

THE RELATIONSHIP BETWEEN BOARD DIVERSITY AND PERFORMANCE: EVIDENCE FROM MALAYSIA PUBLIC LISTED COMPANIES

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Abstract: *Being on a board of directors is a responsibility to improve performance by leading the company through the present types of board diversity and to bring a variety of ideas, strategies and planning to address different market issues. The market is complex because it consists of people from different backgrounds, with different behaviors, of different genders, age, and others demographics. Therefore, board diversity is necessary to understand the changing market and technology. To understand the market and improve the performance, the present of board diversity is very important. Based on a sample size of 374 firms listed in Bursa Malaysia, with 674 pieces of panel data from 2015 and 2016, this study finds the significance of the relationship between gender, diversity and firm performance. Further analysis finds no evidence that age diversity influences a firm's performance.*

Keywords: *Board of director, Performance, Board diversity, Demographic, Gender*

Introduction

Diversity has recently become an issue due to the complexity of businesses in this day and age. Homogeneity inside the boardroom in regard to gender, age, education and race is not suitable to cater to the market situation. For example, consumers consist of a variety of people who come from different backgrounds, education levels, race, age and gender. Because of this, a board of directors needs to be diverse in order to make work with different kinds of people to ensure improved performance. The study by Li et al. (2011) explains that resources and information such as knowledge and skills obtained through diversity leads to better firm performance. Furthermore, Fredette et al. (2006) and Stephenson (2004) explain that the diversity on a board can help to keep diverse talent at firm and can work together with them.

Previous studies have looked at the relationship between a board of directors' diversity and performance (Bear et al., 2010; Srinidhi et al., 2011; Adam and Ferreira, 2009; Carter et al., 2010; Skukeri et al., 2012). There were mixed results from these previous studies. There was a positive relationship between diversity and Tobin's Q (Nguyen and Faff, 2007). Carter et al. (2003) found a positive relation between a diverse board and performance. Whereas Bear et al. (2010) and Srinidhi et al. (2011) found a positive relationship between gender diversity and performance. However, a study by Carter et al. (2010) did not find a significant relationship between diverse boards and performance. In contrast, Adam and Ferreira (2009) found a negative relationship between diversity and performance.

Gender diversity has become an issue in some countries such as Norway, France, Spain, Belgium, and Malaysia (Deloitte, 2011). For example, the percentage of women in top management is as follows: Norway, France, and Spain have 40%, Belgium has 33% and Malaysia has 30%. This shows that the presence of women on the board of directors is very important because it is related to firm performance. According to Kang et al., (2007) the presence of women on the board of directors possibly increases a firm's value. To ensure improved performance, gender diversity at the top level of management should be taken into consideration.

Along with gender diversity, other issues related to performance are those of age diversity. Previous scholars looked at the relationship between age and performance (Mahadeo et al., 2012; Hafsi and Turgut, 2013; Jhunjhunwala and Mishra, 2012 and Bonn et al., 2004). Results showed that there was a positive relationship between a board's high age diversity and performance (Mahadeo et al., 2012). They found that an organization's profit was higher when there was age diversity on the board. In contrast, findings from Hafsi and Trgut (2013) showed that board age diversity influences low corporate social performance.

Based on the sample size of 374 firms listed in Bursa Malaysia, with 674 pieces of panel data from 2015 and 2016, this study finds a significant relationship between gender diversity and firm performance. Further analysis found no evidence of age diversity influencing firm performance.

Literature Review

Board Diversity

Previous studies (Hillman et al., 2000; Li et al., 2011) addressed the importance of board diversity. Diversity is very important to the board of directors because they will have a wider range of information with which to make decisions (Hillman et al, 2000). Li et al. (2011) argued that diversity of directors can increase skill and knowledge, which leads to improved firm performance. This shows that board diversity is beneficial for a company to achieve an objective that can satisfy a shareholder.

To ensure better performance for long term success, the board of directors needs to work hard to make diversity a priority. Businesses with cost issues need to overcome this hurdle faster with better strategies and planning. At this point, board diversity is considered better because of different backgrounds, values, cultures, experiences and education levels, which together leads to a better solution. To generate a good idea, the board members need to have come from various backgrounds of experiences and skills. Director diversity can generate new and different ideas that can enhance performance (Zahra and Pearce, 1989). This study focuses on two elements of director diversity, age and gender, to see how prioritizing them can lead to better performance.

