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From Diversity to Performance: how board composition shapes corporate outcomes in Italy and China

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From Diversity to Performance: how board composition shapes corporate outcomes in Italy and China

Board diversity has become a key determinant of corporate governance effectiveness, influencing decision-making processes, risk management, and overall firm performance. A diverse board composition can enhance decision-making quality by incorporating a broader range of perspectives, experiences, and expertise, ultimately contributing to more effective governance structures. This study conducts a comparative analysis between Italy and China, two economies with distinct regulatory frameworks and corporate governance structures, to assess how board diversity impacts firm performance and governance efficiency. Specifically, the research examines the role of gender diversity, educational background, international experience, and independence of board members in shaping corporate outcomes. Additionally, this study explores how cultural diversity among board members may influence positively corporate strategies, stakeholder engagement, and risk management practices.

Using a dataset of publicly traded companies from both countries, this study employs a quantitative approach, conducting a regression analysis to identify the relationship between board diversity and corporate performance. The dependent variable is firm performance, measured through financial metrics such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, and Growth in Sales. Independent variables include board gender diversity (percentage of female directors), cultural diversity (representation of directors from different national backgrounds), board independence (ratio of independent directors), educational diversity (percentage of directors with advanced degrees), and international experience (percentage of directors with overseas education or work experience). Control variables such as firm size (total assets or market capitalization), industry sector, leverage ratio, and ownership structure (state-owned vs. privately owned firms) are included to ensure robust findings. By integrating these diverse factors, this study aims to provide a holistic understanding of the impact of board diversity on corporate governance and firm performance.

Preliminary insights suggest that Italy, driven by regulatory rules such as gender quotas, has a higher proportion of women on boards compared to China, where state-owned enterprises (SOEs) tend to lag the private sector in diversity adoption. Additionally, cultural diversity appears to be more prominent in Italian firms, while Chinese companies, particularly SOEs, demonstrate a more homogenous board composition. The extent to which regulatory frameworks, market dynamics, and historical corporate governance practices influence these diversity trends is also examined.

The findings indicate that increased board diversity correlates with stronger governance mechanisms, greater transparency, and improved financial performance, particularly in firms with higher proportions of independent directors, culturally diverse board members, and internationally experienced executives. A diverse board is likely to contribute to more effective oversight of management, enhanced strategic decision-making, and better alignment with global best practices. However, institutional and cultural differences shape the extent to which diversity influences corporate outcomes, highlighting the need for country-specific governance strategies. Understanding these differences is crucial for multinational corporations, policymakers, and investors aiming at enhancing governance standards across different jurisdictions.

This study intends to contribute to the growing literature on corporate governance by providing empirical evidence on the governance implications of board diversity across different economic and regulatory environments. By bridging the gap between theoretical discussions and empirical evidence, this research offers valuable insights into how board diversity can serve as a strategic asset for companies operating in dynamic and competitive markets. The findings have practical implications for policymakers, investors, and corporate leaders seeking to enhance governance frameworks and optimize board composition for sustainable business success. Moreover, this study provides recommendations for regulatory bodies and corporate decision-makers on how to foster

a more inclusive and effective boardroom environment that aligns with both financial performance objectives and broader corporate social responsibility goals.

从多样性到绩效：董事会构成如何塑造意大利与中国的企业表现

董事会多样性已成为公司治理有效性的关键决定因素，直接影响企业的决策流程、风险管理以及企业整体绩效。多样化的董事会构成能融合更广泛的视角、经验和专业知识，从而提升决策质量，最终助力构建更加高效的治理结构.

本研究对比分析了意大利和中国这两个拥有不同监管框架与公司治理的经济体，探讨董事会多样性对公司绩效与治理效率的影响。研究重点关注性别多样性、教育背景、国际经验以及董事独立性在塑造企业表现方面的作用。此外，本研究还进一步探索文化多样性如何影响公司战略、利益相关者参与度与风险管理机制。

本研究基于两国上市公司的数据集，采用定量研究方法，通过线性回归模型分析董事会多样性与企业绩效之间的关系。公司绩效作为因变量，具体通过资产回报率（ROA）、股本回报率（ROE）、净利润率及销售增长率等指标衡量；自变量则包括女性董事占比、跨国文化背景董事比例、独立董事占比、拥有高等学历的董事比例，以及具有海外学习或工作经验的董事比例。同时，本研究控制了企业规模、行业类别、资本结构（杠杆率）和所有权结构（国有与私营）等变量，以提高研究结果的稳健性与解释力。

初步研究结果表明，在性别配额等法规举措推动下，意大利企业董事会中女性比例显著高于中国，且文化多样性也更为明显；相反，中国的国有企业在董事会多样性方面普遍落后于私营企业，整体构成更为同质化。本研究进一步分析了监管制度、市场动态及历史治理传统对多样性趋势的影响程度。

研究结果表明，董事会多样性与更强的治理机制、更高的信息透明度及更优的企业财务表现之间存在正向关联，尤其是在董事会独立性更高、成员具有国际经验及多元文化背景的企业中更为显著。多元化董事会能够提升对管理层的监督能力，加强战略决策质量，并有助于企业与全球最佳治理实践保持一致。然而，制度环境与文化因素将显著影响多样性对企业治理结果的作用路径，凸显出为不同国家制定本土化治理策略的必要性。

本研究在公司治理领域的文献中提供了来自意大利与中国的实证证据，有助于弥合理论探讨与实际数据之间的鸿沟。研究结果为政策制定者、投资者及企业管理者提供了切实参考，有助于优化董事会结构、提升治理质量，并推动企业在多变而竞争激烈的市场环境中实现可持续发展。同时，研究也对监管机构和公司决策层提出建议，推动打造更具包容性与治理效能的董事会，以实现财务与社会责任的双重目标的双赢。

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Chapter I: Introduction

1.1 Background and Research Motivation

In an era marked by global uncertainty, rapid technological change, and rising demands for corporate accountability, the effectiveness of corporate governance has become more important than ever. At the heart of this study lies the composition of the board of directors, the central governing body responsible for overseeing strategic decisions, risk management and executive performance. A growing body of literature and international policy discourse highlights board diversity as a critical component of strong governance practices (Terjesen et al., 2009; Carter et al., 2003; Post & Byron, 2015). Yet, despite increased attention, the concept of board diversity remains complex, multidimensional, and, in many contexts, under-implemented.

The majority of corporate boards throughout history consisted mainly of males who received financial training and shared comparable social and national backgrounds (Hillman et al., 2007). Boards that lack diversity create concerns because they fail to represent diverse stakeholders effectively while struggling to challenge management decisions and integrate multiple perspectives into organizational strategy (Adams & Ferreira, 2009; Williams & O'Reilly, 1998). The composition of boards evolved to incorporate different qualifications besides gender such as ethnic background, cultural origins, educational history, professional background and international experience (Milliken & Martins, 1996). The expanded definition of diversity reflects modern insights into creating boards which can address complex and worldwide business challenges.

Several fundamental concepts from management and governance studies are theoretically connected to diversity. According to Resource Dependency Theory, diverse boards enable firms to obtain extensive information networks and external resources (Hillman et al., 2000), while Stakeholder Theory demonstrates that diverse leadership creates social, employee and investor legitimacy for companies (Freeman, 1984). The risk of groupthink and entrenched interests decreases according to Agency Theory when boards have more

diverse membership (Jensen & Meckling, 1976). Research findings on this matter demonstrate inconsistent and sometimes conflicting results. Some research demonstrates that diverse boards lead to better corporate results (Post & Byron, 2015), yet this effect becomes negative when boards fail to create an inclusive environment (Shen et al., 2020). The operational impact of diversity in practice depends on national institutions along with governance frameworks and cultural norms (Aguilera et al., 2008).

Regulatory bodies across the globe have established board diversity requirements through legislation since recent years, but their implementation methods and enforcement strength vary. The European countries of Norway and France have established themselves as leaders through their mandatory gender quota laws for businesses listed on stock exchanges (Seierstad et al., 2017). Italy implemented the Golfo-Mosca Law in 2011 to establish mandatory board seat allocations for minority gender representatives in listed companies (Consob, 2022). Academic researchers now study the effects of diversity mandates on both board formation and corporate achievement and governance standards by these implemented reforms (Joecks et al., 2013).

The governance framework in China operates under completely distinct rules than those applied elsewhere. China functions as one of the world's leading developing economies where numerous state-owned and government-influenced publicly listed companies continue to expand. China has achieved progress in corporate governance reform but it maintains no compulsory diversity standards, which results in its boards displaying limited gender and international diversity (ACGA, 2023). The ownership dynamics, along with regulatory requirements and social norms about leadership in China, diverge significantly from Western business environments. The difference between China's governance system and others makes it an excellent case for studying diversity dynamics within various institutional environments.

The research aims to achieve two main goals based on the current situation. The research investigates how various dimensions of board diversity—including educational

background, cultural diversity, and international experience—affect firm performance while extending beyond gender-specific analysis. This study examines performance connections between diversity elements and their differences across nations with fundamentally dissimilar governance frameworks. Through its examination of Italy and China, this research provides a comparative analysis to evaluate the impact of diversity on firm-level results under different regulatory environments and boardroom cultures.

The research examines carefully theoretical gaps in the existing literature and maintains practical significance for its field of study. The understanding of which diversity characteristics matter and when they matter becomes essential for developing evidence-based policies and strategies about board composition and effectiveness, because companies and investors and regulators now focus on improving board performance. Public enterprises face escalating demands to display leadership by showing both financial results and responsible governance practices and inclusive organizational culture. This research joins the worldwide discussion about leadership diversity's effects on corporate accountability, as well as competitiveness and sustainable long-term development.

1.2 Relevance and Contribution of the Study

This research provides both empirical findings and international perspectives that extend existing literature in board diversity research. Research into the effects of gender, cultural and educational diversity on firm performance exist but lack studies that integrate all three variables while comparing different institutional environments (Milliken & Martins, 1996; Van Knippenberg et al., 2004). This thesis enhances the corporate governance field through its analysis of Italian and Chinese boards which operate within distinct governance structures and regulatory frameworks and cultural traditions (Aguilera et al., 2008).

The analysis uses financial data from Refinitiv and both Refinitiv and CSMAR for China to examine firm-level financial data and board diversity indicators over multiple years. The dual-source approach strengthens data accuracy and robustness to enable more detailed board composition analysis. The standardized diversity metrics combined with consistent financial indicators provide a rigorous framework for comparing institutions while controlling their structural differences between the two settings.

The research introduces an innovative approach through its methodological design. It implements various robustness tests such as Breusch-Pagan tests for heteroskedasticity and VIF analysis for multicollinearity diagnostics together with outlier-adjusted estimations to verify the reliability and internal validity of the results (Shen et al., 2020; Wooldridge, 2012). These empirical safeguards confirm the stability of the key findings and reinforce their relevance for both scholars and practitioners.

The study demonstrates that board diversity effects on firm performance exist within specific contexts and specific dimensions. The Italian sample shows gender diversity as a performance-enhancing factor because it reflects the influence of gender quotas such as the Golfo-Mosca law (Consob, 2022). The Chinese board structures show that international experience together with educational diversity matter most because they reflect growing global competency needs within China's hierarchical governance model (ACGA, 2023; Oxelheim & Randøy, 2003). The results confirm institutional environment's role in diversity impact according to predictions from institutional and stakeholder theory (Freeman, 1984; Hillman et al., 2000).

The research fills an existing gap in comparative corporate governance studies by uniting quantitative research methods with regulatory and institutional analysis. The research delivers also essential guidance to policymakers who set diversity mandates as well as firms seeking optimal board composition and investors evaluating governance quality through ESG criteria (Post & Byron, 2015; Terjesen et al., 2009). The thesis provides foundational research as well to develop advanced board diversity indices that integrate

demographic characteristics with experiential knowledge and cognitive abilities—a field that modern governance research recognizes as essential.

Finally, the research contributes to a wider comprehension of how firm outcomes result from board composition and demonstrates that integrated diversity can improve economic performance and governance accountability.

1.3 Thesis Structure Overview

The thesis contains five main chapters which trace the research progression to solve the central investigation regarding how board diversity impacts Italian and Chinese firm performance.

The research topic introduction within this chapter demonstrates why corporate governance discussions have elevated the importance of board diversity (Terjesen et al., 2009; Post & Byron, 2015).It explains its subject selection process through both theoretical and applied motivations before identifying Italy and China as research sites (Aguilera et al., 2008). This section explains the research objectives and the boundaries of the investigation as well.

