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Diversity in Board of Directors: Review of Diversity as a Factor to Enhance Board Performance

Alexander Pechersky[1]

Abstract

In light of growing corporate influence in the business world and thus increasing further need to improve framework of corporate governance for shareholders' protection, diversity is examined as a necessary factor to enhance monitoring and leadership functions of board of directors. This article analyses empirical studies with samples on various countries in order to examine effect of board composition and diversity on primary responsibilities of Board of Directors. Author is providing theoretical overview of diversity benefits and practical perspective of gender, qualifications, and background diversity in board performance. Our results show an added value of gender diversity to company performance in social and healthcare industries. Furthermore, author shows a rather negative effect of gender quotas. This study sheds a light on empirical researches and a need to include additional cultural factors called country readiness factors.

Key words

Board of Directors, Board Diversity, Gender Diversity, Board Performance, Corporate Governance, Board composition, Gender quota;

JEL Classification: F23, G3, M14

Introduction

Since the industrial revolution international trade and structure of national economies has been constantly changing. The most relevant changes that has influenced creation of global economy and globalization has started during 60th with expansion of US firm overseas to European markets, later on becoming Multinational Corporations (MNC) changing the course of the economic development. Further consolidation of trade in international market and globalization were favourable for MNC's to grow in to a supreme international force reaching the economic value of some countries GDP and thus being able to exert influence on some developing countries. According to the Bureau of Economic Analysis of US State Department MNC's are accounted in year 2010 for over 50% share ration in whole export of USA. In year 2013, it has been reported by UNCTAD that: "value chains administered in various ways by TNCs now account for 80 per cent of the $20 trillion in trade each year".

With growing rate of globalization, it sets favourable environment for further deepening of MNC influence on global markets. Furthermore, globalization and international trade has forged strong economic relationships between national economies and intensified growing interdependencies. Financial crisis of 2009 has displayed outcomes

[1] Mag. (FH) Alexander Pechersky; University of Economics in Bratislava, Faculty of Commerce, Department of Marketing, Dolnozemska cesta 1, 852 32 Bratislava; E-mail: al.pecher@gmail.com

that were suspected by international community but still unresolved. Major reason of financial crisis, researchers attribute to financial misbehaviours of MNC's (theory of rotten tomatoes) and failure of corporate governance controls (Kirkpatrick, 2009; Erkens, 2012). However, it has been discussed a reason of crisis Economic Domino effect that has widespread it worldwide (Bação, 2012; Durchholz,2010). Thus, due to a substantial role of MNC's in global economics and its dominating influence it's suggested a further increase in control and monitoring in corporate governance. Consequently, author will review board of the directors as a MNC's primary overseeing body and examine application of diversity effect on it as advancement and possible benefit to reduce probability of crisis.

Another important argument for the importance of this research is an increasing role of MNC as a sole contributor of foreign direct investment (FDI) in the world. Balaz (2010), demonstrates that FDI has a positive influencing on GDP growth of the host countries (example of V4 countries) and transparency is considered an important factor in attracting foreign capital necessary for small countries to participate in international trade. From the works of Terjesen (2015) transparency is influenced by female representation on boards as well this serves as a signal to a public on high ethical grounds.

In general, effective corporate governance aids in firm's positive financial results. In the literature, it has been much discussed about various factors in corporate governance influencing positive performance of the firm. Our research focuses on review of Board of Directors as crucial factor influencing performance of the firm and initially created to fill the gap between shareholders and management and to reduce agency costs (Hermalin, at. al. 1998; MacAvay, 1999; Jackling, 2009) In the research of Hermalin and Weisbach (1998) states that main problem in boards is failure in effective monitoring. Although, multiples researches (Hermalin et al., 1998, 2003; Mahadeo, 2011; Terjesen, 2015; Abdullah, 2014;) in the past decade have discussed and researched best model to enhance monitoring and control of management and reduce agency costs where Board Composition was taken as major factor of influence, was only found mixed results. This paper will review Diversity in Board performance and correlation with board independence.