Previous studies (Nguyen and Faff, 2007; Carter et al., 2003) showed a positive relationship between board diversity and performance. According to Nguyen and Faff (2007) found a positive relationship between diversity and performance (Tobin's Q). Carter et al. found similar results in their study on U.S firms, as they found a positive relation between board diversity and performance. Board diversity integrates board expertise with experience, knowledge, and skills to remain successful in the sophisticated business world and to increase shareholder wealth. However, contrasting findings reveal the study by Carter et al. (2010) did not find any relationship, either positive or negative, between boardroom gender or ethnic diversity and firm financial performance, as measured by ROA and Tobin's Q for a sample of firms in Standard & Poor's 500 (S&P 500). The following table (Table 1) indicates papers by scholars that are on diversity and performance.

Table 1: Diversity and Performance

No	Articles	Author	Year
1	Board Diversity and Financial Performance in the Top 500 Australian Firms	Alireza Vafaei, Kamran Ahmed, Paul Mather,	2015
2	Board gender diversity and firm performance: Empirical evidence from Hong Kong, South Korea, Malaysia and Singapore	Daniel C.M. Low, Helen Roberts, Rosalind H. Whiting	2015
3	Board Age and Gender Diversity: A Test of Competing Linear and Curvilinear Predictions	Ali, M., Ng, Y. L., & Kulik, C. T.	2014
4	What Makes Better Boards? A Closer Look at Diversity and Ownership.	Ben-Amar, W., Francoeur, C., Hafsi, T., & Labelle, R.	2013
5	Corporate boards' political ideology diversity and firm performance	Incheol Kim, Christos Pantzalis Jung Chul Park	2013

6	Board diversity and firm performance: an empirical investigation in the Brazilian market	Joao Batista Fraga, Vinicius Augusto Brunassi Silva	2012
7	Demographic Diversity in the Boardroom: Mediators of the Board Diversity–Firm Performance Relationship	Toyah Miller and María del Carmen Triana	2009
8	The Diversity Of Corporate Board Committees And Financial Performance	David A. Carter, Frank D’Souza, Betty J. Simkins, W. Gary Simpson	2007
9	Impact of board size and board diversity on firm value: Australian evidence. Corporate Ownership and Control.	Nguyen, H., & Faff, R.	2007
10	Corporate Governance, Board Diversity, and Firm Value	David A. Carter, Betty J. Simkins, W. Gary Simpson	2003

Age Diversity

The business world is complicated because the customer is complicated. Customer may have different backgrounds, tastes, loyalties, demands and supply needs towards products and services demands firms to work harder to fulfil their customers’ needs. According to this matter, the age diversity is important for the customer target, which can differ in the age groups with a variety of products and services (Kang et al., 2007). Therefore, it is very important to have directors who are from different age groups because it can bring in a different perspective (Huse and Rindova, 2001). This shows that the firm needs to have age diversity to understand the different customers’ desires, which can result in improved firm performance.

Age is an important consideration in the boardroom in order to capture the market. A young board of directors is very energetic and hard-working, which is required to ensure all strategic planning can be achieved. Besides that, they also have a lot of ideas which is a beneficial for a good business strategy. The boardroom also needs old board members to lead the business because they have a lot of experience and contacts. The older board members have very good links with people, which is an advantage for business matters. Besides that, their experience is valuable especially when a business is in crisis. Throughout their experience, better and planning may have solved past problems. This shows that age diversity is very important in the boardroom to lead to better performance. A homogenous board of directors’ age is not good for the company because ideas can become stuck and focus only on their interests.

Previous studies (Hafsi and Turgut, 2013, Mahadeo et al, 2012; Siciliano, 1996) showed mixed results according to age and performance of board members. Siciliano (1996) found that a high board age diversity was a positive relationship that resulted in large donations for a non-profit organization. This finding is supported by Mahadeo et al. (2012) who found that high board age diversity is related to high return for profit organization. Contrasting results in a study by Hafsi and Turgut (2013) found that board age diversity was related to low corporate social performance. Other findings indicated that board age diversity does not have a significant relationship with Return on Asset (ROA) and Return on Equity (ROE) (Jhunjhunwala and Misra, 2012; Bonn et al., 2004).