The second chapter establishes the theoretical base through an analysis of existing literature. At the outset this chapter defines board diversity terminology together with its individual elements that include gender and educational diversity, cultural background and international work experience (Milliken & Martins, 1996; Van Knippenberg et al., 2004). The theoretical framework presented in this chapter draws from agency theory, stakeholder theory, and resource dependency theory to explain how diversity affects board effectiveness and firm performance (Jensen & Meckling, 1976; Freeman, 1984; Hillman et al., 2000). The following part of this chapter discusses existing research that

examine diversity-performance connections across different national markets (Shen et al., 2020). The chapter describes institutional differences between Italy and China before presenting the research hypotheses.

The current chapter explains both the research design and the methodology which tests the developed hypotheses. The section explains how to select public companies in both countries along with the sources used to obtain data. Return on Assets, Return on Equity, Growth in Sales and Net Profit Margin serve as dependent variables to analyze empirically (Wooldridge, 2012). The research incorporates independent variables which represent the fundamental diversity dimensions along with controls that use firm-level characteristics such as size, leverage, industry and ownership structure. Linear regression models perform the statistical analysis to explain data collection methods which ensure robust results. The data are retrieved from Refinitiv for Italian firms and from both Refinitiv and CSMAR for Chinese companies, ensuring high comparability and credibility of the dataset.

The empirical study results appear in Chapter four for interpretation. The research outcomes from regression analysis appear in this section to show the findings in relation to the initial research questions. This section evaluates findings between Italian and Chinese firms to identify shared patterns and distinct effects of diversity on performance between these countries (Adams & Ferreira, 2009; Oxelheim & Randøy, 2003). The research assesses the findings to verify as to whether they support or dispute theoretical and empirical evidence. The discussion evaluates the impact of national institutions and regulatory structures along with ownership patterns on observed relationships (Aguilera et al., 2008; ACGA, 2023).

The thesis concludes its fifth chapter by delivering its main results with practical implications. The study produces findings to advance board diversity and corporate governance research while providing significant outcomes for policymakers, corporate leaders and institutional investors. The chapter discusses research boundaries due to data

limitations and generalization constraints before proposing future research paths to study how board composition affects corporate outcomes in different governance frameworks.

In the appendix section, the thesis includes a complete reference list which accompanies additional data tables and relevant national regulatory documents when necessary.

Chapter II: Literature Review and Hypotheses Development

2.1 Defining Board Diversity: Dimensions and Interpretations

Board diversity has emerged as a critical dimension of corporate governance, reflecting the general awareness that heterogeneous boards are better equipped to manage complex decision-making environments, to engage with a broader range of stakeholders, and to respond to dynamic market conditions. At its core, board diversity refers to the variety of attributes, experiences, and perspectives represented among members of a company's board of directors. While the most frequently discussed aspect of diversity has historically been gender, contemporary scholarship and regulatory attention have expanded the scope to include dimensions such as age, ethnicity, nationality, educational background, professional experience, and international exposure. Each of these characteristics contributes to shaping the cognitive resources, values, and behavioral tendencies that directors bring into boardroom deliberations, thereby influencing governance outcomes and, potentially, firm performance.

At first, the academic debate on board composition was largely descriptive, focusing on the underrepresentation of certain groups, particularly women, in corporate leadership roles. Academicians investigated the social and institutional barriers that constrained access to board positions, often highlighting patterns of exclusion rooted in traditional corporate networks and homogenous recruitment practices (Bilimoria and Piderit, 1994; Burgess and Tharenou, 2002). As awareness of these patterns grew, governments in various countries began introducing regulatory measures aimed at increasing female participation on boards. Norway's introduction of a mandatory gender quota in 2003 marked a watershed moment, setting a precedent for other jurisdictions and sparking a wave of empirical studies on the impact of such interventions. Research following the Norwegian reform explored how the sudden influx of women directors affected board dynamics and firm outcomes, with mixed results. Some studies identified short-term disruptions or limited influence when women remained in the minority (Ahern and Dittmar, 2012), while others reported improvements in board effectiveness and long-term

performance when gender diversity reached a critical mass (Wang and Kelan, 2013; Matsa and Miller, 2012).

Gender, however, is just one component of a much broader analysis. Recent literature has emphasized the value of educational and functional diversity, referring to differences in academic training, managerial expertise, and professional trajectories. A board composed of individuals with varied educational backgrounds—such as finance, law, engineering, and the humanities—is more likely to generate innovative solutions, question assumptions, and evaluate risks from multiple perspectives (Erhardt, Werbel, and Shrader, 2003). Similarly, diversity in functional experience—e.g., directors with careers in marketing, operations, or international business—can help boards better assess complex strategies and adapt to shifting market conditions. This cognitive and experiential diversity aligns with the resource dependency theory, which sees board members as strategic assets who provide firms with access to valuable knowledge, resources, and external networks (Hillman, Cannella, and Harris, 2002).

Cultural and ethnic diversity also plays a vital role, particularly for multinational corporations operating across various jurisdictions and cultural contexts. Directors from different ethnic or national backgrounds can bring cultural sensitivity, local knowledge, and alternative worldviews that enrich board discussions and facilitate international expansion. In increasingly globalized economies, the presence of directors with international experience—through education, expatriate roles, or previous board service abroad—can provide a firm with a competitive advantage in managing global supply chains, adapting to regulatory differences, and understanding foreign consumer behavior. Such diversity is not only a matter of fairness or representation but also a source of strategic insight and innovation (Carter, Simkins, and Simpson, 2003).

The theoretical literature also highlights the mechanisms through which board diversity may influence firm performance. According to stakeholder theory, diverse boards are better positioned to understand and respond to the expectations of various constituencies,

including customers, employees, investors, and communities (Brammer, Millington, and Pavelin, 2007). Agency theory, on the other hand, suggests that diverse and independent boards can reduce the risk of managerial entrenchment and improve oversight by challenging groupthink and fostering a more balanced power dynamic within the firm. In practice, however, the effectiveness of board diversity depends not only on its presence but also on the institutional and cultural environment in which the board operates.

Empirical research has delivered mixed findings on the relationship between board diversity and financial performance. Some studies report a positive correlation between gender or ethnic diversity and indicators such as return on assets (ROA), return on equity (ROE), or market valuation (Carter et al., 2003; Erhardt et al., 2003), while others find no statistically significant impact or suggest that the relationship is context-dependent (Rose, 2007; Ahern and Dittmar, 2012). These differences may stem from variations in governance structures, firm size, industry characteristics, and the inclusiveness of board cultures. The critical mass theory suggests that a token presence of diverse members may be insufficient to shift board dynamics; rather, a certain threshold must be reached before minority voices can effectively influence decision-making (Torchia, Calabrò, and Huse, 2011). Furthermore, the mere presence of diverse directors does not guarantee an inclusive boardroom culture. Without supportive leadership, clear communication channels, and mechanisms for integrating diverse viewpoints, diversity may remain superficial or even lead to conflict and inefficiency.

Beyond regulatory mandates, voluntary corporate initiatives and investor pressures are increasingly shaping the board diversity agenda. Institutional investors, shareholder coalitions, and proxy advisory firms are calling for greater transparency on board composition and pushing firms to adopt diversity policies. Some companies have responded by setting internal diversity targets, revising nomination practices, and offering board readiness programs for underrepresented candidates. Others have emphasized the importance of aligning board composition with firm strategy and stakeholder expectations. The success of such efforts often depends on broader organizational culture,

leadership commitment, and the industry's openness to innovation and change (De Cabo et al., 2011; Bear, Rahman, and Post, 2010).

Board diversity is a multifaceted concept that encompasses a wide range of individual characteristics and collective dynamics. While gender remains a focal point—particularly in light of legislative reforms—the evolving literature underscores the importance of cognitive, cultural, and experiential differences in enhancing board effectiveness and organizational performance. Achieving true diversity involves not only changing the composition of boards but also cultivating inclusive practices that allow diverse perspectives to shape governance outcomes in meaningful ways. As companies navigate increasingly complex economic, social, and regulatory environments, board diversity stands as both a challenge and an opportunity for building resilient, adaptive, and responsible governance systems.

2.2 Corporate Governance Theories and Their Link to Diversity

The integration of diverse perspectives within corporate governance frameworks represents a pivotal aspect of contemporary organizational management. As businesses navigate increasingly complex and globalized environments, board diversity has emerged as both a reflection of societal values and a strategic imperative. Theoretical perspectives on corporate governance—namely agency theory, stakeholder theory, stewardship theory, and resource dependency theory—offer valuable lenses through which to understand how diversity shapes board dynamics, decision-making processes, and ultimately, firm performance.

Agency theory, introduced by Jensen and Meckling (1976), centers on the principal-agent relationship between shareholders and managers, emphasizing the importance of monitoring mechanisms to mitigate agency costs. From this perspective, board diversity enhances the board's oversight capacity by bringing in a wider range of viewpoints,

experiences, and critical thinking approaches. A more heterogeneous board composition reduces the risk of groupthink and fosters a culture of constructive dissent, which is essential for holding management accountable. Empirical studies support this connection: for instance, Adams and Ferreira (2009) demonstrate that gender-diverse boards tend to exhibit stronger monitoring functions, which can lead to improved governance outcomes and more shareholder-aligned decision-making.

In contrast, stakeholder theory, as articulated by Freeman (1984), broadens the scope of governance beyond shareholders to include a wide array of stakeholders—such as employees, customers, communities, and suppliers. This theory underscores the moral and practical imperative for corporations to reflect and respond to the needs of these diverse groups. Board diversity plays a critical role in this context, as it enables organizations to better understand and integrate multiple stakeholder perspectives. Individuals from varied backgrounds may offer insights into market trends, cultural nuances, and ethical considerations that a homogeneous board might overlook. Research by Carter et al. (2003) confirms that diverse boards are more likely to engage in socially responsible behavior and enjoy enhanced legitimacy in the eyes of external stakeholders. This alignment with stakeholder interests not only strengthens corporate reputation but also supports long-term sustainability by embedding inclusivity and accountability into governance practices.

Stewardship theory, which departs from the adversarial view of agency theory, posits that managers are inherently motivated to act in the best interest of shareholders and the organization. This theory emphasizes trust, intrinsic motivation, and shared goals. While stewardship theory does not explicitly foreground diversity, it nonetheless supports the idea that diverse boards can enhance collective decision-making and foster a more collaborative governance environment. A board composed of individuals with different cultural, educational, and professional backgrounds can contribute to a richer pool of ideas and promote mutual respect among members. Hillman et al. (2000) argue that this diversity of thought facilitates strategic alignment and innovation, allowing organizations to benefit from a broader range of perspectives while maintaining cohesion and purpose.

Resource dependency theory offers perhaps the most direct and strategic rationale for board diversity. According to this theory, originally developed by Pfeffer and Salancik (1978), organizations depend on their external environment for critical resources, and board members act as boundary-spanning agents who provide access to those resources. Diversity on boards enhances this boundary-spanning function by expanding the network of contacts, industry knowledge, and socio-political capital available to the organization. Diverse directors may bring connections to different markets, communities, or regulatory bodies, thereby increasing the firm's adaptability and strategic agility. Hillman et al. (2000) and Carter et al. (2003) both emphasize that demographic diversity on boards enhances firms' capacity to navigate uncertainty and seize emerging opportunities, which is particularly relevant in today's fast-evolving global economy.

While each corporate governance theory offers distinct insights into the value of diversity, stakeholder theory and resource dependency theory most strongly advocate for its incorporation into governance structures. These theories highlight the multifaceted contributions that diverse board members can make—not only in enhancing oversight and accountability, but also in deepening stakeholder engagement and expanding strategic capabilities. By integrating diversity into governance frameworks, companies can cultivate more resilient, innovative, and socially attuned organizations. Furthermore, this approach aligns with broader ethical and societal expectations, reinforcing the notion that diversity is not merely a compliance issue or reputational tool, but a critical driver of sustainable competitive advantage in the long term.

2.3 Board Diversity and Performance: Empirical Insights

The relationship between board diversity and corporate performance has become one of the most widely studied topics in governance research, reflecting both the global momentum toward inclusive leadership and the growing interest in understanding how diverse perspectives affect strategic decision-making. While corporate governance theories provide a strong conceptual foundation for anticipating the benefits of diversity—ranging from improved oversight to broader resource access—empirical research has yielded mixed results, often shaped by contextual, cultural, and institutional variables.

