus Equity plus Market Value divided by Assets.
Family Female Directors	F_Female	Number of family female director on board.
Non-family Female Directors	NF_Female	Number of Non-family female director on board.
Family Male director	F_Male	Number of family male directors on board.
Non-family male director	NF_Male	Number of non-family male directors on board.
Family Firm	FF	Dummy variable, if the firm is family firm 1, otherwise 0
Business Group	BG	Dummy variable, if company is having any affiliation with business group 1, otherwise 0
Firm Size	F_Size	Natural logarithm of total assets
Leverage	Lev	The ratio of total debt tp total assets.

The variables' explanations are given in Table 3-2. It contains data on control variables, independent variables, and dependent/predictor variables.

Dependent variable:

In this study, the dependent variable is Firm's performance (Tobin's Q).

Explanatory/independent Variables:

There are several independent variables which are selected for obtaining the research objective and these are following:

Corporate governance: CG practices which are being measured by some board characteristics.

F_Female	Family female
F_Male	Family male
NF_Male	Non-family male
NF_Female	Non-family female
FF	Family firm
BG	Business Group

Control Variables:

F_size	'Size of firm'
Lev	'Leverage'

3.6 Equation Model

$$\text{Tobin's } Q_{it} = \beta_o + \beta_1 F\_Female_{it} + \beta_2 F\_Male_{it} + \beta_3 NF\_Female_{it} + \beta_4 NF\_Male_{it} + \beta_5 FF_{it} + \beta_6 BG_{it} + \beta_7 F\_Size_{it} + \beta_8 Lev_{it} + \varepsilon_{it}$$

3.7 Methods used for Analysis

3.7.1 Heteroskedasticity

Uneven dispersion is the definition of heteroskedasticity. In regression analysis, heteroskedasticity usually referred to in terms of residuals. It can be characterised as the constant variability in the residual distribution across all experimental measures. In datasets where the largest and lowest recorded values differ noticeably, heteroskedasticity is more prevalent. A model may exhibit heteroskedasticity for a variety of reasons. Data collection at different scales, inaccurate model specification, inadequate model representation, or any abnormality in the datasets might all be contributing factors. It may produce a range of effective results for any of these causes. I in the model, it can be verified using the statistical method of testing. If it is present, it signifies that the model violates the fundamental assumption underlying OLS regression and will result in incorrect findings. The Bruesch Pagan test for heteroskedasticity will be used in this study.

Trevor Bruesch and Adrian Pagan created the Breusch pagan in 1979. The Breusch Pagan test is employed in the linear regression model to check for heteroskedasticity, and it is assumed that the error terms have a regular distribution. This technique is used to determine whether the values of the independent variable affect the variance of the regression mistakes. The test's advantage is that it frequently yields accurate results. The huge size of the data sample is suitable for this test. It is expected that independent variables in the Bruesch Pagan test have a linear connection to one another. If the relationship is non-linear, this test is not relevant. Investigations in an abnormal dispersion were not possible. There is heteroskedasticity if the p-value is less than 0.05.

3.7.2 VIF Method for the Independent variables

Multicollinearity is a problem in multiple regression analysis because the explanatory variables interact with one another, preventing them from being really independent and making it impossible to determine the relationship between the dependent and predictor variable. Various tests are run to determine the multicollinearity of the independent variables to ensure that the model is constructed correctly. The variance inflation factor is one such test. In order to update the model, it is easier to assess the severity of multicollinearity problems when the variance inflation factor is used. The variance inflation factor assesses how much the explanatory variable's behaviour has changed as a result of other predictor variables. An explanatory variable with a significant variance inflation factor suggests that there is a significant collinear relationship with other variables that has to be addressed or adjusted in the model's structure and in the choice of predictor variables.

3.7.3 OLS

This study will use the common least squares test. The most popular method for performing regression analyses is this one. The sum of square standardized residual difference between dependent variables is minimised using that method. This technique is employed in linear regression analysis, which shows the relationship between one or more independent variables and the dependent variable. The impact of FF, BG, F_Male, F_Female, NF_Female, NF_Male on firm performance (Tobin's Q) will be examined in our research.

3.7.4 Autocorrelation

The degree of link between the same variables over two following time periods is known as "autocorrelation." By calculating the correlation between data collected at multiple points in time, it analyses patterns or trends in the time series. Autocorrelation is significant and has the power to modify the accuracy of inferential conclusions when compared to the conventional hypothesis test and confidence intervals. The likelihood of correlation will persuade a researcher to choose a more pertinent statistical analysis.