Age is related to the different generations that bring their tradition and cultures into the boardroom. It is very important to identify the age among the board of directors to be in line with current globalization. Accordingly, the young directors who usually have high energy, is willing to work harder and the extra work tends to lead them to succeed. In other words, they are very committed to their work and will work at all hours, even at night or on a weekend. When young directors joint the company it is likely that they will know entrepreneurs who are early in their careers (M.Ali et al., 2014).

Nowadays technologies have become an important element in business, especially in terms of marketing. For example, promotion throughout social media, such as Facebook, Instagram, Twitter and WhatsApp, can help to improve firm performance. Young directors are associated with the technologies (Jhunjhunwala and Misra, 2012) and are also highly educated (Hatfield, 2002). Young directors know the challenges faced by the business nowadays, which requires them to be educated. With their knowledge base, they are able to create links in global market scenarios, and solve firm problems by analysis. This shows that the ability of young directors to capture new technologies may affect firm performance. This statement supported by Jhunjhunwala and Misra (2012) explains that older directors may lack knowledge of the technologies. It shows that older directors need to follow the changes in technologies for business purposes. However, the contribution of older directors cannot be denied, as they are also very important to enhance firm performance.

To have personal connections with others is very important for businesses because the more contact persons one has, the greater the possibility to gain more projects and expands the market. Otherwise, the firm may not survive. However, younger directors do not have, or have less of, business contacts because they are still new in the corporate world in comparison to the older directors. Houle (1990) noticed that the older group can provide experience wisdom and economic resources.

Older directors are rich with experience and friends and will be more likely to have senior contacts in senior firms (M. Ali, 2014). Experience held by older directors is very useful to identify a future risk a firm might face. Throughout their experience, older directors may propose better strategies to overcome problems, which links to better performance and can affect the business's future growth. The previous discussion shows that the diversity of age can enhance firm performance along with the board of directors' skills, knowledge and experience.

Gender Diversity

Gender diversity is a subject of research among many scholars (Branson, 2012; Rhode and Packel, 2010 and Terjesen et al., 2009) and influences policy-making decisions for many countries to improve the number of women on their boards (Branson, 2012). Many countries have their quotas for representative women on boards such as Norway, France and Spain, (40%), Belgium (35%), and Malaysia (30%) (Deloitte, 2011). This shows that board members' gender is a national issue. Most of the Western countries bring up women's rights as a reason for gender diversity in the board of directors.

There are a number of research studies on gender diversity in the Malaysia context (Marimuthu and Kolandaisamy, 2009; Shukeri, Shin and Shaari, 2012; Abdullah and Ku Ismail, 2013). The study by Marimuthu and Kolandaisamy (2009) used data from the year 2000 until 2006 from

the top 100 non-financial firms, found that women directors occupied 13.5%. Furthermore, results from Shukeri, Shin and Shaari (2012) indicated only 9.8% of women sat on boards throughout their data from 300 randomly selected firms from 2011. Abdullah and Ku Ismail (2013) used data from 100 non-financial firms listed in Bursa Malaysia, for 2007, and from this, that women directors represented 6.3%. However, previous studies showed the proportion of women directors to increase 3.5% from 2007 to 2011. This shows that most of the firm tends to follow the suggestion by the government to ensure women occupy at least 30% of the board positions.

Board member diversity gender is important because women have different abilities and can bring different ideas to the board, which can lead to better performance. Previous studies also showed mixed results the relationship between diversity gender and performance (Srinidhi et al 2011; Bear et al. 2010; Bonn 2004; Campbell and Minguez-Vera 2008; Dobbin and Jung, 2011, Haslam et al., 2010; Shukeri et al., 2012 and Carter et al., 2010).

Who can understand women's behaviours better than women directors? According to Berman and McCafferty (1997), women directors can better-understand the women costumers' behaviours and needs. Another benefit of women directors is creativity and innovation, which can lead to capturing a larger market and making decisions. This shows that the presence of women on boards can possibly increase firm performance and shareholder wealth (Ripley, 2003). This is supported by Kang et al. (2007), who explained that when women are on board it can possibly create an increase in corporation value.