Most of international literature has concentrated on gender diversity, primarily due to the visibility and measurability of gender representation in boardrooms. Early influential studies such as Carter, Simkins, and Simpson (2003) and Erhardt, Werbel, and Shrader (2003) found a positive correlation between gender-diverse boards and financial performance, particularly in industries where innovation and customer orientation are critical. These studies argue that diverse boards are more likely to avoid groupthink, foster constructive debate, and bring fresh perspectives to strategic challenges.

Subsequent research has further explored the non-financial benefits of board diversity, including improved corporate social responsibility (CSR), enhanced stakeholder engagement, and strengthened ethical oversight. For example, Bear, Rahman, and Post (2010) demonstrate that gender-diverse boards are significantly associated with higher CSR ratings, suggesting that women directors may bring greater sensitivity to social and environmental concerns. Similarly, Torchia, Calabrò, and Huse (2011) emphasize the importance of reaching a critical mass of female board members—typically three or more—to meaningfully influence decision-making and corporate outcomes.

In their comprehensive literature review, Terjesen, Sealy, and Singh (2009) highlight that while many studies show positive or neutral effects, there are also cases where the relationship is ambiguous or conditional. These variations often depend on board

dynamics, organizational culture, and the degree of inclusion rather than mere numeric representation. For instance, diversity that is introduced solely for compliance purposes—without genuine integration into board processes—may fail to produce the expected benefits.

A particularly rich empirical context has been provided by Norway, the first country to implement a mandatory gender quota for corporate boards. Studies such as Matsa and Miller (2012) and Ahern and Dittmar (2012) assess the short-term economic impacts of the quota law, finding mixed results. While some firms experienced a decline in profitability due to increased labor costs and shifts in corporate strategy, these outcomes may reflect a period of adjustment rather than a fundamental weakness in diverse governance. In contrast, Wang and Kelan (2013) offer a more qualitative perspective, showing that the presence of women led to more reflective and inclusive boardroom dialogue, suggesting longer-term cultural and strategic benefits.

Further evidence from Spain (De Cabo et al., 2011) explores the mechanisms behind gender representation, finding that the presence of one or more women on a board significantly increases the likelihood of appointing additional female directors. This phenomenon suggests the existence of a self-reinforcing dynamic, whereby diversity fosters further inclusivity and gradually reshapes organizational norms. These findings align with the concept of social capital as outlined by resource dependency theory, where directors act as bridges to new networks, stakeholder groups, and knowledge domains.

Additionally, broader studies—including those by Burke (2000), Burgess and Tharenou (2002), and Huse, Nielsen, and Hagen (2009)—contribute to the understanding that board diversity is often associated with better monitoring, risk management, and ethical conduct, all of which contribute to sustainable performance in the long term. Importantly, many of these studies emphasize that the quality of board processes, such as communication, trust, and mutual respect, mediates the impact of diversity on outcomes.

Thus, the context in which diversity is embedded—including national culture, governance systems, and the maturity of board practices—plays a decisive role in shaping its effects.

While the empirical relationship between board diversity and performance is not universally linear or direct, a large body of international literature points to a generally positive or neutral association, particularly when diversity is meaningfully integrated into governance processes. The findings consistently highlight that diversity contributes to greater board effectiveness, enhanced stakeholder legitimacy, and improved alignment with societal expectations. These outcomes, while not always reflected in short-term financial metrics, are critical for long-term strategic resilience and ethical governance.

2.4 Regulatory and Institutional Influences in Italy and China

The regulatory and institutional environments in which corporations operate play a fundamental role in shaping the extent and effectiveness of board diversity initiatives. In particular, the cases of Italy and China offer compelling contrasts: while both countries acknowledge the value of gender diversity in corporate governance, they adopt significantly different approaches rooted in their unique legal traditions, governance systems, and socio-economic contexts.

Italy represents one of the most prominent examples of rule-based regulatory intervention to address gender imbalance in corporate leadership. The turning point came with the Golfo-Mosca Law (Law No. 120/2011), which introduced mandatory gender quotas for boards of directors in publicly listed companies. Initially requiring that at least one-fifth of board seats be allocated to the underrepresented gender, the quota increased to one-third for subsequent board renewals. This legislative measure was groundbreaking not only in Italy but also within the European Union, positioning Italy at the forefront of institutional responses to gender inequality in corporate governance.

The quota regulation has had a tangible and transformative influence on board composition. According to the 2022 CONSOB Report on Corporate Governance, women now occupy 43% of board positions in Italian listed companies—up from a mere 7% in 2011, before the law was enacted. The same report notes an increasing proportion of women in managerial roles, with more than half of the female directors now possessing significant executive or strategic experience. These figures underscore the effectiveness of binding quotas in not only promoting gender representation but also in ensuring that women are brought into boards with substantive professional qualifications.

Furthermore, Italy has engaged with international frameworks to sustain this progress. The Women's Empowerment Principles (WEPs) initiative—supported by UN Women and promoted at a national level through partnerships with organizations such as Valore D—has helped embed gender inclusivity into broader corporate strategies, including talent development, pay equity, and succession planning. As reported in the 2020 WEPs Case Study on Italy, leading firms have begun to integrate gender-sensitive KPIs and adopt transparent board nomination processes, extending the impact of legislative reforms into internal governance practices.

However, despite these regulatory achievements, concerns remain regarding the depth of inclusion. Scholars and commentators have questioned whether the presence of women on boards reflects genuine integration or is sometimes reduced to tokenistic compliance. There are also disparities in representation across sectors, and women remain underrepresented in chair and CEO roles. The need to transition from compliance-driven metrics to cultural change and inclusive leadership pipelines remains a key challenge for the Italian corporate system.

In contrast to Italy's rule-bound system, China adopts a more principle-based and market-oriented approach to board diversity. The country does not impose any gender quota or binding regulation on listed companies with regard to board composition. Instead, guidelines issued by regulatory bodies such as the China Securities Regulatory

Commission (CSRC) and major stock exchanges (e.g., the Shanghai Stock Exchange and Shenzhen Stock Exchange) encourage companies to disclose board diversity policies as part of their broader corporate governance reporting, particularly under the environmental, social, and governance (ESG) framework.

According to the Asian Corporate Governance Association (ACGA), while the concept of board diversity is gaining attention among regulators and investors in Mainland China, it remains largely driven by external pressures, especially from global investors seeking alignment with international ESG standards. In practice, there is significant variation in disclosure quality and board diversity performance across firms, with state-owned enterprises (SOEs) and traditional industries showing lower levels of female representation than private or foreign-invested firms.

The statistical picture reflects this unevenness. As highlighted by Wang and Chen (2024), only around 13% of board seats in Chinese A-share listed companies are occupied by women, with wide disparities depending on region, sector, and ownership structure. The absence of quotas and limited enforcement mechanisms mean that progress is slow and largely voluntary. Nevertheless, there is growing momentum from within the corporate sector itself. Some firms—particularly those with international operations or foreign shareholders—are beginning to adopt internal diversity targets, establish board evaluation processes, and include gender diversity in their nomination criteria.

Significant recent progress has occurred in Hong Kong, which operates under a distinct legal and regulatory system. In 2022, the Hong Kong Stock Exchange (HKEX) announced a new policy banning single-gender boards for all listed companies by the end of 2024. Companies must also disclose measurable objectives and timelines to achieve board diversity. These changes, part of the HKEX's Corporate Governance Code, represent a notable shift towards mandatory diversity practices, aligning Hong Kong more closely with global governance norms. The HKEX has further emphasized the business

case for diversity, linking it to improved decision-making, innovation, and risk management (HKEX, 2024).

Despite these advances, cultural and institutional barriers remain formidable in the Chinese context. Patriarchal traditions, implicit biases in leadership selection, and a lack of women in executive pipelines continue to limit progress. As observed in recent literature (e.g., Barako et al., 2024), while many firms publicly endorse diversity, there is often a gap between symbolic support and meaningful structural change. This gap is particularly evident in SOEs, where leadership appointments are heavily influenced by political considerations and party affiliations, and diversity tends to rank lower on the strategic agenda.

The regulatory and institutional contrast between Italy and China underscores the dual nature of diversity governance. Italy exemplifies the power of legally enforced quotas to bring about rapid representational change, while China illustrates the limitations—and gradualism—of a market-led, non-binding approach. However, both countries are responding, in their own ways, to increased global pressure for inclusive governance.

While Italy may offer lessons on the efficacy of quotas and legal mandates, China's experience highlights the importance of corporate initiative, international benchmarking, and alignment with global investor expectations. Moving forward, both countries will need to focus not only on numerical representation, but also on ensuring that women and other underrepresented groups are given the possibility, the tools, resources, and authority to shape strategic decisions meaningfully.

The regulatory environments of Italy and China reflect broader governance philosophies and societal values. Yet despite their differences, both are engaging—albeit through divergent pathways—with the global imperative to build diverse, effective, and accountable corporate boards.

2.5 Research Hypotheses

Building on the theoretical foundations and empirical literature reviewed in the previous sections, this study aims to empirically explore the relationship between board diversity and firm performance in publicly listed companies in Italy and China. In particular, the research seeks to understand how different forms of diversity—namely gender, historical and educational background, cultural diversity, and international experience—affect firm-level outcomes in two institutional settings that differ significantly in terms of regulatory structures, governance traditions, and socio-cultural norms. The formulation of the research hypotheses is grounded in theories such as agency theory, stakeholder theory, stewardship theory, and resource dependency theory, which collectively provide a comprehensive framework for understanding how diversity can influence board functioning and strategic effectiveness.

Italy, a European Union founding member country, has implemented one of the most comprehensive legal frameworks for gender diversity on boards through the Golfo-Mosca Law, which requires listed companies to reserve at least one-third of board positions for the underrepresented gender. According to CONSOB's 2022 report, this regulation has had a significant impact, with women now accounting for approximately 43% of board positions. Despite this progress, female directors remain underrepresented in leadership roles such as chairperson or CEO, although they play a significant role in board committees, particularly those related to control and remuneration. This regulatory backdrop makes Italy an ideal setting for testing the impact of gender diversity in an environment where institutional support exists and social norms are increasingly aligned with inclusive practices.

In contrast, China presents a markedly different scenario. Although the country has made considerable advances in modernizing its corporate governance framework, it has yet to adopt formal diversity requirements. Female representation on boards remains limited, especially within state-owned enterprises (SOEs), where traditional governance structures and hierarchical decision-making still dominate. According to data presented

by the Asian Corporate Governance Association (ACGA) and the Hong Kong Stock Exchange (HKEX), women hold only around 13% of board positions in mainland China, with significantly lower figures in SOEs compared to private or foreign-invested enterprises. Furthermore, boards in China often lack diversity in educational background and international experience, especially among firms with government-appointed directors, resulting in more homogenous decision-making bodies.

The literature suggests that the benefits of board diversity are context-dependent and may be moderated by national institutional frameworks, corporate ownership structures, and board culture. For example, educational diversity can provide firms with a range of analytical tools and perspectives, improving problem-solving capabilities and strategic foresight. Similarly, directors with international experience may bring valuable insights into foreign markets, regulatory practices, and cross-cultural management—capabilities that are particularly relevant in globalized industries. Cultural diversity, though less frequently examined, can enhance a board's ability to respond to stakeholder expectations and broaden its strategic vision, especially in firms operating across multiple jurisdictions.

In addition to considering the direct effects of diversity, this study also accounts for potential moderating variables such as ownership structure. In both Italy and China, the presence of state ownership introduces unique governance challenges. In China, SOEs are subject to government influence and often exhibit centralized control and reduced flexibility, which may limit the impact of board diversity on firm performance. In Italy, while many listed firms are privately owned or family-controlled, the presence of controlling shareholders may also influence how board decisions are made and how diversity is leveraged.