Research literature has mostly uniform voice on a positive influence of board independence on its performance (Hermalin et al., 2003; MacAvay, 1999; Terjesen, 2015). Hermalin (1991) notes that there is no or financially minimal relation between composition of board and firm performance, however outside directors may have positive influence on board decision. Hermalin (1991) continues that CEO interest is to have inside directors on his side and support his interests but for outside directors the goal is to remain independent and pursue shareholder's goals. Thus, there is a struggle over the influence. Therefore, potentially, external directors should be a positive influence in monitoring of CEO. Moreover, in support of it outside directors will react strongly and promptly on poor company performance with dismissing the CEO and reject poor decisions of management rather than inside directors (Hermalin 1998).

From research of Rosentein and Wyatt (1990) examining stock price change based on a new appointment of independent director shown 0.2% increase in stock price, however results aren't conclusive due to inability to single out stock value changed on external director appointment to all other announcements in favour of company performance (Hermelin, 2003). Mahadeo (2011) states that in recent research in developing countries independent directors hold rather monitoring position therefore their influence on performance is minimal or can't be assessed.

In the research literature diversity is much discussed and its effects in board of directors. Concept of diversity in boards may be viewed as different education background, other industry, geography, gender, etc. Most comprehensive explanation of diversity focus can be found at research of Nekhili (2012) – diversity is focusing on three attributes: variety, balance and disparity; Where variety stands for diversity of factors, balance – how much factors distributed are across the board, and disparity – differences of factors (male / female).

By now, legislative and governmental has recognized benefits of diversity thus sixteen national corporate governance codes encourage appointment of the female directors and 14 countries mandate gender quotas" (Terjesen, 2015). Reviewing the trend of diversification, share of female directors on boards has risen from 5.6% in 1990 to approximately 17% by year 2014 (Terjesen, 2015).

Research will include validation and review of board structure, size, composition, and diversity. Author reviews literature to validate a link between board of directors' diversity and its effects. There have been extensive literature reviews and researches (Cabo, 2012; Chapple, 2013; Ellwood, 2014; Terjeson, 2013;) conducted on topic of diversity and woman representation in board of directors in particular. Various authors tried to establish positive link between representation of woman in board of directors and positive firm's performance (Fondas & Sassalos, 2000; Kakabadse et.al. 2015; Luckerath-Rovers, 2011). However, numerous research results have shown mixed or even negative correlation between woman representation on the board and company performance (Rhoades, 2000).

Throughout this paper, research will examine primary responsibilities of board of directors – monitoring and resource providing and correlation of diversity on performance. There wasn't established single theory to examine direct link between diversity of board and company performance. Therefore, author will base theoretical examination on known theories such as agency and resource dependency.

1 Methodology

The goal of this paper is to analyse constrains of board of directors in corporate governance and to verify whether diversity has proven scientific effect in improving it. Author has applied method of secondary data research to establish current trend and incorporate results of empirical studies of diversity on performance. In addition, there has been reviewed and compared empirical analysis on gender diversity across Europe and its progress in recent years. Based on the outcomes of theoretical analysis, author specifies effects of diversity and advantages of it as well as suggestions in further analysis. Author will provide a literature review on board of directs and factors directly and indirectly influencing firm's performance. Such factors may include but not limited to a board composition, its size, gender, and busyness. In addition, paper will provide overview of literature in favour of board diversity as a tool to increase performance of the company.

2 Results and Discussion

2.1 Agency theory

According to agency theory management of the company is considered as opportunistic. Therefore, in order to protect shareholders' interests, agency theory has suggested creating a monitoring body in the name of shareholders. Monitoring function of board of directors is on the primary basis based on agency theory. Board of directors is the direct representation of the shareholders in the company and should serve as controlling and monitoring function in protecting shareholders' interests. Traditionally principal – agent problem in agency theory is focusing on separation of ownership and management where principal are shareholders and agents is top management of the firm. According to Hermalin et al. (1991), board is the agent on their own for the shareholder to oversee the management. Although, it doesn't constituted that their interests are aligned with shareholders rather than with CEO, since CEO is to most of the cases chooses the Board. It can be applied to outside directors and for sure for inside ones, who career are highly influenced and depended on CEO.

In modern corporate governance through introducing board of directors ensures establishment of primary focus of controlling and monitoring. However, one should consider increasing costs related to agency theory. Currently, due to increasing agency costs, corporate governance is focusing on introducing mechanisms that will reduce this burden from company (Kakabadse et al., 2000).

Much of literature suggests that diverse boards may produce better monitoring and controlling. Different industry backgrounds, age, culture, geography and gender will entail diverse views, which in turn lead to diverse perspectives and higher board independency (Alvarez et al., 2009).