The firm holds the responsibility of the stakeholder's wealth. Both parties need to have more to discuss together to achieve better performance. If the proportion of women on the board of directors is less than men, then this may weaken the connection between female board members and stakeholders. M.Ali et al. (2014) noticed that without women on the board, the male-dominated board had fewer connections with female stakeholders. Integrating gender diversity may open more discussions, which benefits both parties.

If all directors are men, this may result in a lack of experience and emotion (Abdullah and Nik Ismail, 2013). Understanding men's behaviours necessitates men directors, therefore, there is a lack in understanding female behaviours with all men directors. The implication of this notion is that they are unable to expand the firm into the women market, which may affect the firm's performance. Men directors are not as sensitive and particular than women directors. Therefore, gender diversity may bring knowledge, experience, and emotions together and help to lead the market. Rogelberg and Rumery (1996) explained that males and females have different skills, knowledge, and perspectives, therefore the integration of t different perspectives can help to make better decision making. A firm should provide a larger proportion of females on the board of directors to access a wider range of costumers'.

Research Methodology

Sample and model

The sample comprises balanced data of 390 firms and 780 firm-year observations from Malaysian companies over the two-year period between 2015 and 2016. The company data was obtained from Bursa Malaysia. Although the disclosure of board meetings in Malaysia has

significantly improved since the implementation of Malaysia Code of Corporate Governance (MCCG), the board meeting is not available in electronic form and thus must be collected from annual reports. The annual reports are available from Bursa Malaysia (www.bursamalaysia.com)

This model relates board meetings to firm performance with the aim of identifying gender in board diversity. The board meeting variables were a number of annual meetings and looking at the board diversity variable as female or male. Previous research showed that the firm performance (proxies by ROA and ROE) was related to size, age, debts, industry, family firm and remuneration (syaiful Jaafar, 2012) which are need to control the market. This study used linear regression to test hypotheses and following regression analysis with econometric model.

Equation (1) describes the model used to test the relationship between performance, age diversity, and gender diversity and control variables:

$$PERF = \beta_0 + \beta_1 Age_Diversity_{it} + \beta_2 Gender_Diversity_{it} + \beta_3 SIZE_{it} + \beta_4 AGE_{it} + \beta_5 IND_{it} + \beta_6 FAM_FIRM_{it} + \beta_7 REM_{it} + \epsilon_{it} \dots \dots \dots (1)$$

Variables

The performance is dependent on variable proxies by accounting-based measures such as Return on Assets (ROA), which is measured as the ratio of net income to total assets, and Return on Equity (ROE), which is measured as the ratio of net income to total equity. The interesting fact is that the ROA and ROE are the profitability ratios in accounting statements which reflect the shareholders' wealth.

Board diversity consists of independent variable proxies by gender diversity (male or female) and age diversity (older or younger than 60 years old).

Firm size was measured using the natural log of the book value of total assets. Firm age needed to be controlled because of the significant impacts of age in this research. Firm age is measure based on the time of IPO. Publicly listed companies announce IPO after incorporating to increase their capital. Firm age is measured by the difference between the current year and the year of IPO, which is the first sale of stock by a company to the public. Next, industry was included as a control variable to differentiate between industrial sectors. Industry was dummy coded with 1 representing the consumer products sector, including trading/service, construction, and plantations/mining, and 0 representing other sectors, including banking, finance, and insurance, which are not included in these analyses. Debt was represented by capital structure, which was computed by dividing long-term debt by total assets.

Total cash base on director remuneration (DIRREM), which is an independent variable, consists of executive and non-executive remunerations. The proxy for cash basic consists of fees, salary, bonuses and benefits of kin. This measure has been widely used in prior research (i.e. Abdul Wahab & Abdul Rahman 2009; Basu et al., 2007; Jensen & Murphy 1990; Ozkan 2007). To capture the effect of family firm, this study includes FAM_FIRM; a dummy variable that is one (1) if the firm is family firm and zero (0) if otherwise. The second measure is the family member (FAM_MEM) who is on a board of directors.

Data were analyzed by using SPSS and the results indicated throughout the mean, standard deviation, and correlation. Variables tested according to proxies by dependent variables such as performance, and independent variables such as diversity in gender and age. Control variables were firm size, firm debt, firm age and type of industry. Following are proxies for each variable of diversity.