Chapter 4: Findings and Discussions

4.1 Introduction

This chapter will contain thorough analysis of the data by using different tests, methods and techniques. Analysis will be performed to analyze the nexus between independent and dependent variables. This section will also include the variables description, trends analysis and also the composition of data that have been used in this research.

4.2 Descriptive Analysis

Table 4.1 Directors positions

Total director positions	12440
Independent directors	2034
Female directors	1474

Table 4-1 is depicting the director positions in data set including the positions of independent directors and female directors. This table shows the positions of directors from overall data set including family firms and non-family firms. The overall positions of directors are 12440 which include all director positions including independent directors, female directors, executive directors and non-executive directors. This table shows that female directors are 1474 in the data set and the number of independent directors is 2034. Rest of the director positions are 8932 which consists of executive directors and non-executive directors. It shows that female directors are less in numbers as compared to other director position. Approximately, 16.35% of overall directors position are independent directors and 11.84% are female directors. Remaining 71.81% of the directors are executive and non-executive directors.

Figure 4.1 Positions of independent directors on board

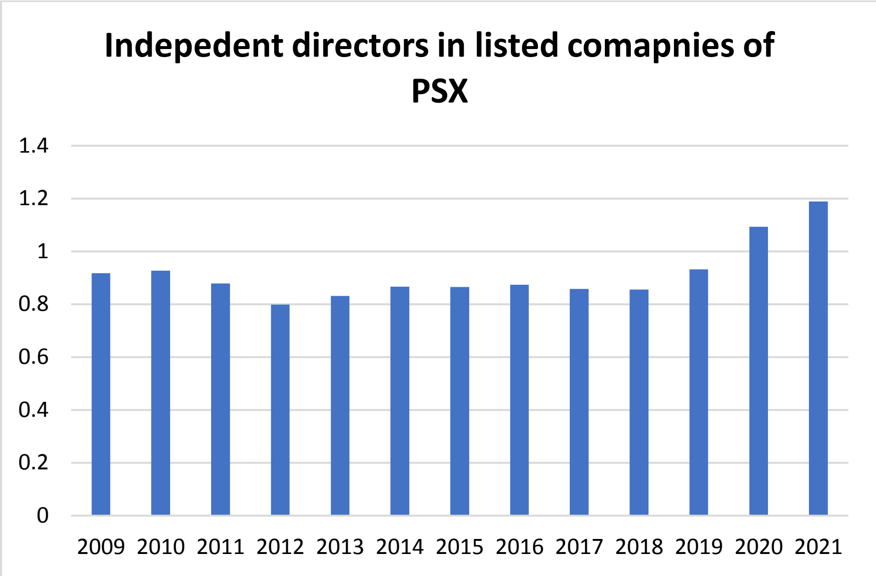


Figure 4-1 represents the positions of independent directors on board in the listed companies of Pakistan Stock Exchange (PSX) from year 2009 to 2021. Y-axis shows the average number of independent directors on the board of companies and X-axis shows the years from 2009 to 2021. This figure clearly shows the continuously increasing trend of independent directors on the board from year 2009-2021.