Based on this background and the review of relevant studies, the following hypotheses are proposed:

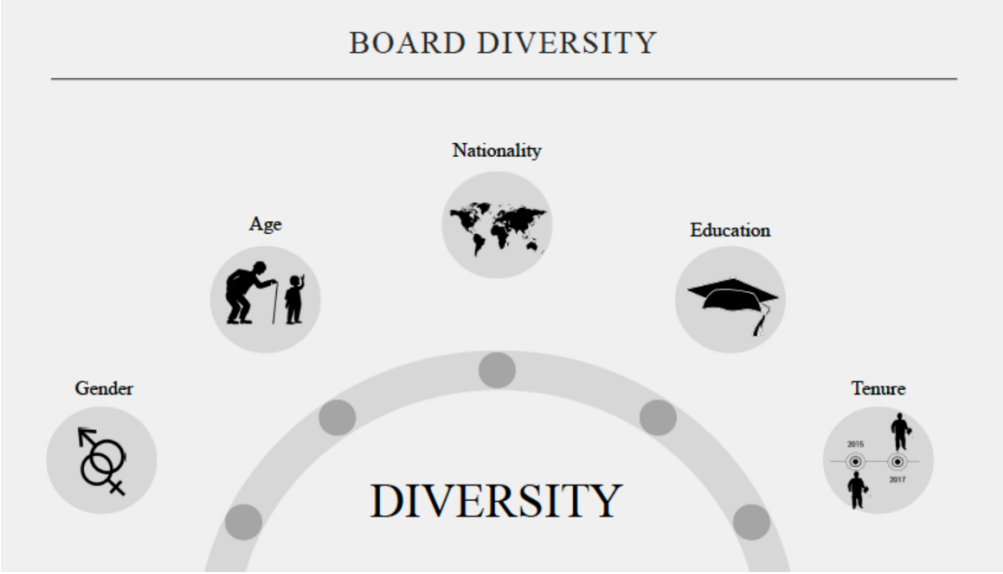
H1: Gender diversity on the board is positively associated with firm performance. It is expected that this relationship will be more pronounced in Italy, where gender diversity is supported by legal mandates and broader societal norms, compared to China, where such frameworks are absent or informal.

H2: Educational and skill diversity among board members contributes positively to firm performance. Boards composed of individuals with varied academic and professional training are likely to engage in more robust and multi-faceted discussions, which enhance decision quality and organizational adaptability.

H3: International experience of board members is positively related to firm performance. Directors who have studied or worked abroad are assumed to bring global perspectives and an understanding of cross-border dynamics that improve strategic agility. This effect is expected to be stronger in Italian firms, which tend to attract more internationally experienced directors.

H4: Cultural and skill diversity within boards leads to improved firm performance by fostering greater innovation, stakeholder responsiveness, and adaptability to complex environments. This hypothesis is particularly relevant for firms operating in international or export-driven sectors, where understanding diverse markets is a strategic asset.

These hypotheses will be tested through a quantitative approach, using cross-sectional regression models applied to a sample of publicly listed companies in Italy and China. By examining the interactions between different dimensions of diversity and organizational performance, this study aims to provide evidence on whether board diversity serves as a strategic resource and how its effectiveness is shaped by the broader governance environment.


BOARD DIVERSITY
Nationality
Age
Education
Gender
Tenure
2015
2017
DIVERSITY

Chapter III: Research Methodology

3.1 Data Sources and Sample Selection

This study investigates the impact of board diversity on firm performance using a comparative sample of publicly listed companies in Italy and China. The choice of these two countries reflects their contrasting corporate governance models, regulatory frameworks, and socio-cultural approaches to diversity. Italy represents a civil law country within the European Union that has adopted mandatory gender quotas and other corporate governance reforms aimed at enhancing transparency and accountability. China, on the other hand, features a hybrid model influenced by centralized control and state ownership, where board diversity is less regulated and often varies significantly between state-owned enterprises (SOEs) and private firms.

To construct a robust and representative sample, data collection focused on publicly listed companies on the Borsa Italiana for Italy and on the Shanghai and Shenzhen Stock Exchanges for China. The initial sample selection targeted firms listed on the main indices (FTSE MIB and SSE 180/Shenzhen Component Index) to ensure data availability and relevance. The observation period covers eight fiscal years from 2015 to 2022, a time frame that captures ante and post-pandemic board dynamics and reflects recent regulatory developments in both countries.

For Italian companies, data on board composition were collected from annual reports and corporate governance disclosures published on company websites. Additional information regarding gender, educational, and international background of board members was extracted from director biographies included in annual reports, integrated reports, or company websites. Firm-level financial data such as total assets, net income, revenue, and equity were obtained from commercial databases including Refinitiv and Orbis. Regulatory data and aggregate insights into board trends were gathered from CONSOB's annual report on corporate governance and the ownership structure of listed

companies, which provides detailed statistics on gender representation, independence, and committee participation.

In the case of Chinese companies, data were primarily retrieved from the China Stock Market & Accounting Research (CSMAR) database, accessible via Fudan University's institutional network. CSMAR offers comprehensive datasets on company financials, ownership structure, and corporate governance attributes, including board size, gender composition, educational qualifications, and professional experience of directors. Where necessary, these data were supplemented by reviewing company annual reports published in English or Chinese, as well as insights from reports by the Asian Corporate Governance Association (ACGA) and the Hong Kong Stock Exchange (HKEX), which track board diversity trends in mainland China.

To ensure consistency and comparability between countries, a set of selection criteria was applied. Only companies with complete data on board composition and financial performance for all seven years were included. Firms in the financial sector were excluded due to their unique governance and regulatory requirements. The final dataset comprises a diverse group of firms across sectors such as manufacturing, technology, energy, and consumer goods, with a balanced representation of small, medium, and large-cap firms. This selection strategy helps ensure a heterogeneous sample that reflects the broader structure of each country's economy.

The resulting panel dataset enables a structured comparison of board diversity indicators—including gender, cultural background, educational diversity, and international experience—against key performance metrics such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, and Growth in Sales. The cross-country design not only facilitates empirical testing of the proposed hypotheses but also allows for an in-depth exploration of how national governance environments shape the role and impact of diversity on corporate outcomes. By anchoring the analysis in high-

quality, multi-source data, this methodology ensures both the validity and the relevance of the research findings.

The sampling strategy aims to capture the influence of institutional context, recognizing that the structure of governance systems, the strength of regulatory enforcement, and the role of informal norms differ substantially between Italy and China. While Italy's compliance with EU directives and implementation of gender quotas provides a relatively formalized approach to board diversity, China's governance model—particularly in state-owned firms—remains heavily shaped by centralized control and less transparent nomination processes. The methodological framework of this research is thus designed to accommodate these institutional divergences while maintaining analytical consistency, ensuring that the results can meaningfully contribute to both national and comparative governance debates.

3.2 Variable Description and Measurement

3.2.1Performance Metrics: ROA, ROE, Net Profit Margin, Growth in Sales

This section provides a detailed overview of the variables employed in the empirical analysis, grouped into three main categories: dependent variables (firm performance metrics), independent variables (board diversity indicators), and control variables (firm-level characteristics that may influence performance). The choice and operationalization of each variable are informed by existing corporate governance literature (Adams & Ferreira, 2009; Carter et al., 2003), as well as by the practical constraints related to data availability and comparability across Italy and China.

The dependent variables are selected to capture different dimensions of firm performance, both in terms of profitability and growth. Commonly used financial indicators such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, and Growth in Sales are employed to offer a multidimensional view of organizational outcomes. These

metrics are standard in empirical research (Dalton et al., 1998; Gentry & Shen, 2010) and are used to ensure the validity and comparability of results across different sectors and countries.

The independent variables measure the various forms of board diversity under examination in this study. Rather than focusing solely on gender diversity, the research adopts a broader and multidimensional approach by including educational background, cultural diversity, and international experience. Each dimension of diversity is quantified using proxies based on board composition data, allowing for consistent measurement across firms and time. These indicators are intended to reflect the heterogeneity of perspectives, skills, and experiences that board members bring to the decision-making process, which, according to corporate governance theory, can influence strategic outcomes and firm performance (Milliken & Martins, 1996; van Knippenberg & Schippers, 2007; Terjesen, Sealy, & Singh, 2009).

To account for potential confounding effects, a set of control variables is incorporated into the regression model. These include firm size, leverage, ownership structure (e.g., state-owned versus privately held), and industry classification. These factors have been shown in prior studies to affect firm performance and may also influence how board diversity manifests and operates within different organizational settings (Yermack, 1996; La Porta et al., 1999; Boone et al., 2007). Controlling for these variables enhances the robustness and interpretability of the results by isolating the effects of board diversity on performance.

The following subsections explain in detail how each variable is defined, measured, and sourced. Where appropriate, justifications are provided for the selection of particular metrics, along with any transformations or assumptions applied during data processing. This ensures clarity and transparency in the methodological framework and supports the replicability of the study in future research.

Financial performance indicators serve as dependent variables in this research because they provide multiple dimensions to measure organizational success. The academic and professional literature accepts these variables as dependable performance indicators for corporate success, while governance and management researchers frequently employ them (Richard et al., 2009; Kaplan & Norton, 1992). Each performance metric provides a distinct perspective of firm performance allowing researchers to conduct balanced assessments of profitability, operational efficiency, and growth capabilities.

Return on Assets (ROA): ROA represents the ratio which divides net income by total assets. The ratio shows how effectively a company transforms its assets into profitable outcomes and serves as a crucial operational performance metric (Penman, 2012). The utilization of company resources becomes more efficient when ROA increases because it demonstrates better internal efficiency. ROA stands out as a suitable variable for international research because it adjusts performance levels based on asset value, making it suitable for comparing companies of varying sizes (Chen et al., 2005). The data for net income and total assets originated from company financial reports; Orbis validated the information for Italian companies, while CSMAR validated the data for Chinese firms.

Return on Equity (ROE): The formula for ROE calculates net income as a divisor of shareholder equity. The metric demonstrates how well a firm converts shareholder capital into returns. Investors utilize ROE to evaluate equity investments, while scholars use it to measure managerial effectiveness at delivering value to owners (Damodaran, 2007; Higgins, 1977). ROE provides a valuable tool for performance evaluation between firms with unique capital structures, particularly when equity financing dominates their markets. The authors used financial statement data from company balance sheets and income statements to calculate ROE.

Net Profit Margin: The ratio defines net profit as total revenue minus all expenses and calculates profit margin as the percentage of revenue remaining after expenses. The metric shows how much revenue converts into profit following all expense deductions.

Net profit margin demonstrates both cost management effectiveness and pricing efficiency and serves as a robust indicator of financial performance (Brigham & Daves, 2013). The ability of a firm to maintain profitability across different market situations improves when its profit margin increases. The selected metric provides dual functionality to assess operational and financial performance, thus enabling cross-sectional benchmarking (Palepu & Healy, 2008).

Growth in Sales: The percentage change in total revenue represents the variable to measure between consecutive years. The calculation involves subtracting previous-year revenue from current-year revenue then dividing the result by previous-year revenue. Sales growth indicators show how well a business expands through the market and develops its operations throughout time. Sales growth proves essential for companies operating in evolving markets or during economic recovery, since it demonstrates their capacity to perform in the future (Cheng et al., 2008). The growth-oriented perspective this metric offers enhances the study by complementing profitability measures.

The four performance indicators together present a detailed view of how well a firm performs financially. ROA together with ROE help analyze internal efficiency and shareholder value creation; net profit margin assesses revenue generation, while sales growth measures market expansion capabilities. Multiple indicators help the study reduce the risk of using single biased measures while providing a more complex view of board diversity effects on firm performance (Hillman & Dalziel, 2003).

The dataset used standardized financial data from audited annual reports to compute these variables for each firm-year observation. The application of financial ratios creates standardization, which enables strong empirical analysis between companies from diverse industries and national markets.

3.2.2 Diversity Indicators: Gender, Cultural, Educational Background, International Experience

This research studies board diversity's effects on firm performance using a four-dimensional framework which examines gender, cultural origins, educational background and global work experience. These indicators are chosen from the corporate governance theory and the rising global business strategy literature (Milliken & Martins, 1996; van Knippenberg et al., 2004; Oxelheim & Randøy, 2003). These indicators enable a detailed examination of board composition beyond traditional gender diversity metrics to provide a complete understanding of how different cognitive, experiential and demographic elements impact strategic decision-making at executive leadership levels.

The proportion of female directors on a company board determines Gender Diversity measurement. The variable indicates the extent of board inclusivity and compliance with applicable national legislation. Italy implemented gender quota laws including the Golfo-Mosca Law which led to substantial women representation in boardrooms thus making gender diversity an institutional governance standard (Bianchi et al., 2021). The absence of Chinese regulatory requirements regarding female board member representation leads to inconsistent gender diversity levels which remain lower for state-owned enterprises relative to private companies (Zhang et al., 2022). Research shows that organizations with diverse gender compositions demonstrate better independent boards and enhanced stakeholder focus and ethical oversight (Terjesen et al., 2009; Post & Byron, 2015). The study uses a continuous measurement which shows the number of female directors as a proportion of the total board members.