Gender diversity is of the factors that numerously discussed and proven additional benefits in monitoring function of the board. Independency is one of the factors contributing to a greater controlling of management performance. On this basis, higher proportion of external directors and greater diversity is directly influencing independency of the board; hence potentially better quality of controlling (Carter et al., 2007). Woman has a better overview on the complex issues, attending more boards meetings and tend to influence larger public transparency (Terjesen, 2015). However, simply solving the problem of agency costs with gender diversity shouldn't play a role (Chapple 2013).

Hermalin and Weisbach, (1991) in their research find that there is no correlation between board composition and firm performance. Largely it may be due to management's decision on board selection. Moreover, Hermalin and Weisbach (2003) state that there is no connection between board composition and firm performance. It may be understood that in the literature there are two main research opinions mostly differ on whether to consider the past performance and idea of endogenous factors (Hermalin, 1998, 2003) or to base the research on current data and then correlation can be seen (MacAvoy, 1999).

Taking under review primary tasks of board of directors through on agency theory, one should consider as well stewardship theory. Based on the assumption that top management is acting in a good faith, board of directors are acting as more advisory board. In other words, every board member represents accomplished individual with extensive network and experience. This makes possible to contribute and enhance decision-making process of management and facilitate richer idea generation (Minichilli et al., 2009).

2.2 Resource dependence theory

According to the agency theory board of directors is an organization body representing principle and performing monitoring of firm's management. However, considering management is acting in best interests of shareholders, then board of directs should be considered a necessary link to external environment. Considering different theories, Resource dependency presents the most convincing case for diversity and view of board of directors as not only supervising body but also interconnection with external business environment and guiding compass.

From resource dependence theory firm is considered as an organizational body that interdepends within business environment and requires certain constituencies to provide and establish connection with external resources for its positive performance. Such resources are information and knowledge; channel establishment with working constituents; legitimacy of the company; and benefits from board interrelation (Preffer & Salancik, 1978).

Every organization is undergoing through exchange of resources and in order to stay competitive, strong, and prospering it needs to create new dependencies and maintain connections with business environment. Diverse representation of members on board may provide wide variety of connections to market and competitors, be a source of new capital, and industry knowledge. Based on Carter (2010) above mentioned resources not only can be provided by board of directors but with proportional increase in member's diversity quality of information and resources will increase as well.

Terjesen, (2015) confirms as well a positive view of resource based theory on diversity since diverse board will contribute and facilitate an additional and unique resources. Moreover, based on human capital theory every external director with distinctive and unique backgrounds and expertise will aid with their knowledge to the firm performance.

Diverse board of directors represents a panel of experts with various expertise and different industry background that in a way provide unique contributions to strategic decision making. In addition, representing on board of directors' experts with different backgrounds, ethnicities, and genders will provide unique skills and perspectives on decision-making process and possible problem resolution. External representatives on board of directors will allow organization to tap onto various networks of unique possibilities and use broad expert network. Besides, diverse backgrounds will increase flow of information that in turn impact better decision making process and creativity.

Another important function of board of directors reviewed by resource dependence theory is to legitimize firm in the eyes of a communities and public. (Preffer & Salancik, 1978). Considering worldwide increase in minority groups, it's necessary to create more visible minority representable board that will bring stronger approval and legitimate it in the eyes of a community. When reviewing gender diversity, resource dependency theory conveys strong argument, remembering that half of the world population are other gender and not representing it on board means loosing potential of all that available human capital. Luckerath-Rovers, (2011) supports the view of gender diversity as strong legitimizing factor in the eyes of employees and public.

Viewing gender diversity through prism of Resource based theory Terjesen, (2015) is showing that female addition on the board will increase creativity and innovation in problem solving. Moreover, woman possess expertise from a nonprofessional network as well as have more diverse networks then male representatives.

Moreover, gender diversity presents sound business benefits. In industries such as banking and finance major part of workforce are woman; some corporations that are involved in creating products used by woman; or corporation working with business suppliers represented by woman – representation of woman on the board will not only benefit organization but may bring future beneficial resources. Chapple, (2013) in his research shows the women on boards are projecting favourable public opinion on equality, fairness, and ethical compliancy of the company. In addition, more diverse representation on board will reflect diversity in groups as employees and investors and potentially might bring benefits. (Cabo, 2012; Gimeno, 2011).