Figure 4.2 Positions of female directors on board

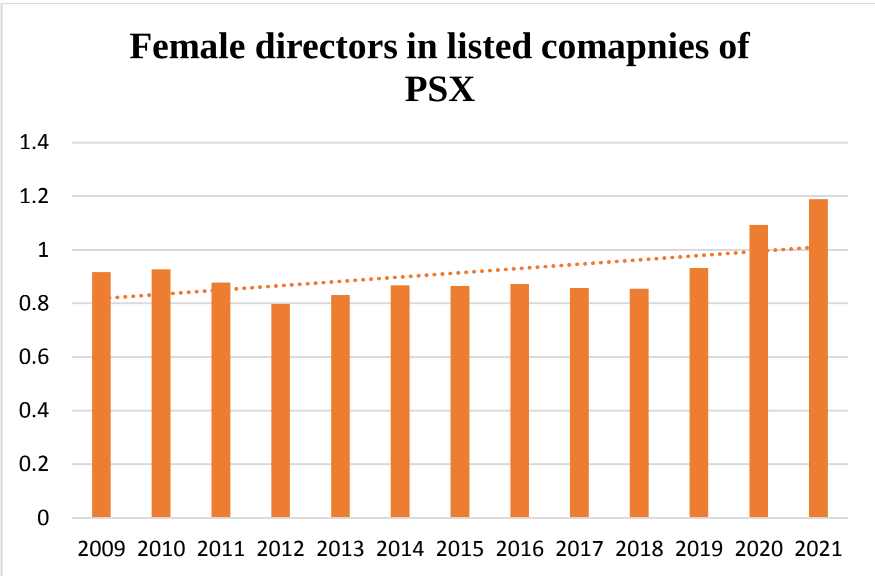


Figure 4-2 is depicting the positions of female directors on the board from the year of 2009 to 2021 of listed companies of Pakistan Stock Exchange (PSX). X-axis in this figure shows the years from 2009-2021 while Y-axis in the figure shows the average number of female directors in the board. This figure represents the female director's positions. The trend line clearly depicts the increasing trend over the years. It also shows that companies which have been selected for data sample are clearly in compliance of code of corporate governance to have at least one female member on the board.

Data proportion:

Total firms	169
Family Firms	127
Non-family firms	42

There are total 169 companies for which data has been collected and out of the total dataset 75.14% data is from the family firms and remaining 24.85% is of the non-family firms.

4.3 Descriptive analysis for family-firms:

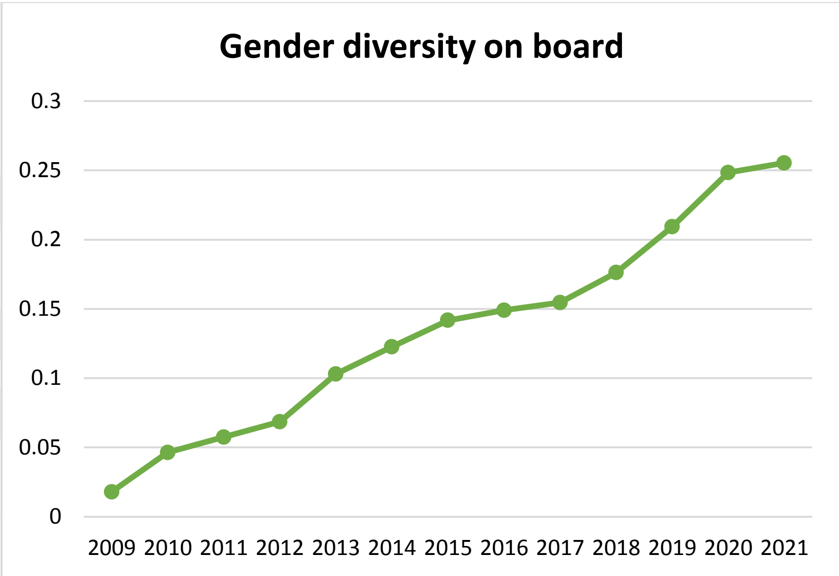
Table 4.2: Percentage of female directors in family-firms year wise

Year	TDP	#FD	%	Avg.
2009	61	8	13.11	1.00
2010	378	49	12.96	0.98
2011	481	59	12.27	0.92
2012	580	65	11.21	0.83
2013	809	95	11.74	0.88
2014	860	111	12.91	0.97
2015	892	117	13.12	0.99
2016	901	117	12.99	0.98
2017	948	123	12.97	0.99
2018	922	117	12.69	0.97
2019	937	124	13.23	1.01
2020	952	144	15.13	1.16
2021	678	106	15.63	1.22

The table 4-2 is representing the year-wise positions of female directors on the board of listed family firms on Pakistan Stock Exchange (PSX) from the year 2009 to 2021.

This table is providing the information of the percentage of female director year-wise out of the total director positions and also about the average of female director positions. This table is showing that the year 2021 contains highest percentage of female directors which is 15.63% of the total director positions in this year. It depicts that the average of female director positions is increasing over the years from the period of 2009 to 2021.

Figure 4.3 Board diversity in family-firms



This figure 4-3 is showing the board's gender diversity of family-firms which are listed companies of Pakistan Stock Exchange (PSX). From this figure, X-axis is showing the years which is from 2009 to 2021 while Y-axis is representing the average of board's gender diversity of the family firms. Figure shows that board gender diversity is increasing from the year 2009 to 2021 in the family-firms which is the representation of compliance of corporate governance code for having one female members at-least on board.