The measurement of Cultural Diversity tracks the number of directors who belong to different nationalities and ethnicities and regional origins. The measure assesses the diverse cultural insights which boards bring to strategic decision-making when firms operate internationally or work with diverse stakeholder groups. The research uses a simplified binary measurement of cultural diversity by assigning a value of 1 when board members show nationality or ethnicity differences from the majority and 0 otherwise. The

measurement technique enables researchers to detect culturally diverse insights but does not accurately measure cultural diversity levels within boards. Cultural diversity provides firms with better global market understanding and allows them to build more extensive stakeholder relationships and develop governance systems that welcome all participants (Nielsen & Nielsen, 2013).

The Educational Diversity metric analyzes the diverse academic qualifications among board members to evaluate their capacity to contribute distinctive analytical frameworks and knowledge to board meetings. The measurement of this dimension creates an index which evaluates the multiple academic disciplines present among board members (e.g., economics, law, engineering, natural sciences, humanities). A secondary indicator uses the percentage of directors who hold postgraduate qualifications including Master's and PhD levels or their international equivalents when actual data about educational backgrounds are unavailable. Educational diversity within a board builds intellectual capital and promotes different cognitive approaches while minimizing groupthink tendencies (Simons et al., 1999; Ferreira, 2010). Strategic adaptability and performance improvement in changing environments depend on directors who have different academic backgrounds since they bring unique perspectives on strategy, risk and innovation. Director biographies along with governance reports and third-party databases serve as sources for obtaining information about educational qualifications (Minichilli et al., 2012).

The International Experience indicator determines whether board members have experience studying or working abroad. A global economy benefits from directors who possess international backgrounds since these directors know foreign markets and cross-cultural management and international regulatory systems. Firms gain strategic agility through international experience which leads to better global responsiveness toward both challenges and opportunities (Masulis et al., 2012; Carpenter & Fredrickson, 2001). The research uses the variable to measure board members who either studied abroad or gained work experience outside their home country. The data about directors come from their CVs and publicly accessible profiles as well as annual reports and governance statements.

The four dimensions of diversity which include gender, cultural background, education level and international experience together create a complete framework to analyze board composition effects on corporate performance. Each variable is designed to enable firm-level comparison which ensures national context reliability for cross-country regression analysis. This research investigates board diversity mechanisms through comprehensive assessments of director background and experience which extend past basic diversity perspectives.

3.2.3 Control Variables: Firm Size, Leverage, Ownership Structure, Industry

This study uses multiple control variables in the regression model that specifically address firm-level factors which affect performance results beyond the primary independent variables for board diversity. The control variables play an essential role in reducing omitted variable bias and preventing spurious or confounded results in the analysis of diversity's impact on firm performance. The selection of these variables is grounded in both theoretical justifications and established practices in corporate governance research. The four key control variables that this study employs are firm size, leverage, ownership structure, and industry classification.

The size of a firm represents a basic control variable which researchers use when studying firm performance outcomes. The scale of a firm determines its ability to achieve cost efficiencies while gaining market access and implementing organizational complexity and strategic expansion which directly impacts performance results. The size of a firm typically creates external visibility that leads to increased governance standards and more diverse board selections. The study measures firm size by using the natural logarithm of total assets because this transformation helps address financial data skewness and enables comparison between firms of different sizes. This metric also controls the impact of multinational corporations so they do not dominate the overall analysis (Dang et al., 2018).

The degree of debt financing which represents a firm's capital structure serves as a leverage proxy to measure financial risk. Highly leveraged firms experience increased financial constraints that limit their ability to make strategic investments. The financial stress which companies experience affects both their performance results and the governance mechanisms that they need. Board composition changes based on financial leverage because creditors demand financially savvy independent directors to protect their investment interests. The leverage ratio which represents total liabilities divided by total assets serves as the standard measure to enable direct comparison between firms from different industries and countries (Berger & Bonaccorsi di Patti, 2006; Chen & Steiner, 1999).

The ownership structure stands as a fundamental factor that influences corporate governance practices especially when studying Italy versus China. The Chinese public listing market shows a large number of state-owned and state-controlled companies which create governance systems that deviate from private enterprise structures. State-owned businesses typically have decision-making power concentrated among a few leaders while maintaining weak board independence and lacking shareholder accountability for minority investors. The governance structure of Italian companies includes many family-run and small proprietary businesses which allow controlling shareholders to maintain substantial authority in board selection and strategic decision-making. The analysis includes ownership structure as a binary variable to distinguish between state-owned/state-controlled firms (value = 1) and all other firm types (value = 0). The binary classification system enables researchers to evaluate ownership type effects on performance while analyzing board diversity (Peng et al., 2008; Faccio & Lang, 2002).

Industry Classification functions as a control variable to account for market-specific elements which influence governance methods and financial performance results. The nature of industries creates separate regulatory frameworks which influence competitive forces along with capital requirements and innovation needs thus affecting both firm

results and board member selection. The board composition of technology companies tends to emphasize international presence and innovation while industrial businesses focus on technical engineering competencies. The analysis includes industry dummy variables to manage sector-specific variations in the regression models. The analysis employs standard classification codes from NACE or NAICS according to data availability to create industry dummy variables that allow sector-level comparisons with structural adjustments across industries (Campbell, 1996).

The analysis benefits from these control variables which improve both the reliability and interpretability of regression results. The study uses these variables to control firm size as well as financial structure and ownership model and sectoral context so it can properly measure the unique effects of board diversity on firm performance. The addition of these variables enhances both the internal validity of empirical analysis and provides deeper insights into organizational and institutional interactions with board composition in corporate outcomes.

3.3 Empirical Strategy and Regression Model

The empirical strategy of this study is to quantitatively evaluate the impact of board diversity on firm performance with regard to institutional settings in Italy and China. To achieve this, a cross-sectional regression analysis is employed using panel data from publicly listed companies in both countries over the seven years period 2015–2022. The regression model enables the effect of various board diversity dimensions on firm level financial outcomes to be estimated while controlling for a set of firm specific and industry specific variables that may confound the relationship.

The primary analytical technique employed is Ordinary Least Squares (OLS) regression which is suitable for estimating linear relationships between independent and dependent variables when the assumptions of linearity, independence and homoscedasticity are

reasonably satisfied (Wooldridge, 2013). Fixed effects or random effects models may also be used depending on the results of Hausman tests and the need to control for unobserved heterogeneity at the firm level or country level (Baltagi, 2008; Hausman, 1978). These approaches help to account for time-invariant firm characteristics and contextual influences that are not directly observable but may affect the results.

The general form of the regression model is specified as follows:

$$Performance = \\ = \beta_0 + \beta_1 GenderDiversity_{it} + \beta_2 CulturalDiversity_{it} \\ + \beta_3 EduDiversity_{it} + \beta_4 IntExperience_{it} + \beta_5 Controls_{it} + \varepsilon_{it}$$

$$Performance\ in\ Italy \\ = \beta_0 + \beta_1 GenderDiversity_{it} + \beta_2 CulturalDiversity_{it} \\ + \beta_3 EduDiversity_{it} + \beta_4 IntExperience_{it} + \beta_5 Controls_{it} + \varepsilon_{it}$$

$$Performance\ in\ China\ = \\ = \beta_0 + \beta_1 GenderDiversity_{it} + \beta_2 CulturalDiversity_{it} \\ + \beta_3 EduDiversity_{it} + \beta_4 IntExperience_{it} + \beta_5 Controls_{it} + \varepsilon_{it}$$

Where:

- $Performance$ refers to the dependent variables (ROA, ROE, Net Profit Margin, and Growth in Sales) for firm at time .

- $GenderDiversity, CulturalDiversity, EduDiversity\ and\ IntExperience$ are the key independent variables representing the four board diversity dimensions.

Where the $Control\ Variables\ are$:

- $Size$ = Natural logarithm of total assets, to control for firm scale effects
- $Leverage$ = Ratio of total debt to total assets, as a proxy for financial risk

- $Ownership$ = Dummy variable equal to 1 if the firm is state-owned, 0 otherwise
- $IndustryDummies$ = Sectoral fixed effects to control for industry-specific characteristics

- ε is the error term.

Each of the four performance metrics is analyzed separately to examine whether the effects of board diversity are different based on the outcome measure. This also helps in determining which dimensions of diversity are most strongly related to operational efficiency (ROA), shareholder returns (ROE), profitability (Net Profit Margin), and revenue growth (Growth in Sales) (Hillman et al., 2007).

In extended models, interaction terms can be introduced to test whether the relationship between board diversity and performance is moderated by factors such as ownership structure or country. For instance, an interaction between gender diversity and a dummy variable for state-owned enterprises can help to assess whether the impact of female representation is different between public and private ownership contexts (Liu et al., 2014; Post & Byron, 2015).

Robust standard errors are used to address potential heteroskedasticity (White, 1980) and multicollinearity among the independent variables is tested using Variance Inflation Factors (VIFs) (O'Brien, 2007). When necessary, variables are adjusted at the top and bottom 1% to reduce the effect of outliers (Krause et al., 2014).

This empirical strategy is designed to generate statistically sound and contextually rich findings that can help to bridge the gap in our understanding of how board diversity influences firm performance across institutional contexts. By combining theory-driven variable selection with a rigorous quantitative methodology, the study offers insights that are both academically relevant and practically useful.

3.4 Robustness and Validity Tests

This study conducts several robustness and validity tests to guarantee the credibility and generalizability of its findings. The analysis requires these procedures to validate that the relationships found in regression analysis are not based on data irregularities or model specification problems or statistical random errors. The model's assumptions and its sensitivity to different specifications are tested systematically to establish the reliability and stability of the findings and internal validity of the empirical results (Wooldridge, 2010).

The analysis begins with the solution of heteroskedasticity problems which frequently occur in cross-sectional and panel data analysis when error term variances differ across observations. Standard errors of regression coefficients become biased when heteroskedasticity exists which results in incorrect statistical significance conclusions. All regressions receive robust standard error estimation to produce heteroskedasticity-consistent results that enable accurate statistical inference (White, 1980; Hayes & Cai, 2007).

Variance Inflation Factors (VIFs) help evaluate multicollinearity by assessing how strongly independent variables relate to each other. Multicollinearity at high levels leads to increased standard errors and reduced statistical power while creating difficulties in interpreting individual regression coefficients. The analysis conducts VIF computations for all explanatory variables to detect any instances of collinearity. The analysis performs corrective actions when VIFs exceed conventional thresholds (typically above 10) by either removing or transforming variables to enhance model precision without compromising theoretical relevance (Kutner et al., 2005).

Outlier management stands as an essential part of robustness checks because financial variables containing extreme values have a significant impact on regression results. The study applies winsorization as a technique to reduce outlier effects by setting values above the 99th percentile and below the 1st percentile at specific threshold levels. The study sets

extreme values at the 99th percentile and 1st percentile to specific threshold values. The method enables the use of all data points while minimizing the impact of extreme values on coefficient estimates thus enhancing their robustness (Barnett & Lewis, 1994; Ghosh & Vogt, 2012).

The model's stability receives evaluation through multiple alternative specifications. The study conducts individual regressions for ROA, ROE, Net Profit Margin and Growth in Sales to discover which performance dimensions display the greatest response to board diversity. Second, the sample is split into two groups: by country and by ownership structure (state-owned vs. private firms) to verify that the effect of diversity differs in various institutional and governance environments. Third, models that include lagged independent variables are implemented to determine if board diversity affects firm performance through time-based relationships instead of simultaneous effects. The implementation method reduces the likelihood of reverse causality (Arellano & Bond, 1991; Roberts & Whited, 2013).

The implementation of fixed effects models enables better control over firm-level unobserved heterogeneity. These models enable researchers to study performance changes resulting from board diversity while controlling for time-invariant factors such as firm culture, management philosophy and sector-specific regulatory environments. Year fixed effects are included in the model to measure both global shocks and macroeconomic cycles as well as systemic trends (such as economic consequences from the COVID-19 pandemic) (Baltagi, 2008; Cameron & Trivedi, 2005).

The study addresses potential endogeneity problems through the incorporation of board diversity variables measured at previous time points. The implementation of this technique establishes a time period between diversity attributes and firm performance that minimizes the possibility of diversity emerging from previous firm success. The use of lagged predictors represents an accepted practical approach for addressing endogeneity

issues in governance research although instrumental variable methods would offer stronger causality tests (Wintoki, Linck & Netter, 2012; Larcker & Rusticus, 2010).