Table 2: Definition of variables

No	Variables	Definition
1	Return on Asset (ROA)	ratio of net income to total assets
2	Return on Equity (ROE)	ratio of net income to total equity
3	Gender_Diversity	Gender divided into two categories such as male and female
4	Age_Diversity	Age category divided into old over 60 years and young below 60 years.
5	Firm Size	Natural log of the book value of total assets
7	Firm Age	Difference between current year and the year of IPO
8	Industry	Industry will be dummy coded with 1 representing the consumer products sector, including trading/service, construction, and plantations/mining, and 0 representing other sectors, including banking, finance, and insurance, which are not included in these analyses.
9	Family Firm	A dummy variable that is one (1) if the firm is family firm and zero (0) otherwise. Second measure is family member (FAM_MEM) who is board of director.
10	Remuneration	The proxy for cash basic is consists of fees, salary, bonus and benefit of kin.

Results and Discussion

Descriptive Statistic and Correlation Matrix

Panel A of Table 3 shows the descriptive statistic related to board diversity. The average of male directors sitting on a board of directors was seven men, with a maximum of 12. Further, the mean for female director was one person, with the maximum at five. In addition, age diversity was divided into directors less than 60 years and 60 years or older. Results showed that average director age that was less than 60 years included four people, with a maximum of nine members. Further, the mean for director age of 60 years or older was three people, with a maximum nine. Initial results showed that male directors were the majority of board members. Further, there was not a large range of ages in the board members.

Panel B of Table 3 exhibits the descriptive statistic related to the size of the board of directors. Results shows that mean board size was seven people, with a maximum of 13. Initial results addressed that the firm prefers to have more directors on the board of directors. In addition, Panel C of Table 4.1 reports the descriptive statistics for the performance components. Return on Assets (ROA) indicates the mean is 0.0086 with a maximum of 16.0531. Furthermore, the mean of Return on Equity (ROE) is 0.0530, with a maximum of 3.6367.

Panel D of Table 3 exhibits the descriptive statistic for the firm characteristic results. Average of firm size is RM18.497 million, with maximum RM24.559 million. Furthermore, the mean of firm age is 20.69 years, with maximum 55 years incorporate. In addition, the mean for director remuneration was 14.348 million, with a maximum of 16.759 million. Total director remuneration was presented by executive remuneration and non-executive remuneration.

Table 3: Descriptive Statistic

	Mean	Standard Deviation	Minimum	Maximum
<i>Panel A: Board Diversity</i>				
Male Director	6.703	1.781	3	12
Female Director	.570	.830	0	5
Less than 60 years	3.946	1.843	0	9
More and equal 60 years	3.328	1.860	0	9
<i>Panel B: Board of Director</i>				
Size of Boards of Director	7.274	1.812	4	13
<i>Panel C: Performance</i>				
ROA	0.0876	1.0874	-6.7908	16.0531
ROE	0.0530	0.3086	-1.0245	3.6367
<i>Panel D: Control Variables</i>				
DIRREM	14.348	.964	11.133	16.759
Firm Age	20.69	9.741	10	55
Firm Size	18.497	2.476	9.648	24.559

Notes: Gender diversity divided into two; Male Director and Female Director. Less than 60 years and more and equally to 60 years respectively Age Diversity. EXE_REM and NED_REM are executive and non-executive director remuneration respectively, DIRREM is the total director remuneration respectively. FAM_FIRMS takes the value of 1 for family firms and zero otherwise. ROA is the net income divided by total assets. ROE is the net income divided by total equity. Firm Size is logarithm of total assets and Firm Age is number of year since incorporate. Significant p-values are bold.

Table 4 presents the Pearson correlations for the test variables. Gender Diversity was positively and significantly correlated with Age diversity ($r = 0.129$, $p < 0.01$). Further, Gender and Age Diversity were positively and significantly correlated with director remuneration ($r = 0.087$, $p < 0.05$ and $r = 0.079$, $p < 0.05$). Similarly, gender diversity, family firm and director remuneration were positively and significantly correlated with Return on assets (ROA) ($r = 0.105$; $p < 0.01$ and $r = 0.083$, $p < 0.05$ and $r = 0.082$, $p < 0.05$). In addition, director remuneration was positive and significantly correlated with ROE ($r = 0.141$; $p < 0.01$).

