



Female Executive Leadership, Executive Compensation, and Corporate Governance on Company Performance: A Literature Review

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ABSTRACT

This literature review analyzes the relationship between female executive leadership, executive compensation, corporate governance, and company performance. Using a systematic approach, peer-reviewed articles from 2018 to 2023 were gathered from databases focusing on empirical studies, theoretical frameworks, and meta-analyses. The selected studies address how gender diversity in leadership roles, corporate governance structures, and executive compensation practices influence firm performance across different industries and geographic contexts. Findings indicate that female leadership positively impacts managerial ability, decision-making, and financial resilience, especially during economic fluctuations. Additionally, strong corporate governance practices, such as board diversity and effective audit committees, contribute significantly to financial performance indicators like Return on Assets (ROA) and Return on Equity (ROE). This review highlights the crucial role of integrating gender diversity and robust governance in fostering sustainable organizational success.

INTRODUCTION

The under-representation of women in leadership positions, particularly at the board level, has drawn attention not only from a social and ethical perspective but also for its potential impact on company performance. Despite an increase in gender equality in recent years, women still occupy a small fraction of top leadership roles, with only 5% of CEO positions in Fortune 500 companies and 21.3% of board seats in Fortune 1000 companies being held by women as of 2018 (Baselga-Pascual & Vähämaa, 2021). This limited presence in the boardroom has prompted researchers to explore whether having female executives and directors can affect a firm's competitiveness and financial outcomes, as diversity may contribute to a broader pool of human capital and ideas that enhance decision-making (Brahma et al., 2021).

The gender gap in executive leadership extends beyond Western contexts, with evidence from China showing that male CEOs often outperform their female counterparts in terms of firm performance. This discrepancy has been linked to factors like political connections, which can provide companies with advantages in financing and market competition (Cao et al., 2019; Giannetti & Zhao, 2016). Such connections have been found to significantly impact firm success, particularly in environments where external factors, like government relationships, are crucial (Li et al., 2008). However, there is still limited understanding of how gender-specific characteristics, such as political affiliations, influence performance outcomes in different settings (Jenter & Kanaan, 2015).

Executive compensation has also become a controversial issue, especially during times of economic crisis. The 2007–2008 financial crisis brought intense scrutiny to the high remuneration of board members in firms that were struggling. While developed countries faced severe consequences, developing nations were somewhat shielded due to regulatory measures enacted after the 1997–1998 Asian financial crisis (Aslam et al., 2019). Growing concerns over the disparity between executive pay and the average employee's income





have fueled debates on corporate governance practices and the agency theory, which seeks to address conflicts of interest between executives and shareholders (Aslam et al., 2019).

This literature review aims to analyze the intersection of female leadership, executive compensation, and corporate governance in influencing firm performance. With nearly 40% of the global labor force comprising women, there is a need to understand whether the rare inclusion of women in top management positively affects company outcomes. Studies suggest that firms led by women, especially in early stages, tend to attract greater investor interest, improve team efficiency, and achieve better financial health (Ewens & Townsend, 2020; Huang & Kisgen, 2013). Thus, this review seeks to deepen the understanding of how gender diversity, alongside executive compensation and governance structures, can shape firm performance across different industries and regions. By analyzing these factors, the review contributes to the ongoing discussion on how diverse leadership and sound governance policies can strengthen corporate resilience and growth.

METHOD

This literature review utilizes a systematic approach to analyze the relationship between female executive leadership, executive compensation, corporate governance, and company performance. The review focuses on peer-reviewed articles published in the last five years (2018–2023) to ensure the inclusion of the most recent findings and theoretical developments in the field. A comprehensive search was conducted across several academic databases, including JSTOR, Google Scholar, and Scopus, using keywords such as "female leadership," "executive compensation," "corporate governance," and "firm performance."

The selection criteria for the articles included empirical studies, theoretical frameworks, and meta-analyses that specifically addressed the influence of gender diversity in leadership roles on organizational outcomes. Articles that focused on different industries and geographic contexts were prioritized to provide a holistic view of the topic. The inclusion criteria also emphasized studies that explored the impact of executive compensation practices on firm performance, particularly in relation to gender diversity in leadership positions. This methodology aims to contribute to the existing body of literature by highlighting the critical role that gender diversity in executive roles plays in enhancing company performance while also addressing the complexities of corporate governance and compensation structures.

RESULTS AND DISCUSSION

1. Article Identity

The collection of articles presented explores the intricate relationships between corporate governance, gender diversity, and firm performance across various contexts and regions. For instance, (Sun & Zou, 2021) examine how political connections and CEO gender influence firm performance, revealing that gender dynamics play a crucial role in corporate effectiveness. Similarly, (Fernando et al., 2020) highlight the positive correlation between gender diversity within managerial roles and overall firm performance, suggesting that diverse leadership can lead to better decision-making and organizational outcomes. (Brahma et al., 2021) focus on the UK market, finding that board gender diversity significantly impacts firm performance. . Additionally, (Fernández-Temprano & Tejerina-Gaite, 2020) provide evidence from Spain that supports the notion that diverse boards can enhance firm performance while (Harun et al., 2020) investigate the importance of CSR disclosure and corporate governance in enhancing firm value within GCC Islamic banks, emphasizing the role of ethical practices in driving financial success. These findings underline the multifaceted nature of governance and performance, where diverse leadership and transparent practices are increasingly recognized as vital for achieving superior results.