2.3 Impact of Diversity on Board of Directors

When considering benefits of the diversity, one should consider Basaglio, (2012) and important distinction in diversity between representation and skill. Majority pro arguments for diversity benefits are based on merit of representation. One of the examples for such representation is a minority representative. However, on the other hand, benefits of diversity need to be reviewed based on skills. Individuals that undergo through different career paths, unique backgrounds and experiences in their life pose a necessary skill that needs to be represented in current competitive environment.

In latest research literature there is a general trend in favour of diversity, however empirically positive effect hasn't been uniquely proven. One of the researches conducted by Nekhili, (2012) and Abdullah, (2014) expand and examine gender diversity in relation with ownerships structures. Current situation has shown that so far diversity has a positive relationship in appointment in family owned structures where successor may a female candidate. Moreover, some of candidates succeeding in position of directors had no relevant qualifications or necessary expertise. Grigoric, (2014) finds similar results in his research of Norway companies where only family ownership and government has positive correlation with female representation on boards. Company's ownership with majority of institutional investors has no influence on increase of women on boards.

In order to increase progress of diversity on boards in the past since year 2003 different countries has introduced gender quotas. Due to quotas share of female directs on boars has increased however much scholars has found negative effects of it. Nekhili (2012) presents in research that quota may have strong negative effects on boards due to an obligatory women appointment rather than for their skills and expertise. Thus, leading to a possible negative firm's performance. In support of it, it is considered that binding regulations would hurt the company shareholders and every company must find a fit to their management problems (Hermalin et al., 1991). Moreover, in research of Norwegian companies where mandatory quotas were introducing, effect of societal pressure was visible as well. Therefore, some industries have increased female diversity due to the societal pressure. Thus arguing that increase of female representatives on boards will naturally increase with an industry and societal pressure on other companies to comply with the trend (Grigoric, 2014). Therefore, considering societal pressure effect softer approach taken in other countries like Denmark, Sweden may be an effective without triggering negative influence of mandating process. Some countries have historical societal norms on a such high ground that there is no need for legal enforcement – this is how Terjesen (2013) explains differences between implementation of quotas in Scandinavian countries.

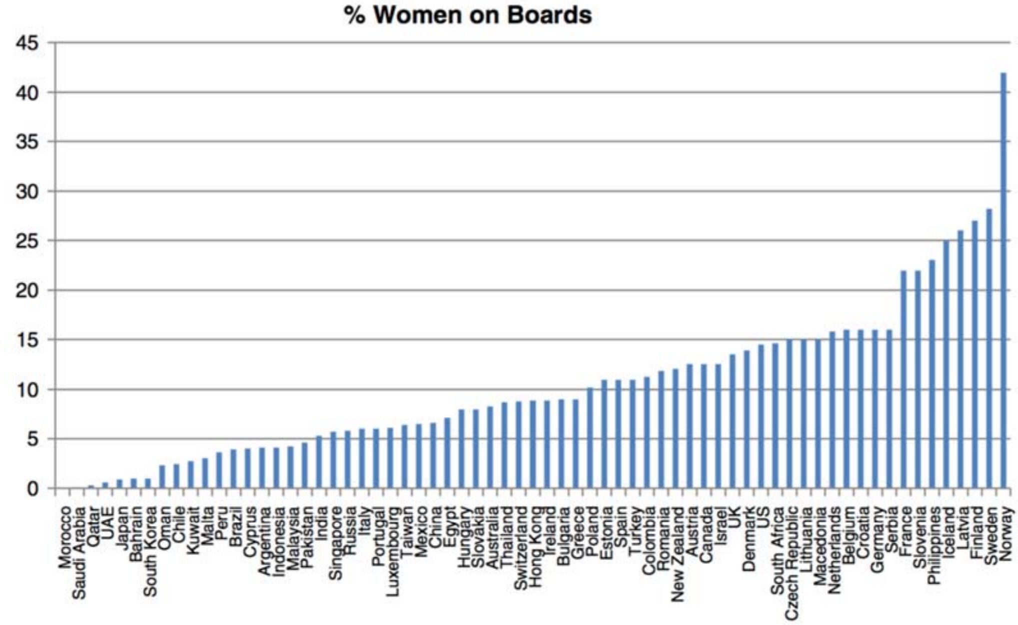
There is an ethical aspect of the quotas as well. Although before quota introduction there was underrepresentation of woman on boards even when possessing same qualification as men, with mandatory quotas, representation seats on the boards may have unqualified female candidates not to fulfil the quota (Terjesen, 2013). Furthermore, implementation of gender quotas without a grace period doesn't give company and board to adjust and find suitable candidates. This in turn may influence company value. With introduction of gender quotas in Norway without much grace period companies were forced to adjust thus in a long run can be seen an impact on decrease in firm's value (Terjesen, 2015).