Table 4.3: Percentage of Independent directors in family-firms year-wise:

Year	TDP	#IND	%	Avg.
2009	61	1	1.64%	0.13
2010	378	17	4.50%	0.34
2011	481	28	5.82%	0.44
2012	580	41	7.07%	0.53
2013	809	86	10.63%	0.80
2014	860	107	12.44%	0.94
2015	892	127	14.24%	1.08
2016	901	135	14.98%	1.13
2017	948	148	15.61%	1.19
2018	922	164	17.79%	1.36
2019	937	199	21.24%	1.62
2020	952	239	25.11%	1.93
2021	678	174	25.66%	2.00

This table 4-3 is representing the percentage of independent director year-wise out of the total director position of the family firms and also the average of independent directors yearly. This table provides the information of board independence of the family firms from the data of listed companies of Pakistan Stock Exchange. Year 2021 is having the highest percentage of independent directors which is 25.66% of the total director positions and the year 2009 is having the lowest percentage of independent directors on the board from the data sample of period 2009 to 2021. The average number of independent directors over the years is increasing.

Figure 4.4 Representation of board independence in family-firms

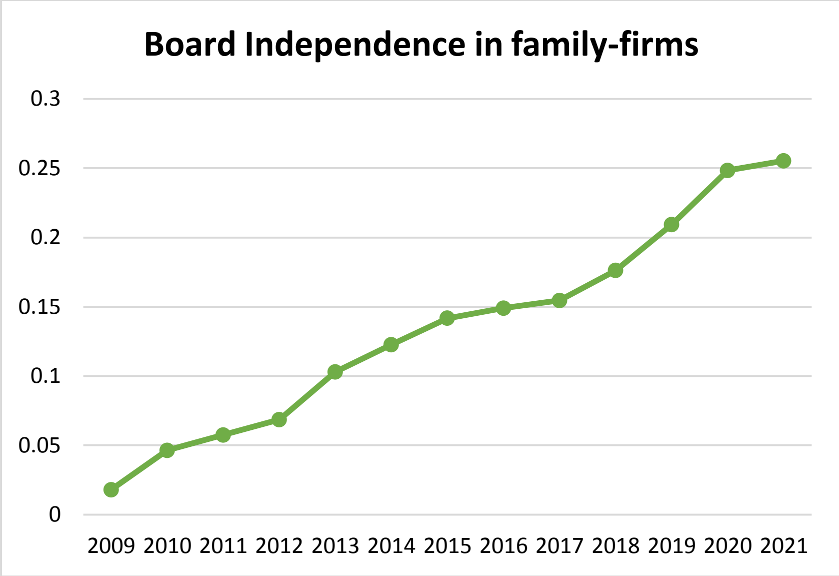


Figure 4-4 is representing the board independence of family firms in listed companies of Pakistan Stock Exchange (PSX) from the year 2009 to 2021. Y-axis is representing the average of board independence over the years. This figure clearly demonstrates the increasing trend of board independence form the year 2009 to 2021 which evident the independent board of the family firms.

4.4 Descriptive analysis for non-family firms

Table 4.4: Female director positions in non-family-firms

Year	TDP	#FD	%	Avg.
2009	33	3	9.09	0.75
2010	142	14	9.86	0.78
2011	147	13	8.84	0.72
2012	207	18	8.70	0.69
2013	233	18	7.73	0.64
2014	294	19	6.46	0.53
2015	302	18	5.96	0.47
2016	302	21	6.95	0.55
2017	299	16	5.35	0.42
2018	306	19	6.21	0.50
2019	312	27	8.65	0.69
2020	308	33	10.71	0.87
2021	156	20	12.82	1.05

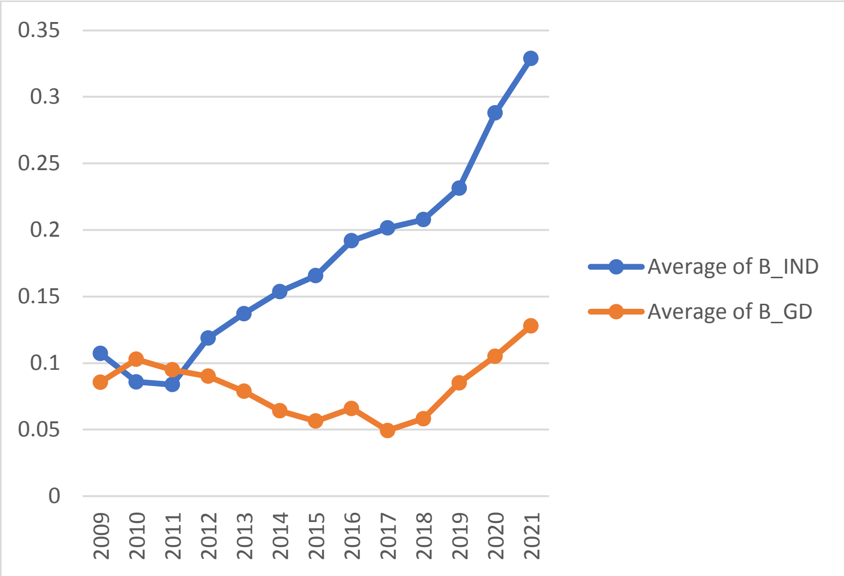
This table is representing the year-wise positions of female directors on the board of listed non-family firms on Pakistan Stock Exchange (PSX) from the year 2009 to 2021. This table is providing the information of the percentage of female director year-wise out of the total director positions and also about the average of female director positions in the non-family firms. This table is showing that the year 2021 contains highest percentage of female directors which is 12.28% of the total director positions in this year. It depicts that the average of female director positions is increasing over the years from the period of 2009 to 2021.