Gender diversity and director remuneration were positively and significantly correlated with firm size ($r = 0.107$ $p < 0.01$ and $r = 0.195$, $p < 0.01$) However, director remuneration was negatively and significantly correlated with firm age ($r = -0.112$; $p < 0.01$). Similarly, firm age was negatively and significantly correlated with firm size ($r = -0.082$; $P < 0.05$).

Table 4: Correlation Statistical

	Age Diversity	Gender Diversity	Family Firm	Remuneration	ROA	ROE	Industry	Firm Age	Firm Size
Age Diversity		<i>0.129**</i>	-0.014	<i>0.087*</i>	0.057	-0.036	<i>0.095**</i>	-0.044	0.035
Gender Diversity			0.043	<i>0.079*</i>	<i>0.105**</i>	0.065	0.029	0.027	<i>0.107**</i>
Family Firm				0.051	<i>0.083*</i>	-0.011	-0.001	-0.074	-0.007
Remuneration					<i>0.082*</i>	<i>0.141**</i>	0.034	<i>0.112**</i>	<i>0.195**</i>
ROA						<i>0.294**</i>	0.010	0.040	-0.020
ROE							-0.002	-0.013	0.046
Industry								-0.006	-0.003
Age									<i>-0.082*</i>
Size									

** Correlation is significant at the 0.01 level (2-tailed)

*. Correlation is significant at the 0.05 level (2-tailed)

Multivariate Analysis

Table 5 exhibits univariate analysis for the test variables between gender diversity and non-gender diversity. Panel A of Table 4.3 reports that the board of director age less than 60 years, and is higher in gender diversity, with a mean of 4.23 rather than non-gender diversity, with a mean of 3.76. The univariate test provided initial support for the positive relationship between age diversity and gender diversity for age less than 60 years.

The results presented that performance measure by ROA is better by present board gender diversity (RM0.2272 million) rather than board non-gender diversity (RM – 0.0051 million). Furthermore, firm size is higher when the firm has gender diversity (RM18.8234 million), rather than firm without gender diversity (RM18.2807 million). In addition, a relationship between the size of firm and gender diversity was significant with $p < 0.05$. The results also indicated that director remuneration was higher when the firm has gender diversity (RM14.4417 million), rather than without gender diversity (RM14.2862 million), but it was insignificant of firm age, industry and family firm.

Table 5: Univariate Analysis of Differences Variables between Diversity and Non_Diversity

	N = 269 Gender Diversity = 1	N = 405 Non_Gender Diversity = 0	t = test p = value
Panel A: Board Diversity			
Less 60 years	4.23	3.76	0.001
More and equal 60 years	3.49	3.22	0.066
Panel B: Performance			
ROA	0.2272	-0.0051	0.019
ROE	0.0775	0.0367	0.093
Panel C: Control Variables			
Size	18.8234	18.2807	0.006
Age	21.01	20.48	0.489
Industry	0.96	0.95	0.452
Family Firm	0.56	0.51	0.263
Remuneration	14.4417	14.2862	0.039

Notes: Gender diversity divided into two; Male Director and Female Director. Less than 60 years and more and equally to 60 years respectively Age Diversity. EXECREM and NEDREM are executive and non-executive director remuneration respectively, DIRREM is the total director remuneration respectively. FAM_FIRMS takes the value of 1 for family firms and zero otherwise. ROA is the net income divided by total assets. ROE is the net income divided by total equity. Firm Size is logarithm of total assets and Firm Age is number of year since incorporate. IND is "1" is for the consumer products sector; trading/service sector; construction; plantations/mining; and "0" if others. Significant p-values are bold

Table 6 exhibit extended results on the relationship between board diversity and firm performance. Table 4.4 presents the results of regression related to explanatory variables determination on firm performance. This study finds that the coefficient of Gender Diversity in column 1 was positive and significantly (0.011; $t = 2.535$ and $p < 0.05$) related to ROA. Furthermore, regression in column 1 shows a similar result, positive and with a significant relationship between remuneration and ROA (0.033; $t = 2.139$ and $p < 0.05$). In addition, similar result can be seen in column 3 and 4, with a positive and relationship between director remuneration and ROE. However, regression results indicated in column 2 that positive and significantly relationship between family firm and firm performance (0.031; $t = 2.160$ and $p < 0.05$).