In the other aspect of diversity, Mohadeo, (2011) has considered age diversity. Although there was not found a definite result it should be considered in board composition. Age diversity may be of benefit on different board composition goals. Age heterogeneity may bring positive effects in succession of directors, however homogeneity in age will give stronger evidence in its favour. Homogeneity in age will present for member's stronger connection in terms of values and background, thus delivering better understand of goals and communication.

Gender Diversity

There are already much discussions and researched on topic of gender diversity on board and its positive impact on firm's performance. Different authors have examined this links between it, however results were inconclusive. From nine empirical researched on gender diversity majority have shown positive impact on board performance according to Tobin's Q. However, considering other accounting indicators, link was not proven or found inconsistent (Carter et al., 2010). Throughout boards composition developed countries has accepted the growing trend of gender diversity on boards of directors. In some countries it was a voluntarily change other countries had go through mandatory quotas and government regulations. In the below chart, one may see percentage of women on boards. It can be seen that major pioneers in balanced representation of women are Scandinavian countries and western European countries.

Graph 1 Percentage of Women on Boards on year 2013



Source: Terjesen et.al. 2013

It has been mentioned in this paper, that there are much researches conducted on finding definite answer on effects of female representatives on board of directors. Terjesen (2015) in his research based on firm sample 3876 across 45 countries presents us with unique findings: There is a positive relation between female percentage on the board to Tobin's Q and ROA. Grigoric (2014) has found on a national Norwegian sample of firm as well Tobin's Q having positive relation with female director's representation. Moreover, the influence of female share on board is higher than share of independent directors on the board. Striking to observe is with minimal or non-representation of female directors on the board there is negative relation with maximizing number of independent directors. In a sample of 99 listed Dutch companies Luckerath-Rovers (2011) has found a higher ROA for companies with female representation of on boards.

On a contrary, Campbell (2007) on a sample of Spanish companies has found that presence of women on boards has no effect on Tobin's Q. In addition, overview of listed companies of Malaysia has shown that recent appointment of women is rather tokenism than business related need. Ratio of independent directors has no significant correlation with appointment of female directors (Abdullah 2013). In research of all Mauritius listed companies only 12 companies had woman on boards and represented with only 1 female director. Thus showing still a tokenism effect (Mahadeo, 2012). Furthermore, in a research based on top 500 French firms Nekhili (2012) has found a negative impact of women representativeness in boards.

Torchia (2011) explains negative relations female directors and firm performance due to presenting only a small number on the board. Therefore, gender diversity effects don't have place to take. Campabell (2007) suggest that one should consider between number of women on boards and the ration value between man and women on boards. Therefore, a number of women may not add to the value of a firm per se, nevertheless necessary gender diversity proportion will have a positive influence.

Another point of review of gender diversity can be analysed through main responsibilities of board. There are commonly agreed two major pillars and responsibilities of board, i) monitoring and ii) advising, strategic.

Monitoring function of the boards is an important one to maintain solid financial statement and protect shareholders' interests. Cabo, (2012) states that based on Fondas & Sassalos, (2000) women representation enhanced monitoring role of board due to having higher expectations then other. Women tend to exhibit better coping with complex issues. Therefore, companies that have weak corporate governance will benefit from gender diversity. In addition, gender diversity may increase competitiveness considering different working styles and management approaches of each gender (Gallego-Alvarez et. al., 2010). Effective monitoring of board of directors has an influence on financial performance of a firm. Considering, debt ratio of firm has female representation has an adverse correlation to it. Nekhili explains this as an "ability of women to improve quality of financial statement" (Nekhili, 2012).