Table 4.5: Independent directors on board of Non-family firms

Year	**TDP**	**#IND**	**%**	**Avg.**
2009	33	3	9.09%	0.75
2010	142	13	9.15%	0.72
2011	147	13	8.84%	0.72
2012	207	26	12.56%	1.00
2013	233	32	13.73%	1.14
2014	294	44	14.97%	1.22
2015	302	49	16.23%	1.29
2016	302	58	19.21%	1.53
2017	299	59	19.73%	1.55
2018	306	62	20.26%	1.63
2019	312	70	22.44%	1.79
2020	308	88	28.57%	2.32
2021	156	51	32.69%	2.68

This table is representing the percentage of independent director year-wise out of the total director position of the Non-family firms and also the average of independent directors yearly. This table provides the information of board independence of the Non-family firms from the data of listed companies of Pakistan Stock Exchange. Year 2021 is having the highest percentage of independent directors which is 32.69% of the total director positions.

Figure 4.5 Board Independence and board diversity in Non-family firms:



This figure is representing the gender diversity and independence on board of the non-family firms of listed companies on Pakistan Stock Exchange from year 2009 to 2021. The lower line is showing the board diversity in non-family firms and the upper line shows the board independence. figure clearly shows the increasing treand of board diversity and board independence over the years.

Table 4.6: Family firms and Business Groups:

Year	Avg F_Firms	Avg. BG
2009	0.67	0.75
2010	0.74	0.71
2011	0.78	0.74
2012	0.75	0.76
2013	0.79	0.76
2014	0.76	0.76
2015	0.76	0.77
2016	0.76	0.77
2017	0.77	0.77
2018	0.76	0.77
2019	0.76	0.76
2020	0.77	0.75
2021	0.82	0.76

Table 4-6 is demonstrating the average of the family firms in the respective years from the overall dataset of companies of listed companies on PSX. This table is also showing the average of firms which are having business group affiliation. In year 2021, average of family firms is higher comparatively than other years.

Figure 4.6: Average board size of family-firms

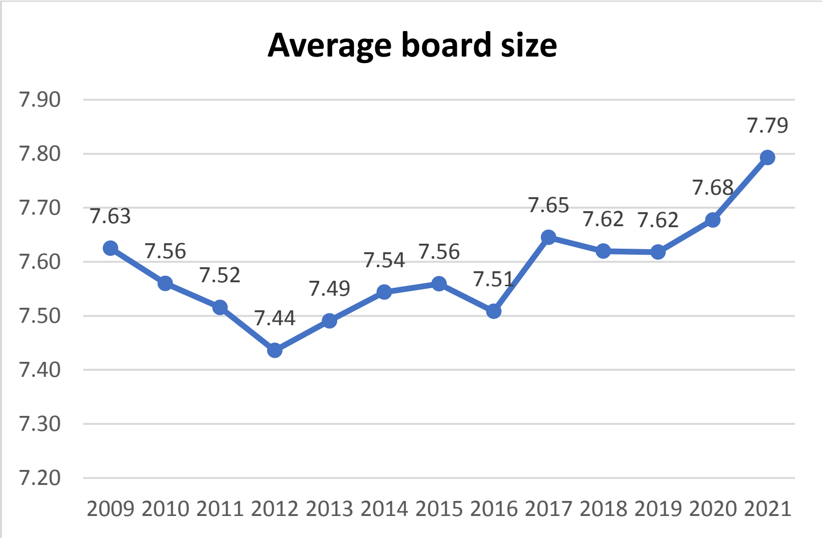
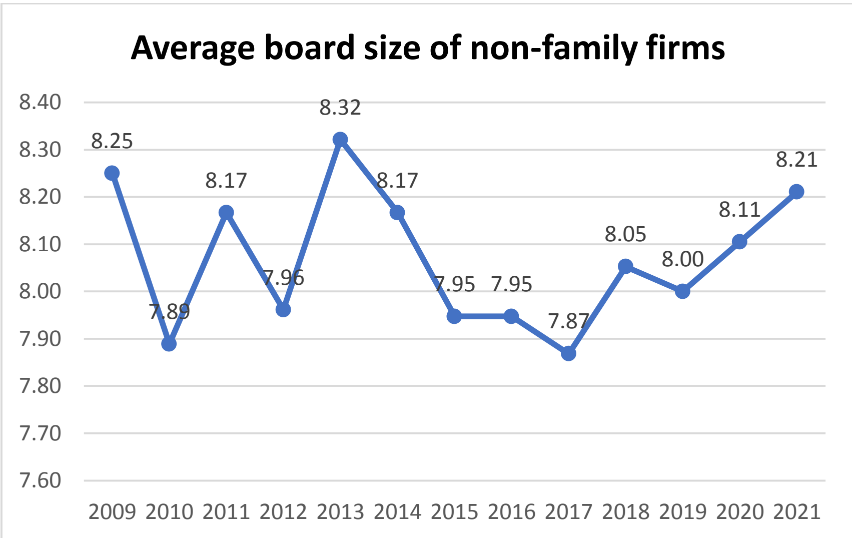