This study finds evidence that a g firm with gender diversity is significantly positive in firm performance. This provides support for hypothesis 2—that a firm with gender diversity is significantly positive in firm performance, which is also consistent with previous studies (Alireza, Kamran and Paul, 2015 and Mahadeo et, al, 2012). Further analysis suggests that firms need better ideas to planning and strategies via board of directors' meetings. Therefore, present male and female on the board of directors is beneficial to generate better ideas. Different backgrounds, experience and skills among the gender can produce better planning and strategies during the business's operation. Our study suggests that the board of directors should consist of male and female directors in order to enhance firm performance when they are able to utilise their knowledge, skills, and experience to propose better ideas. Supported by Gul et al. (2013: 512), this indicates that board diversity leads to a greater knowledge base, and more creativity and innovation, therefore providing higher competitive advantage to the firm.

This study does not find the relationship between age diversity and firm performance, ROA and ROE. This study is consistent with Jhunjunwala and Misra (2012) and Bonn et al, (2004) in which the findings indicate that board age diversity does not have a significant relationship with ROA and ROE.

Table 6: Determination of Firm Performance by Board Diversity

	ROA		ROE	
	1	2	3	4
GENDER	0.011		0.164	
DIVERSITY	2.535**		1.392	
AGE DIVERSITY		0.162		0.209
		1.399		-1.258
SIZE	0.285	0.397	0.732	0.615
	-1.071	-0.847	0.343	0.503
AGE	0.203	0.153	0.988	0.973
	1.273	1.432	0.014	0.034
IND	0.898	0.947	0.825	0.948
	0.128	0.067	-0.221	-0.065
REMUNERATION	0.033	0.030	0.001	0.000
	2.139**	2.175**	3.445**	3.620**
FAMILY FIRM	0.043	0.031	0.598	0.623
	2.024**	2.160**	-0.527	-0.492
CONSTANT	0.004	0.036	0.003	0.003
	-2.791**	-2.261**	-3.013**	-2.961**
Adjusted R ²	0.018	0.011	0.015	0.014
<i>F</i> -statistic	3.019	2.261	2.671	2.610
Cross-sections	337	337	337	337
Total Observation	674	674	674	674

Notes: Gender diversity divided into two; Male Director and Female Director. Less than 60 years and more and equally to 60 years respectively Age Diversity. EXECREM and NEDREM are executive and non-executive director remuneration respectively, DIRREM is the total director remuneration respectively. FAM_FIRMS takes the value of 1 for family firms and zero otherwise. ROA is the net income divided by total assets. ROE is the net income divided by total equity. Firm Size is logarithm of total assets and Firm Age is number of year since incorporate. IND is "1" is for the consumer products sector; trading/service sector; construction; plantations/mining; and "0" if others. Significant p-values are bold

Conclusion

Many companies started to implement board diversity in the boardroom as required by the government in their own country. Board diversity is very important as it can generate a variety of ideas. The implications of this notion are that the company may be able to enhance performance. Furthermore, shareholders' satisfaction increases when performance is higher because their dividends increase.

This article discusses board diversity, which consists of gender and age—both of which can influence the firm performance. Both gender and age are very important for the boardroom to links with better strategic and planning to improve performance. Any lack of that in boardroom,

which also includes being dominated by only young or old board members, or male or female board members, may influence effective planning. As a result, performance can be improved if there is diversity.

Based on the sample size of 374 firms listed in Bursa Malaysia with 674 pieces of panel data from 2015 and 2016, this study finds a significant relationship between gender diversity and firm performance. Further analysis finds no evidence of age diversity influencing firm performance.

A board of directors dominated by one gender could bring on less ideas. This is because they cannot understand the behaviour of other genders, which possibly leads to overall bad performance. Gender diversity refers to female and male board members included in the boardroom, which both can address ideas to improve performance. Female board members can understand female customer better than male board members. This also applies to the male condition where the market segmentation is dominated by male customers, and therefore the strategic and planning can be effective if there are male board members. This discussion has shown that board diversity is very important nowadays in order to address effective strategic and planning to improve performance.

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