Bearing in mind advising and strategic responsibility of the board, from empirical data of Ben-Amar, (2009) and Kakabadse, (2015) can be concluded that women were appointed on board of directors when change is needed. Moreover, industries with higher risk and complex strategic complexity see diversity as a necessary factor to mitigating it. However, in a sample of Australian companies, Chapple (2013) suggest that industries with lower risk tend to have female directs on board. Meaning, that companies that are already established and with good performance, onboard female representatives for a monitoring and legitimizing functions rather than strategic. On a contrary to this result, French companies with good performance track are reluctant to appoint female directors (Nekhili, 2012).

Author reviews as well gender diversity from the perspective of different sectors. Ellwood, (2012) notes that sectors, which historically predominated with women as major workforce, are ought to reflect this proportion on boards and executive positions. In UK charity sector almost third of all executive seats are occupied by female directors. Female directors are especially effective and highly influencing on social responsibility of a firm rather than on financial. In banking industry, based on European sample of banks, boards with higher number of female on board exhibit higher income to cost rations, hence less effective (Cabo, 2012). Further, in literature review Nekhili (2012) finds out additional negative correlation result between female directors and firm with intense R&D sectors.

One should ask whether one diversity factor may have any influence of the other factors? Grigoric (2014) in his research has found a positive relation between male demographic diversity and female representation. It is explained that in cases where board majority consists from traditional male directors, they will be try to maintain status quo when it's challenged by diversity. However, if board of directs has a majority of already established demographic diversity it will affect positive increase of women represented.

Another interesting point presented by Alvarez (2010) is that there are limited resources of competent male directors that can provide proper supervisory. Additionally, it is known that holding positions in various boards simultaneously proven to leads to lower effectiveness in supervision thus firm performance. Therefore, considering female gender candidates for board of directors provides necessary expertise and competitive representative that is currently undervalued. Hence, considering already busy male directors and strategy for growth, discrimination will add up unnecessary costs and reduce space for growth, thus contributing to negative results of the firm.

Board Size

Taking into consideration Agency theory there should be a positive impact on monitoring and control in larger boards. Diverse and large boards would bring different backgrounds that will provide various perspectives in controlling area.

When viewing benefits of larger board of directors, resource dependency theory may give even more valuable benefits for sake of diversity. Every individual possesses a knowledge capital and certain personal network. Thus including higher amount of mature professionals on board will increase the pool of skills and provide organization with better connections to business and capital. However, in different organization behaviour survey was confirmed that smaller groups might function better and exert higher level of flexibility. This is due the flexibility in decision making process and time management (Jackling, 2009). Decision-making process, which is an important part in board of, directs may be crippled with large board size and diverse group. There is found a proof of this hypothesis in research conducted in banking industry with sample of 612 European banks where smaller boards were tending to prefer a more homogenous structure to maintain flexibility and strong decision making. On a contrary with increase of board size proportion of women was higher (Cabo, 2012)

Latest research literature finds a positive correlation between board size and female representation. In big companies with larger board of directors, women have higher change to be appointed (Terjesen, 2015; Chapple, 2013; Abdullah, 2013). Chapple (2013) explains it might be due to a societal pressure that company is experiencing or due to disposing larger pool of resources, candidates. This leads us to a conclusion that it can be based on tokenism or with increase of complexity of large boards, women are the right candidates.

Although, large board of directors do have higher rate or diversity size of the board is negatively effects on firm performance (Hermalin, 2003). In addition, Terjesen (2015) has found that large board with many meetings tend to have lower firm value.

Arnegger et al. (2013) on a sample of German listed companies conducted a research to review impact and correlation of firm's size on board, occupation, and demographic diversity. Results have shown that with increase of a firm's size occupational board diversity and size has a positive linear correlation. On a contrary demographic diversity is an inward curved. In other words, it needs to be considered separately background diversity and demographic one. With firm's size increase complexity of the business rises too, thus board should possess strategic qualities and diverse background. However, demography may have a limit of its benefit. Thus, overreaching it will trigger the effect of ineffective decision-making, and complex communication.

Hermalin, (2003) has performed review on another factor of board composition as CEO turnover. In his research, there is a positive effects of CEO turnover and firm performance. This means that dismissing a CEO in times of company poor performance effected positively on a firm. Accordingly, proving importance of monitoring function on board. In addition, companies with higher frequency of CEO turnovers were mostly with majority of external directors. This leads to possible conclusion that outside-dominated boards are more performance sensitive due to the pressure of environment and self-interest. This might suggest that external directors do a better monitoring job. Moreover, inside dominated boards decide on CEO turnovers not based on poor performance, as this will affect their careers too. In addition, explicit incentives to external directors tight to a company performance make CEO turnover more sensitive and results in more effective monitoring and better firm performance.