Table 4-6 is representing the average size of board of the family firms. This figure is clearly depicting that the average of board size is 7 in each year which shows the compliance of code of corporate governance of having at least seven members on the board.

Figure 4.7: Non-family firms Average board size



This figure shows the average board size of the non-family firms from the selected data. The year 2013 is having the highest average board size which is 8.32

comparatively to other years. In the non-family firms, the average board size lies between 7.0 and 8.0.

4.5 Sample Description

Table 4.7: Sample description of family firms

Variable	Obs	Mean	Std. Dev.	Min	Max
B_Size	1,239	7.59	0.92	7.00	12.00
B_GD	1,239	0.13	0.15	0.00	0.63
B_IND	1,239	0.15	0.13	0.00	0.86
B_Meetings	1,239	5.30	2.08	2.00	28.00
BG	1,239	0.84	0.37	0.00	1.00
ROA	1,239	1.49	9.98	-4.75	235.66
ROE	1,239	1.40	17.05	-12.80	370.75
TobinsQ	1,239	4.39	17.20	0.04	267.43
Lev	1,239	3.23	37.51	-323.55	962.93
F_Size	1,239	8.19	1.65	2.82	13.21

Descriptive statistics provides help in understanding the data characteristics by the brief description of data sample. This table represents the description of data sample of family firms. It shows that there are 1239 observations in the data set of companies listed on Pakistan Stock Exchange. It provides information of maximum value and minimum value, mean value and standard deviation of each variable. Firms performance is dependent variable measured by Tobin's Q, ROA and ROE. Corporate governance characteristics are based on size of board (B_Size), independence on board (B_IND), gender diversity on board (B_GD), and board meetings (B_Meetings) and business group (BG) are independent variables. Leverage (Lev) and Firm size (F_Size) are the control variables. For B_Size, minimum value is 7 and maximum value is 12, mean is 7.59 and standard deviation is 0.92. B_GD is having minimum value 0.000 and maximum value 0.63, mean=0.13, standard deviation=0.15. B_IND is having minimum and maximum value of 0.000 and 0.86, mean is 0.15, standard deviation is 0.13. For B_Meetings, minimum value=2 and maximum value=28, mean=5.30, and standard deviation=2.08. For BG, minimum value is 0 and maximum value is 1.00, mean is 0.84 and standard deviation is 0.37. ROA is having minimum value -0.475 and maximum value 235.66, mean=1.49, standard deviation=9.98. ROE is having minimum and maximum value of -12.80 and 370.75, mean is 1.40, standard deviation is 17.05. For Tobin's Q, minimum value=0.04 and maximum value=267.43, mean=4.39, and standard deviation=17.20. Leverage is having minimum and maximum value of -323.55 and 962.93, mean is 3.23, standard deviation is 37.51. For Firm size, minimum value=2.82 and maximum value=13.21, mean=8.19, and standard deviation=1.65.