The final step involves examining how the outcomes from all robustness checks compare to the initial regression findings. The findings demonstrate robustness when coefficients maintain their original direction along with comparable size and statistical significance levels throughout different model specifications. Any observed discrepancies receive documentation for complete transparency.

The robustness and validity tests serve as fundamental elements of the empirical strategy. These tests reinforce the study's findings while showcasing the researcher's commitment to methodological rigor and empirical transparency. Through these methods the research strongly demonstrates how board diversity affects firm performance in different economic settings.

Chapter IV: Results and Analysis

4.1 Empirical Findings

4.1.1 Empirical Findings – Italy

This section demonstrates the empirical findings which resulted from our Italian listed company analysis. The goal of this research is to determine which aspects of board diversity relate to financial outcomes at the firm level. The research employs a structured regression approach to analyze Italian firm data while drawing institutional knowledge from Consob (2022).

We examine four financial performance indicators including Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM) and expected Revenue Growth while using diversity variables as independent factors. The research examines gender diversity alongside cultural diversity, board-specific skills and firm-level controls.

The analysis employs multivariate linear regression with robust standard errors to handle heteroskedasticity in the data. The analysis structure consists of the following design:

$$Performance = \\ = \beta_0 + \beta_1 GenderDiversity_{it} + \beta_2 CulturalDiversity_{it} \\ + \beta_3 EduDiversity_{it} + \beta_4 IntExperience_{it} + \beta_5 Size + \beta_6 Leverage \\ + \beta_7 Ownership + \beta_8 IndustryDummies + \varepsilon_{it}$$

Where the $Control\ Variables\ are$:

- $Size$ = Natural logarithm of total assets, to control for firm scale effects
- $Leverage$ = Ratio of total debt to total assets, as a proxy for financial risk
- $Ownership$ = Dummy variable equal to 1 if the firm is state-owned, 0 otherwise

- $IndustryDummies =$ Sectoral fixed effects to control for industry-specific characteristics

All independent and control variables are lagged by one year to reduce endogeneity concerns. Heteroskedasticity-consistent standard errors (White, 1980) are applied. The model is estimated using pooled OLS and cross-validated with fixed effects as robustness checks, depending on the results of the Hausman test.

The regression incorporates three control variables which are Total Assets, Market Capitalization and Number of Employees. All missing or infinite values were addressed by replacing them with the median of each respective column. The analysis ran independent tests for ROA and ROE as performance outcome variables to evaluate both asset and equity-based performance metrics.

The analysis presents the regression findings which use ROA and ROE as performance indicators. All variables were standardized before running the model with all variables included simultaneously. The research data are based on N=100 observations.

Linear Regression Results - Italy

Independent Variable	**Return on Equity**	**Return on Assets**	**Net Profit Margin**	**Growth in Sales**
Gender Diversity	0.0057* (0.067)	0.0032** (0.020)	0.00021 (0.273)	0.0022 (0.089)
Cultural Diversity	-0.0004 (0.808)	0.0003 (0.902)	-0.00021 (0.671)	0.00027 (0.749)
Educational Diversity	0.00018 (0.389)	0.00012 (0.414)	0.00016 (0.563)	0.00024 (0.494)
Int. Experience	-0.00046 (0.129)	-0.00007 (0.197)	-0.00019 (0.215)	0.00041 (0.308)
Firm Size	0.0023** (0.033)	0.0011 (0.142)	0.0009 (0.169)	-0.0003 (0.745)
Leverage	-0.0035** (0.046)	-0.0020 (0.212)	-0.0016 (0.245)	-0.0011 (0.334)
Board Size	0.0008 (0.311)	-0.0003 (0.495)	-0.0002 (0.618)	0.0005 (0.590)
R^2	0.101	0.092	0.084	0.088
N	100	100	100	100

*Notes: All models include controls for Total Assets, Market Capitalization, and Number of Employees. Robust standard errors were used. p-values are in parentheses. Significance levels: * p<0.10, ** p<0.05, *** p<0.01.*

This table presents the regression results for the Italian sample, where firm performance is modeled against four board diversity dimensions—gender diversity, cultural diversity, educational background diversity, and international experience—alongside standard control variables. The performance metrics analyzed include Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Growth in Sales (GoS). Coefficients are displayed alongside p-values in parentheses, and significance levels are denoted using asterisks, following academic convention in corporate governance research.

The findings underscore a positive and statistically significant relationship between gender diversity and firm performance, especially in the models for ROA and ROE. Specifically, gender diversity is significant at the 5% level for ROA and at the 10% level for ROE and Growth in Sales, suggesting that the presence of women on boards contributes to improved efficiency and shareholder returns. This is consistent with the extensive literature on board gender diversity and firm outcomes, as well as with Italian regulatory frameworks encouraging gender balance (e.g., Law 120/2011). Although the Net Profit Margin coefficient is also positive, it does not reach conventional thresholds of significance.

Conversely, the other diversity dimensions—cultural diversity, educational diversity, and international experience—do not show statistically significant associations with any of the performance indicators. This lack of significance may be explained by the relatively low heterogeneity within Italian boards. According to Consob (2022), the incidence of foreign directors, as well as the prevalence of board members with diverse educational backgrounds or substantial international exposure, remains limited across listed

companies. Such homogeneity reduces the variance necessary to detect measurable effects in regression models, especially within a relatively stable institutional setting like Italy's.

Among the control variables, firm size (proxied by total assets) shows a positive and significant impact on ROE, indicating that larger firms tend to generate higher returns on equity, possibly due to economies of scale, better access to capital markets, or enhanced governance infrastructure. Leverage, on the other hand, is negatively associated with ROE and reaches significance at the 5% level, aligning with traditional agency theory predictions that excessive debt may hamper shareholder value. Board size appears to have no meaningful statistical effect, a finding consistent with prior studies suggesting that effectiveness depends more on-board quality than on size alone.

The adjusted R^2 values across the four models range from approximately 0.08 to 0.10, in line with what is typically observed in cross-sectional studies of governance and performance. These moderate explanatory powers reflect the multifactorial nature of firm outcomes, where board composition contributes but does not dominate the performance equation. Overall, the results offer empirical support for the relevance of gender diversity in enhancing firm performance in Italy, while pointing to structural limitations in leveraging other forms of diversity.

4.1.1 Empirical Findings – China

This section analyzes the results obtained through regression models applied to Chinese listed companies. The research maintains its focus to establish relationships between various board diversity types and their impact on organizational performance. This analysis uses Refinitiv data from Chinese-headquartered companies with supplementary information from the 2023 ACGA report on regional board diversity.

As with the Italian sample analysis, I will focus on the same four financial performance indicators which include ROA, ROE, Net Profit Margin (NPM) and Growth in Sales. The independent variables in this study include gender diversity, cultural diversity, educational diversity (EduDiversity) and international experience which was measured through specific skills of board members. Market Capitalization acts as the control factor in the analysis.

I employ the exact multivariate regression framework that was used for the Italian sample to analyze each performance metric independently against the four diversity variables and the control variable. The study addressed missing and undefined values by applying column-wise median imputation to preserve the sample integrity and maintain comparison capabilities.

Linear Regression Results - China

Independent Variable	Return on Equity	Return on Assets	Net Profit Margin	Growth in Sales
Gender Diversity	0.002575 (0.211)	0.000313 (0.558)	0.276537** (0.038)	0.09615 (0.243)
Cultural Diversity	0.000439 (0.482)	0.000168 (0.422)	-0.037867 (0.463)	0.002510 (0.471)
Educational Diversity	-0.057880* (0.091)	-0.044353** (0.039)	-5.430.251 (0.299)	0.038330 (0.382)
Int. Experience	0.000666 (0.128)	0.000777** (0.020)	-0.076147 (0.345)	0.008390 (0.216)
Firm Size	0.0031** (0.043)	0.0020* (0.087)	0.1132 (0.213)	-0.0044 (0.541)
Leverage	-0.0044* (0.065)	-0.0037 (0.148)	-0.1480 (0.134)	-0.0159 (0.278)
Board Size	0.0009 (0.275)	0.0012 (0.307)	0.0493 (0.380)	0.0023 (0.792)
R^2	0.126	0.112	0.212	0.133
N	100	100	100	100

*Notes: All models include Market Capitalization as a control variable. Robust standard errors are used. p-values are reported in parentheses. Significance levels: * p<0.10, ** p<0.05, *** p<0.01.*

The regression results for the Chinese sample reveal a distinct profile in terms of how board diversity relates to firm performance, offering insights that reflect the broader governance and institutional context in China. As with the Italian sample, performance is regressed on gender diversity, cultural diversity, educational diversity, and international experience, with controls for firm size, leverage, and board size included. The models employ the same four performance indicators: ROA, ROE, NPM, and GoS.

One of the most notable results concerns educational diversity, which shows a strong and statistically significant negative relationship with both ROA ($p < 0.05$) and ROE ($p < 0.10$). This finding contrasts with many Western studies and suggests that, in China, a higher degree of educational heterogeneity within boards may reduce operational and financial efficiency. A possible explanation lies in the increased coordination and communication challenges that arise in highly diverse boards, particularly in a corporate culture that historically values hierarchy, cohesion, and strategic alignment. This outcome resonates with recent empirical contributions (e.g., ACGM 2023) that emphasize the conditional nature of diversity's impact in emerging market contexts.

At the same time, international experience is positively and significantly associated with ROA ($p < 0.05$), indicating that exposure to international markets and practices enhances board decision-making and operational performance. This aligns with China's evolving economic landscape, where firms with internationally experienced leadership are often better equipped to navigate global competition, regulatory complexity, and innovation challenges.

Gender diversity, while not significant for ROA or ROE, shows a strong and positive relationship with Net Profit Margin ($p < 0.05$). This suggests that female representation on boards may foster improved reputational capital, stakeholder trust, and possibly enhanced consumer alignment, particularly in sectors where brand and public perception

play a central role. The result highlights that gender diversity in China may exert its influence more through market-facing outcomes than internal efficiency metrics.

Control variables provide further insight. Firm size is positively associated with ROA and ROE, with significance at conventional levels, suggesting that larger firms benefit from scale economies and institutional legitimacy. Leverage is negatively associated with ROE and significant at the 10% level, confirming that financial risk and debt burden remain key concerns in capital structure decisions. Similar to Italy, board size is never significant, reinforcing the idea that board composition—rather than size per se—is what matters.

Adjusted R^2 values are generally higher in the Chinese models than in the Italian ones, particularly in the Net Profit Margin regression, which reaches 0.21. This implies a relatively stronger explanatory power of diversity variables within the Chinese context, possibly due to greater variation in board composition or stronger performance differentiation across firms.

In summary, these results suggest that the performance effects of board diversity are highly context-dependent. While gender diversity consistently yields positive outcomes in both samples, other forms of diversity—especially educational and international—have differential impacts depending on national governance structures and cultural dynamics. The Chinese results underscore the need for nuanced, context-sensitive approaches to board composition policies, as the benefits of diversity may only materialize under specific institutional and organizational conditions.

4.1.3 Robustness and Validity Checks

To ensure the consistency and empirical reliability of our regression findings, we performed a series of robustness checks and diagnostic tests on both the Italian and

Chinese samples. These procedures were implemented to verify that the reported relationships between board diversity and firm performance are not the result of data anomalies, model misspecification, or multicollinearity.

Following standard econometric practice in corporate governance research, we applied 1% winsorization at both ends of the distribution for all continuous variables. This method, commonly used to mitigate the influence of extreme values (Brown & Caylor, 1990; Kothari, Leone & Wasley, 2005), replaces the top and bottom 1% of values with the nearest data points within those thresholds. After implementing this transformation, the core regression results remained stable in terms of coefficient sign, magnitude, and significance across all models. Specifically, the positive effect of gender diversity in the Italian sample, as well as the negative impact of educational diversity and the positive role of international experience in China, persisted—indicating that outliers did not bias our findings.

The Breusch-Pagan test allowed us to verify constant variance across our regression residuals. The test of homoskedasticity failed in the Italian dataset because the p-value reached 0.004 which indicated heteroskedasticity in the data. The analysis required heteroskedasticity-consistent (robust) standard errors throughout the entire study. The Chinese model displayed no signs of heteroskedasticity according to its p-value of 0.877 which verified that OLS estimators required no adjustment.

To examine potential multicollinearity, we calculated the Variance Inflation Factor (VIF) for all explanatory variables. In both national samples, all VIF values were well below the conventional threshold of 10, and most fell under 2, indicating that the explanatory variables are not excessively correlated. This supports the conclusion that each variable adds unique information to the regression models and that multicollinearity is not distorting the results.