Creativity

Creativity in board of directors is an essential skill for decision making process and strategic decisions. It is considered that heterogeneity is impacting negatively on decision-making process. It is believed that it slows decision-making process due to different believed and various valued of the group (Ben Amar et. al 2013).

However, according to research by Torchia, (2015) diversity impacts creativity through decision making process which in turn bring a number of inputs improving creativity.

Communication and decision making process is one of the most important task on board of directors. Only through communication board members may come to a beneficial decision. However, taking into account diverse group that is different in background level (education, industry, etc.) and as well as differences on deeper level (interactions, non-verbal communication, etc.) it may create cognitive conflicts. Such higher levels of cognitive conflict will positively impact on decision making process in a way bringing board to broader overview and push members to take chances in exploring more options and opportunity.

Until now, most of the researches focused mostly on visible diversity. However, there was little found out of connection between inner personal diversity, interactions on the board and its impact on creativity and generation of ideas.

Conclusion

The purpose of this research paper was to provide a review of literature on benefits and positive influence of diversity in board of directors on firm performance. Research paper has examined benefits of diversity in light of agency and resource dependency theories. Each of the theories presents a unique perspective on diversity. Resource dependency theory provides most sound case in favour of diversity, where each unique individual on board of directors with variety of expertise and distinctive background brings necessary network, knowledge, and connections to business to enhance firm's performance.

However, reviewing multiple empirical researches across countries and years, there is no conclusive evidence on influence of diversity on financial performance and corporate value. Major contribution to the literature of this paper is review of latest national and international empirical researches conducted to understand influence of diversity on firm performance. There is established clear theoretical base in favour of diversity. It should be noted that current literature distinguishes each factor on board composition separately. Most of scholars agree that background and demographical diversity has positive influences on firm performance. However, in gender diversity exists much ambiguity. Throughout comparison of empirical results, author suggests a hypothesis that research literature omitted considering cultural and country development factor influencing gender diversity and its effectiveness. There can be identified only one factor common across empirical researches but and possibly influencing its results – country sample. Author suggests that based on the literature review results there need to be considered three aspects in order to understand impact and effectiveness of gender diversity within particular country: 1) level of country economic development; 2) track of equal gender movement and opportunities; 3) perception and cultural dimension of woman in business. There is apparent economic differentness between sample of Mauritius and US that has influenced development of business norms. In addition, even the countries on the same economic development level may have different development of equal rights movements and opportunities. The last factor is a cultural dimension and portray of a woman in daily and business environment. Author calls three factors as factors of national readiness. It's assumed that these three factors may explain and project development trends in workplace gender diversity. Author suggests further need to validate such hypothesis and perform empirical studies considering above mentioned three factors and financial performance.

In regards to the various researches through past decade there is still not possible to define unified answer on impact of gender diversity, however, there are certain board composition factors and gender benefits on performance agreed by majority of scholars. Size of the board is negatively affected on board performance and representation of woman is adding to increase of transparency and public opinion on equal opportunities in a firm. Another important conclusion can be drawn in representation of women regarding industry sectors. Industries involved in social, healthcare, and public work tending to have higher rates of gender diversity impact on performance

Moreover, in this paper has been shown current literature research on effect of gender quotas. Introduction of quotas may have much of a negative effect rather than positive. Boards will eventually appoint and increase number of female representatives but rather due to a forced reasons and tokenism. However, other diversity factors may not necessary increase. Female mandatory quota may squeeze out a capable male diverse candidates that otherwise will benefit overall demographic diversity of board. Terjesen (2013) suggest that introducing gender diversity quotes should be initiated in countries with history of gender equality initiatives and robust support for state welfare. Author suggests for further policy considerations that before implementing quotas should be considered three factors of national readiness suggested above. Furthermore, from additional crucial funding is influence of corporate governance codes in development countries on diversity, consequently promotion rather soft approach than mandatory quotas (Mohadeo, 2011).

In conclusion, based on theoretical perspective diversity in board of directors is positively influencing corporate governance and performance in developed countries, with high norm of female acceptance and past performance of state welfare. Nevertheless, there isn't empirical evidence that can be applied universally. Thus concluding that diversity may apply for specific situation and may serve as social benefit in representation rather than financial universal.

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