Table 4.8: Sample description of non-family firms

Variable	obs	Mean	Std. Dev.	Min	Max
B_Size	376	8.05	1.41	7.00	12.00
B_GD	376	0.08	0.11	0.00	0.43
B_IND	376	0.19	0.15	0.00	0.86
B_Meetings	376	5.29	1.48	4.00	12.00
BG	376	0.50	0.50	0.00	1.00
ROA	376	1.07	19.22	-265.88	160.85
ROE	376	0.17	1.17	-6.16	13.71
TobinsQ	376	19.87	111.78	0.07	1088.68
Lev	376	1.06	9.52	-103.00	80.50
F_Size	376	8.07	1.93	-4.31	11.79

Table is showing the describing the sample of non-family firms. The total observations for the non-family firms data are 376. For B_Size, minimum value is 7 and maximum value is 12, mean is 8.05 and standard deviation is 1.41. B_GD is having minimum value 0.000 and maximum value 0.43, mean=0.08, standard deviation=0.11. B_IND is having minimum and maximum value of 0.000 and 0.86, mean is 0.19, standard deviation is 0.15. For B_Meetings, minimum value=4 and maximum value=12, mean=5.29, and standard deviation=1.48. For BG, minimum value is 0 and maximum value is 1.00, mean is 0.50 and standard deviation is 0.50. ROA is having minimum value -265.88 and maximum value 160.85, mean=1.07, standard deviation=19.92. ROE is having minimum and maximum value of -6.16 and 13.71, mean is 0.17, standard deviation is 1.17. For Tobin's Q, minimum value=0.07 and maximum value=1088.68, mean=19.87, and standard deviation=111.78. Leverage is having minimum and maximum value of -103.00 and 80.50, mean is 1.06, standard deviation is 9.52. For Firm size, minimum value=-4.31 and maximum value=11.79, mean=8.07, and standard deviation=1.93.

4.6 Results

- **Breusch-Pagan / Cook-Weisberg test for heteroskedasticity**

Ho: Constant variance

Variables: fitted values of Tobin's Q

chi2(1) = 2484.39

Prob > chi2 = 0.0000

Interpretation of results:

Results from this test shows that our data is heterogeneous and the value of "p" is less than 0.05, there is heteroskedasticity. The test's results demonstrate that the variance of residuals rises as a function of one or more independent factors.

- **Variance Inflation factor**

Variable	VIF	1/VIF
NF_Male	5.8	0.172554
F_Male	4.7	0.21266
F_Female	1.89	0.529891
FF	1.64	0.608639
F_Size	1.29	0.7778
NF_Female	1.28	0.782726
BG	1.24	0.806896
Lev	1.16	0.86169

Mean VIF= 2.37

Interpretation: To determine whether our data are multicollinear, the VIF test is run. Results indicate that there is no multicollinearity in our data because the mean VIF is 2.37, which is less than 10. It shows that there is no multicollinearity exists in our data.

- **Breusch-Godfrey LM test for autocorrelation**

lags(p)	chi2	df	Prob > chi2
1	919.528	1	0.0000

H0: no serial correlation

- **Regression Analysis:**

Random-effects GLS regression Number of obs = 1,608

Group variable: CompID Number of groups = 168

R-sq: Obs per group:

within = 0.3484 min = 1

between = 0.2469 avg = 9.6

overall = 0.2480 max = 13

Wald chi2(8) = 24.61

corr(u_i, X) = 0 (assumed) Prob > chi2 = 0.0018

(Replications based on 168 clusters in CompID)

Table 4-9 Regression Analysis

					Normal-based	
TobinsQ	Observed Coef.	Botstrap Std. Err.	z	P>z	[95% Conf.	Interval]
FF	-8.131253	6.138114	-1.32	0.185	-20.16173	3.899228
BG	-9.965209	8.903132	-1.12	0.263	-27.41503	7.484609
F_Female	0.3712463	0.8738521	0.42	0.671	-1.341472	2.083965
NF_Female	1.988894	1.176656	1.69	0.091	-0.3173099	4.295098
F_Male	-0.6606737	0.8491447	-0.78	0.437	-2.324967	1.003619
NF_Male	0.9162469	1.138593	0.8	0.421	-1.315355	3.147849
Lev	10.32839	4.801336	2.15	0.031	0.9179402	19.73883
F_Size	-1.792751	1.367369	-1.31	0.19	-4.472745	0.887244
_cons	26.4724	15.46988	1.71	0.087	-3.848017	56.79281

The outcomes of ordinary least square (OLS) regression are shown in Table 4–9. Analysis of regression is carried out where the dependent variable is Firm performance measured by (Tobin’s Q) and independent variables are family firm

(FF), business group (BG), family female (F_Female), Non-family female (NF_Female), family male (F_Male), Non-family male (NF_Male). The control variables are firm size (F_Size) and Leverage (Lev).