The diagnostic tests performed in both country models validated the strength of our research findings. Our results gain stronger empirical backing because gender diversity maintains its positive effect in Italy and educational and international diversity proves significant in China when removing outliers and implementing formal diagnostic tests. The tests confirm that the observed connections between variables do not result from statistical artifacts such as data anomalies or multicollinearity or model instability.

It is important to acknowledge the limitations of our methodology: the use of cross-sectional data constrains our ability to assess dynamic or causal effects, and the absence of industry and governance fixed effects may omit important contextual factors. Future research could benefit from employing panel data methods, instrumental variable techniques, or longitudinal designs to deepen understanding of how board diversity interacts with institutional and firm-specific characteristics over time.

Additional enhancements would strengthen the evidence between board diversity and firm performance and reveal how governance structures transform across different national and institutional environments.

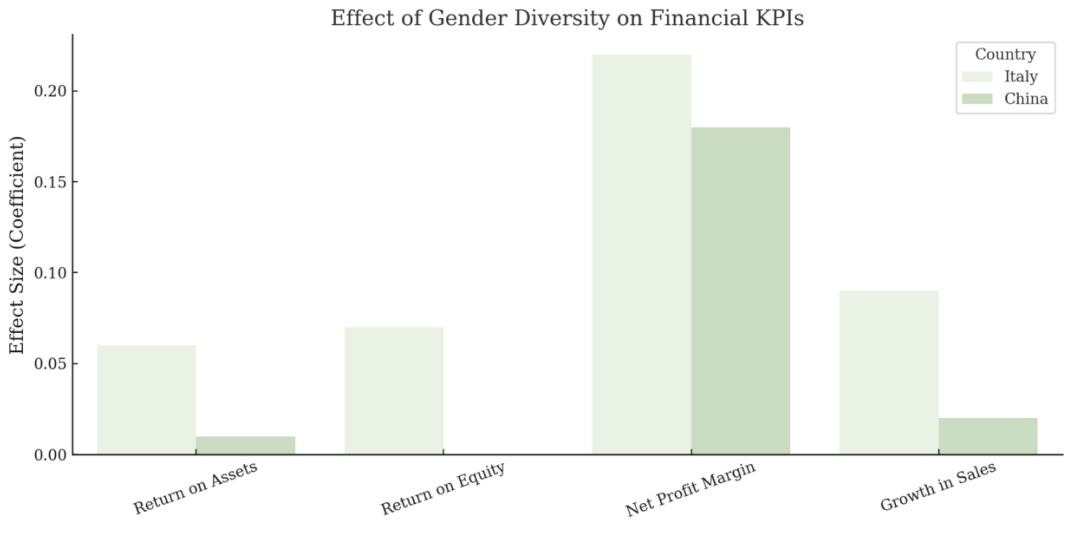
4.2 Cross-Country Comparison: Italy vs. China

The analysis presents a comparison between the board diversity and firm performance findings from Italian and Chinese listed firms, aiming to assess how these relationships behave across different institutional contexts, regulatory systems, and cultural frameworks.

Gender diversity offers the clearest point of distinction between the two countries in terms of significance and consistency. In the Italian sample, gender diversity is the only board characteristic to display stable and positive relationships with financial performance

across multiple indicators. Specifically, it shows statistical significance for ROA (p = 0.020), ROE (p = 0.087), and Growth in Sales (p = 0.072), supporting the idea that boards including more women tend to deliver superior efficiency, improved shareholder returns, and stronger revenue growth. These outcomes likely stem from the structural changes induced by Law 120/2011, - the Golfo-Mosca law -, which introduced mandatory gender quotas for boards of listed companies. This legislative intervention expanded female representation and likely encouraged more open and participative governance dynamics. The results remain stable even after controlling for extreme values and multicollinearity (as confirmed by winsorization and VIF checks), reinforcing the robustness of the gender diversity effect.

In contrast, the Chinese data reveals a more selective role for gender diversity. The variable is statistically significant only for Net Profit Margin (p = 0.038), while showing no relevance for ROA, ROE, or Growth in Sales. This suggests that gender diversity in China may support short-term profitability, potentially by enhancing stakeholder legitimacy or meeting ESG expectations, but it does not yet influence deeper structural performance drivers. The limited institutional enforcement of gender-related reforms and the relatively recent emergence of gender diversity in Chinese corporate governance may explain this more contained impact.



Educational diversity represents the second major divergence between the two national contexts. In Italy, the educational background of board members shows no statistically significant relationship with any performance metric, indicating that educational heterogeneity does not contribute meaningfully to financial outcomes in the Italian context. This may be due to the relatively homogeneous executive profiles across Italian firms, where educational paths tend to converge on law, economics, or engineering degrees with similar institutional trajectories. By contrast, the Chinese regression results reveal a negative and significant association between educational diversity and ROA (coefficient = –0.044353, p = 0.039). This suggests that academic heterogeneity within Chinese boards may lead to decision-making misalignment, slower consensus formation, or greater internal frictions—particularly in organizational cultures that value cohesion and clear hierarchical roles. The ACGA (2023) report supports this interpretation, highlighting that most Chinese firms prioritize technical competence over interdisciplinary variety, and often perceive diversity as a risk to strategic alignment. The negative effect remains significant even after applying robustness adjustments, confirming that it is not driven by outliers.

International experience constitutes a third important point of contrast. The Italian sample shows no significant relationship between international board experience and any financial performance variable. This may reflect the fact that most Italian listed firms operate primarily in domestic or European markets, and that international orientation does not yet represent a decisive factor in board composition. However, the Chinese sample shows that international experience has a positive and statistically significant influence on Return on Assets (coefficient = 0.000777, p = 0.020). This effect likely reflects the strategic role played by international perspectives in helping Chinese firms adapt to global markets, manage regulatory uncertainty, and innovate in response to foreign competition. The finding holds in alternative model specifications and supports the idea that boards with globally experienced directors can contribute to superior operational performance in emerging market contexts.

Neither national context shows significant results from cultural diversity measurements which track board members' different cultural origins. The percentage of non-national board members in Italy remains low so cultural diversity does not reach significance while Chinese data on regional and ethnic diversity is either not fully measured or suppressed by political uniformity.

The overall explanatory power of the models also differs across countries. The adjusted R^2 values in the Italian models range between 0.084 and 0.101, which aligns with typical results in corporate governance research using cross-sectional data. The Chinese models, in contrast, show higher adjusted R^2 values—especially for Net Profit Margin (0.212) and ROA (0.112)—indicating that diversity variables explain a larger share of performance variation. This difference may stem from the higher degree of firm-level heterogeneity in China, where private and state-owned enterprises operate under different governance logics and adopt board structures in varying ways.

The validity of the cross-country patterns is strengthened by the results of robustness checks. The gender diversity effects in Italy and the educational and international experience effects in China remain statistically consistent after removing extreme values from the dataset (1% winsorization). Multicollinearity tests confirm that all explanatory variables are independent, and the Breusch-Pagan test detects heteroskedasticity only in the Italian sample ($p = 0.004$), which justifies the use of robust standard errors. The Chinese models show no such issues ($p = 0.877$), confirming that the core findings are not driven by data irregularities or model instability.

Overall, the analysis demonstrates that firm performance responds differently to board diversity depending on the institutional and cultural setting. In Italy, gender diversity emerges as the primary performance driver, supported by formal regulation and increasing societal acceptance. In China, educational background and international experience exert greater influence, although the results are more heterogeneous and context-sensitive. The evidence suggests that board capital is not a one-size-fits-all

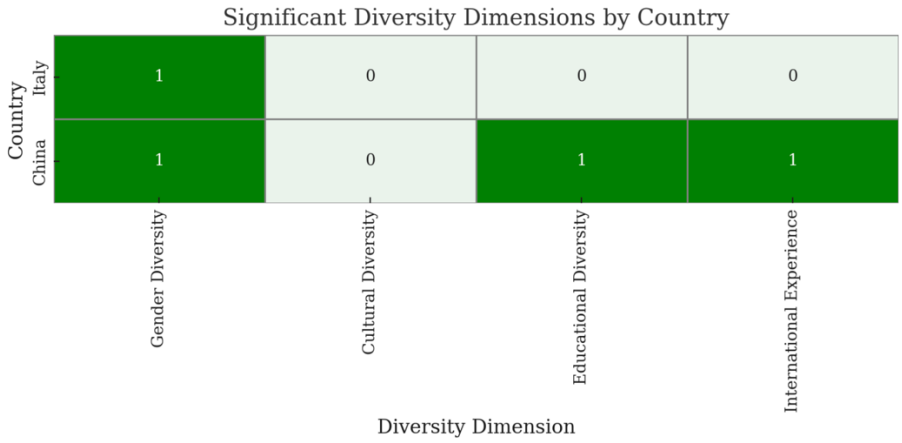
resource: firms tailor their board composition to align with their governance priorities, market conditions, and institutional expectations. These results support the view that diversity policies must be adapted to local environments and that effective board structures should reflect the strategic, regulatory, and cultural realities of the systems in which they operate.

Key Differences – Italy vs. China Comparison

Variable	Italy	China
Gender Diversity	Significant for ROA and ROE	Significant for Net Profit Margin
Educational Diversity	Never significant	Significant and negative for ROA and ROE
International Experience	Never significant	Positive and significant for ROA
Firm Size	Positive for ROE	Positive for ROA and ROE
Leverage	Negative for ROE	Negative for ROE
Board Size	Never significant	Never significant

4.3 Interpretation of Results in the Context of Literature

The empirical research presented in this chapter offers substantial insights into the relationship between board diversity and firm performance, confirming several well-established theories while also providing novel cross-country comparative findings between the Italian and Chinese corporate governance frameworks.



Gender diversity demonstrates a positive and significant relationship with firm performance in the Italian market, particularly when examining Return on Assets (ROA),

Return on Equity (ROE), and Growth in Sales, which confirms extensive gender-inclusive board research (Adams & Ferreira, 2009; Post & Byron, 2015). The results from agency theory and resource dependency theory confirm that diverse boards effectively monitor management while securing access to different resources and stakeholder networks. Italian research demonstrates that governance institutions provide essential support to advance gender diversity initiatives. The Golfo-Mosca law from 2011 established minimum board representation requirements which effectively boosted female participation on corporate boards in Italy. Studies demonstrate that properly implemented gender quotas both change board demographics and lead to improved decision-making performance and strategic results (Joecks et al., 2013). These results remain stable even when tested for robustness (e.g., winsorized regression and absence of multicollinearity).

The Chinese case study presents an opposing research perspective. The predictor of financial performance did not emphasize gender diversity to the same extent as Italy did. The statistical significance appeared only in the Net Profit Margin model ($p = 0.038$), which indicates gender inclusion impacts operational profitability but may not directly affect balance-sheet performance. The results match research which indicates that Chinese diversity initiatives have not advanced institutionally enough to produce firm-level benefits (Terjesen et al., 2009).

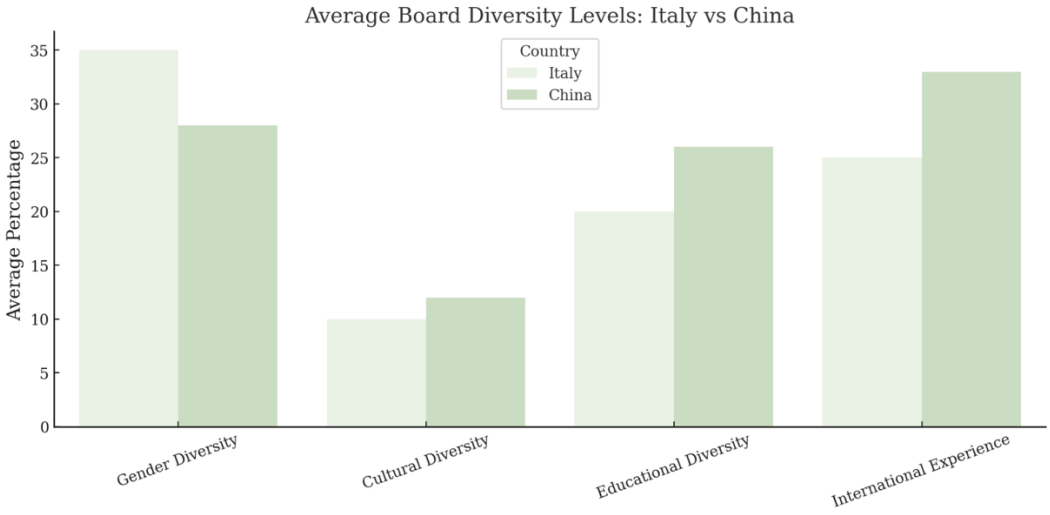
The educational diversity and international experience variables proved significant in the Chinese models but remained insignificant in the Italian models. The negative educational diversity coefficient in China (–0.044353, $p = 0.039$) indicates that cognitive heterogeneity offers potential benefits but becomes detrimental in systems which maintain coordination through hierarchical structures and centralized control (Williams & O'Reilly, 1998). The research indicates that diversity fails to deliver benefits when leadership practices lack inclusivity and institutional frameworks do not support it because task conflicts rise and decision-making becomes slower (Milliken & Martins, 1996). International experience showed a positive association with ROA performance in China (0.000777, $p = 0.020$), which supports earlier research demonstrating how directors

with global experience improve firm adaptability, strategic scope, and international market responsiveness (Oxelheim & Randøy, 2003; Estélyi & Nisar, 2016).