Results show that the non-family female (NF_Female) is significant and positive in relation with Tobin's Q having the value (β=1.98894, p=0.091). Family firm (FF) is having a significant but negative relationship with tobin's Q (β=-8.131253, p=0.064). Famliy female is not significant with Tobin's Q (β=-0.3712463, p=0.671). Family male (F_Male) and Non-family male (NF_Male) are having no significant relationship with Tobin's Q having values (β=-0.6606737, p=0.437) (β=0.9162469, p=0.421). Firm size (F_Size) is not statistically significant with Tobin's q having the value (β=-1.792751, p=0.19). Leverage (Lev) is statistically significant with Tobin's Q (β=10.32839, p=0.031). Results indicated that firm performance is increased with the presence of non-family female in the board.

Chapter 05: Conclusion

This chapter consists of conclusion of the study and also includes the recommendations and limitations of study.

We have inconclusive results from the previous research. Due to this, we have less knowledge about the impact of corporate governance practices on firm performance (family vs non-family firms having business group affiliation. Findings of "Impact of Corporate Governance Practices on firm's performance evidence from family vs. non-family and business group affiliation" studies are not only mixed but also unclear. Moreover, most of current studies in Pakistan have used less data or they are not recent. Thus, there is a need to make a large-scale research based on scientific, financial methods regarding mentioned topic.

The objectives of this study is to examine the effects of corporate governance practices including a family female director, non-family female director, family male and non-family male director on the firm's performance (Tobin's Q) by looking into the matter from two different aspects of it. The first aspect is going to be the effects of being a family-oriented firm or a non-family-oriented firm on the firm performance. In the second aspect, we will be looking into the effects of having an association of business groups or individual (no association) firms on firm performance.

The data for this study was gathered from the annual reports of non-financial firms which are listed on the Pakistan stock exchange (PSX).

The findings of this study depict that the presence of non-family female directors are significantly related with firm performance. It means that if due to the presence of non-family female directors, firm performance increases. Family firm dummy has been used in this research and results revealed that it is not significantly related with firm performance. And, having business group affiliation is not significantly related with the firm performance.

The diverse board qualities, such as gender, can have an impact on the company's performance. Board gender diversity can result in the establishment of a varied team with a range of expertise, abilities, and knowledge, claim Parola, Ellis, and Golden

(2015). The BODs will therefore be well-equipped to carry out their duties with regard to shareholders' interests. For better oversight and management, this point of view urges the family business owners to hire both their male and female heirs as directors. Studies have looked into the tenuous relationship between gender diversity and firm performance. The gender diversity of the BOD in corporations had a negligibly small impact on firm performance. Contrary to agency theory, female board members were showing little promise for enhancing business success.

Results also show that the presence of family female directors on the board is having no significant impact on the performance of firm. Women are no longer encouraged for women to participate in decision-making. Commonplace notions about aggression, risk aversion, a lack of confidence in feminine instinct are some of the factors that contribute to this problem. It is a frequent misconception that a girl prioritizes her family over her career, with official obligations lagging behind due to financial strain and a lack of adequate attention. Additionally, there are several unnoticed social constructs that keep women in inferior roles. All of these elements play a role in the gradual advancement of women into senior managerial roles in every established and developing nation (Giraldez-Puig & Berenguer, 2018).

The family male director and non-family male director's presence are also not significantly related with firm performance which means that male directors belong to family and those who do not belong to the family have no impact the performance of the firm (Risberg & Gottlieb, 2019). However, other research indicate that female family directors are important to the success of the business. Female family directors thus function as family agents and observant observers, and depending on their experiences, competence, and independence, their effect can be either favourable or detrimental (Ruigrok, Peck, & Tacheva, 2007). When compared to non-family female directors, the performance of family female directors (FF) is substandard (NFF) which may have been caused by their kinship to the original directors, who hired them despite their lack of training and experience. Additionally, based on the results Non-Family Female Directors (NFF) were chosen because of their qualifications.

5.1 Research Limitations and Recommendations

There are some limitations of this study. Lack of consistency in the data is the study's first shortcoming. Because some companies didn't publish their data on a regular basis, it was impossible to extend the accuracy of our conclusions. The generalizability of the study's findings is another limitation. The findings of this study cannot be generalized to other corporate environments. Our research offers the researcher future research paths. The first way is that we suggest to add more instrumental factors to identify the impact of corporate governance practices on firm performance and use those variables that are related to the research model but outside the model, such as family and non-family female director and family and non-family male director.

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