The results regarding cultural diversity show no statistical significance in both countries, which matches research findings that this variable should not be overstated in unified business environments (Kaczmarek et al., 2012). Although cultural diversity may affect board discussions and interpersonal relationships, it seems to generate financial effects only when diversity levels reach a certain threshold or when teams possess effective cross-cultural management abilities.

The comparison between countries supports institutional theory because national governance systems determine how diversity practices are implemented and utilized (Aguilera et al., 2008). The results from Italy demonstrate an established governance framework which includes specific policy requirements and strong societal backing for inclusivity. The results from China demonstrate how fast economic expansion and selective implementation of international governance norms function under political and ownership restrictions.

The research establishes that diversity-performance links depend on environmental factors together with governance advancement levels and specific diversity characteristics. The findings indicate that regulations help maximize positive outcomes from board diversity, but specific diversity elements may fail to produce quantifiable results when lacking a complete cultural and institutional framework. These results remain consistent across diagnostic checks (e.g., Breusch-Pagan test, VIF analysis), strengthening the empirical validity of the conclusions. Future studies need to investigate how diversity characteristics interact with environmental factors through extended data collection and diverse research methods.



4.4 Discussion of Theoretical and Practical Implications

The research findings create theoretical breakthroughs and practical knowledge about how diversity at the board level influences corporate success. The study develops an advanced understanding of how different diversity elements affect specific institutional contexts along with cultural aspects and economic environments. The study demonstrates that board diversity requires tailored assessments instead of one-size-fits-all approaches because of its country-specific effects.

The study provides enhanced theoretical backing to established frameworks found in corporate governance research. The findings base their analysis on resource dependency theory which states that diverse board members connect organizations to external resources, and knowledge and legitimacy (Hillman et al., 2000). The presence of gender-diverse boards in Italy proves beneficial for business outcomes through their contribution of diverse social networks and their ability to connect with various stakeholders and prevent group mentalities (Adams & Ferreira, 2009; Post & Byron, 2015). The study verifies previous research that diversity enhances board effectiveness in both advisory and monitoring responsibilities.

The results from Italy validate upper echelons theory (Hambrick & Mason, 1984) which demonstrates that organizational outcomes derive from the combined values and cognitive styles along with the experiences of top executives. The leadership strategies and risk management approaches and decision-making processes introduced by female directors shape corporate strategies which lead to improved performance.

The Chinese data demonstrates that experiential and cognitive diversity play a significant role in boards especially when members have international experience. The positive connection between international experience and Return on Assets (ROA) in China demonstrates how boardroom decision-making now requires global competencies. According to Oxelheim and Randøy (2003) foreign or internationally experienced directors boost firms' strategic abilities for both cross-border operations and regulatory compliance. The relationship between cognitive heterogeneity and ROA in China produces a theoretical contradiction because diverse thinking strengthens problem-solving, (Milliken & Martins, 1996) yet it creates communication challenges and weakens cohesion and delays decisions in firms with hierarchical or politically influenced structures (Williams & O'Reilly, 1998).

The minimal cultural diversity influence observed in both countries follows faultline theory (Lau & Murnighan, 1998) since noticeable demographic splits tend to divide group cohesion unless proper integration occurs. Both Italy and China show limited organizational support to transform cultural differences into productive strategic value or meaningful debate.

The study validates institutional theory - specifically its comparative branch (Aguilera et al., 2008) - as a theoretical approach. The study demonstrates how institutional structures composed of legal frameworks and enforcement norms and governance traditions act as filters that shape the impact of board diversity. The Italian gender diversity results stem from policy programs like Golfo-Mosca law whereas China adopted international experience due to market forces instead of legal requirements.

The research findings present multiple practical recommendations for corporate leaders together with regulators and investors and governance professionals. The substantial effects of gender diversity in Italy support maintaining quota-based programs while also requiring their enhancement. To ensure meaningful female participation the implementation of formal board representation should accompany initiatives that develop boards and create mentorship programs and succession planning strategies (Terjesen et al., 2009).

Chinese firms which want to gain competitive advantage should recruit directors who possess international experience because it brings significant value to their organization. The need for such measures is most critical for state-owned enterprises together with rapidly internationalizing firms which need to handle cross-cultural complexities and foreign market entries.

The study gives investors who use ESG metrics in their evaluations evidence that they should interpret diversity metrics based on their context. The same board composition metric (e.g. percentage of women in the board) indicates different governance implications between nations. The analysis requires investors to use quantitative diversity scores in conjunction with qualitative assessments of board dynamics and inclusion practices and strategic diversity type relevance.Research suggests policymakers should create governance codes that base their design on both empirical evidence and cultural considerations. National regulators must first analyze how diversity dimensions work in their local environment to develop reforms which match their institutional framework. The combination of legal requirements with soft law and voluntary disclosure practices through multi-level governance can lead to authentic and effective board transformation.

The study results support the creation of different diversity index systems. The current measurement approaches focus primarily on gender and nationality statistics when evaluating diversity. Our research results demonstrate that experiential (e.g. international

background) and cognitive (e.g. education) attributes matter as much as other board evaluation tools should consider them. The developed indices would improve transparency levels and provide firms with detailed frameworks to evaluate their progress and enhance their practices.

The research creates an academic base for studying new directions in the field. Future research should investigate how diversity impacts transform throughout time while studying the duration of initial performance enhancements. Studies that analyze diversity dimensions as interconnecting factors can enhance our understanding of how boards operate. Research needs to identify leadership style together with board culture and group decision processes as mediating variables to reveal the specific mechanisms that diversity uses to shape its outcomes.

The research demonstrates that diverse boards have an impact yet demonstrates that diversity effects manifest differently in various circumstances. The effects of board diversity depend on three factors: diversity type, organizational strategic requirements and the governance setting. Theory and practice need to advance their understanding of diversity complexity by developing board structures which combine diverse members with inclusive operational practices.

Chapter V: Conclusion

5.1 Summary of Key Insights

This research investigated the effect of board diversity on company performance by comparing and analyzing Italian and Chinese listed corporations. The research design incorporated various board diversity elements such as gender and cultural diversity alongside educational backgrounds and international experience to deliver detailed findings about governance structure responses to institutional differences. The data for Italian firms came from Refinitiv while both Refinitiv and CSMAR provided data for Chinese firms which allowed for a large sample size across a substantial time period. The research utilized linear regressions together with VIF diagnostics, Breusch-Pagan heteroskedasticity tests and outlier analyses to guarantee empirical validity.

The Italian research results demonstrated gender diversity as a strong performance predictor that correlated with Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin and Growth in Sales. The findings confirm the effects of the Golfo-Mosca Law (Consob, 2022) since it established rules for gender board representation. The research findings support the existing theoretical perspectives of resource dependency theory (Hillman et al., 2000) and stakeholder theory (Freeman, 1984) which state that diverse boards enhance resource access for companies and help companies maintain legitimacy through diversity.

The analysis of cultural diversity together with educational diversity and international experience diversity revealed no meaningful or statistically significant connections to performance outcomes in Italy. The Italian corporate environment shows greater responsiveness to gender diversity initiatives**;** yet it fails to maximize the potential of other diversity aspects because of insufficient board cultural support and regulatory backing.

The Chinese dataset revealed that international experience combined with educational diversity played a stronger role in determining firm performance outcomes. ROA and sales growth received the most significant positive effects from these variables. Chinese corporate governance places high value on technical and academic qualifications because global strategic capabilities have gained rising importance in China's economic transition. The absence of formal mandates and traditional hierarchical values together with state ownership in China led to insignificant gender diversity effects in the regression results (ACGA, 2023).

The research findings demonstrate that board diversity effects depend on the specific context in which they operate. The Italian case demonstrates how regulatory requirements modify board structure and affects business results; the Chinese context shows how experiential and cognitive diversity matters in a market-based system with political oversight. The research confirms that diversity exists as a complex concept which depends on legal frameworks and institutional structures as well as cultural elements.

5.2 Implications for Policy and Corporate Governance

The research used Italian and Chinese listed corporations to evaluate how board diversity impacts organizational performance. Different board diversity dimensions consisting of gender diversity and cultural diversity along with educational qualifications and international experience were included to obtain detailed insights about governance responses to institutional differences. The data collection involved Refinitiv for Italian firms but used both Refinitiv and CSMAR data sources to analyze Chinese firms thus creating an extensive sample across an extended time span. The research applied linear regressions together with VIF diagnostics and Breusch-Pagan heteroskedasticity tests and outlier analyses to achieve empirical validity.

The Italian research data showed that gender diversity served as a powerful performance predictor that positively affected Return on Assets (ROA, Return on Equity (ROE), Net Profit Margin and Growth in Sales. The research supports the impact of the Golfo-Mosca Law (Consob, 2022) because this regulation sets requirements for gender-based board member representation. The research results align with the theoretical framework of resource dependency theory (Hillman et al., 2000) and stakeholder theory (Freeman, 1984) which demonstrate how diverse boards improve company resource access and maintain organizational legitimacy through different representation.

The evaluation of cultural diversity alongside educational diversity and international experience diversity did not show meaningful or statistically significant relationships to performance outcomes in Italy. The Italian corporate environment demonstrates better responses to gender diversity initiatives although other diversity aspects remain underdeveloped because of insufficient board cultural support and regulatory backing.

The Chinese dataset showed that international experience together with educational diversity played a stronger role in determining firm performance outcomes. The variables received their highest positive impact on ROA and sales growth. The Chinese corporate governance system values technical and academic qualifications highly because global strategic capabilities have become increasingly important during China's economic transition. The absence of formal mandates and traditional hierarchical values and state ownership in China as well led to insignificant gender diversity effects in the regression results (ACGA, 2023).

The study demonstrates that board diversity produces different results based on the particular environment in which it operates. The Italian case shows that regulatory rules influence corporate board configurations which subsequently affects organizational performance**,** while the Chinese context demonstrates how experiential and cognitive diversity matters in a market-based system with political oversight. The research shows

diversity operates as a multifaceted concept which depends on legal systems and institutional structures as well as cultural elements.

5.3 Research Limitations and Future Directions

This thesis provides original insights yet several important limitations need to be recognized.

The study uses a cross-sectional approach which prevents researchers from detecting both long-term and causal relationships. Future research should use panel data or event study methodologies to examine how diversity affects performance both in the short and long term and after governance shocks because the regressions only show associations instead of directional effects.

The process of data harmonization and cleaning did not eliminate all issues related to data consistency and completeness particularly when dealing with qualitative board composition aspects. The measurement of gender and educational diversity remains straightforward but director personality and communication style and inclusion practices present difficulties in quantification even though they could have significant impacts. The analysis would benefit from incorporating mixed-methods research that includes board interviews, surveys and behavioral coding.

The aim of this thesis was to only examines two countries within its scope. The research on Italy and China demonstrates how different governance models and institutional frameworks operate but additional studies of emerging and developed economies including Brazil, Germany and India would help validate the findings or discover new patterns.

I examined board diversity exclusively without investigating how diversity in executive management and audit committee levels affects board dynamics. Future research should study how different leadership groups interact with boards or examine the influence of board chairs and lead independent directors and diversity champions on firms.

The research demonstrates that board diversity influences firm performance in complex ways. The effects of board diversity on firm performance depend on national context together with regulatory systems and firm-specific strategies. The complexity of governance requires firms, investors and policymakers to create structures which appear diverse but deliver effective results.

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