Further insights into corporate governance mechanisms reveal their importance in various geographical contexts. For instance, (Coleman & Wu, 2021) analyze corporate governance mechanisms and their effect on firm performance in Nigeria and Ghana, suggesting that effective governance structures are essential for improving performance in emerging markets. (Zarefar & Narsa, 2023) explores the drivers of firm performance in Indonesia, providing empirical evidence of the positive effects of robust governance structures on business outcomes. (Bernile et al., 2018) investigate how board diversity correlates with firm risk and corporate policies, suggesting that diverse boards may adopt more comprehensive risk management strategies. (Khatib & Nour, 2022) analyze the impact of corporate governance on firm performance during the COVID-19 pandemic in





Malaysia, indicating that effective governance can mitigate adverse effects in times of crisis. Finally, (Kyere & Ausloos, 2021) study the link between corporate governance and financial performance in the UK, reinforcing the notion that sound governance practices are essential for sustaining competitiveness and financial health. Collectively, these studies emphasize the critical role of diversity and governance in shaping firm outcomes, advocating for a more inclusive and ethical approach in corporate strategies.

Table 1. Article Identity

No.	Author and Year	Title	Journal	Vol. & Issue	Cited
1	Rui Sun, Ganna Zou (2021)	Political connection, CEO gender, and firm performance	Journal of Corporate Finance	71 – 1	82
2	Guy D. Fernando, Shalini Sarin Jain, Arindam Tripathy (2020)	This cloud has a silver lining: Gender diversity, managerial ability, and firm performance	Journal of Business Research	1 – 117	156
3	Brahma, S., Nwafor, C., & Boateng, A. (2021)	Board gender diversity and firm performance: The UK evidence	International Journal of Finance & Economics	26 – 4	462
4	Mohd Shukor Harun, Khaled Hussainey, Khairul Ayuni Mohd Kharuddin, Omar Al Faroque (2020)	CSR Disclosure, Corporate Governance and Firm Value: a study on GCC Islamic Banks	International Journal of Islamic and Middle Eastern Finance and Management	28 – 4	242
5	Iguel A. Fernández-Temprano and Fernando Tejerina-Gaite (2020)	The impact of board diversity on firm performance: Evidence from Spain	Corporate Governance	20 – 2	358
6	Martha Coleman and Professor Mengyun Wu (2020)	Corporate governance mechanisms and corporate performance of firms in Nigeria and Ghana	Corporate governance mechanisms	6 – 1	13
7	Arumega Zarefar (2023)	Do corporate governance drive firm performance? Evidence from Indonesia	Managerial Auditing Journal	30 – 1	4
8	Gennaro Bernile, Vineet Bhagwat, and Scott Yonker (2018)	Board diversity, firm risk, and corporate policies	Journal of Financial Economics	127 – 3	998
9	Saleh F. A. Khatib, Abdul-Naser Ibrahim Nour (2020)	The Impact of Corporate Governance on Firm Performance During The COVID-19 Pandemic: Evidence from Malaysia	Journal of Asian Finance, Economics and Business	8 – 2	345
10	Kyere, M., & Ausloos, M. (2020)	Corporate governance and firms financial performance in the United Kingdom	International Journal of Finance and Economics	26 – 2	494

2. Article Result

The results summarized in these studies highlight the significant role of female executive leadership and corporate governance in enhancing company performance. Several studies underscore the positive impact of female representation in leadership roles, particularly within boards and top management





teams, on firm outcomes. For instance, gender diversity in top management teams (TMTs) was shown to positively influence managerial ability, with this effect partially mediating the relationship between diversity and firm performance. Additionally, greater female board representation, particularly when three or more women are present, was associated with improved financial performance. This suggests that female leadership not only enhances decision-making processes but also contributes to a more resilient and adaptable firm structure, even during periods of economic or political shifts, as seen in the narrowing of performance gaps between male and female CEOs in certain contexts.

Table 2. Article Result

Article No.	Methodology	Result
1	The authors used propensity score matching with the nearest-neighbor method to reduce selection bias by matching firms with similar characteristics and conducted ordinary least squares (OLS) regression to assess firm performance, controlling for firm-specific differences and variability.	The analysis found that the 2012 leadership transition did not significantly increase CEO turnovers for SOE or Non-SOE firms, indicating stable leadership despite political shifts, and showed that the performance gap between male and female CEOs narrowed, suggesting that political connections strongly influence firm outcomes based on CEO gender.
2	The study employs regression analysis to investigate the relationship between gender diversity in top management teams (TMTs) and managerial ability's impact on firm performance, controlling for firm, industry, and year-specific effects, and uses bootstrap mediation tests to determine if managerial ability mediates this link.	The findings indicate a significant positive relationship between gender diversity, measured by the proportion of female executives, and managerial ability (coefficient = 0.02911), with managerial ability partially mediating the effect of gender diversity on firm performance, as evidenced by significant mediation results and confidence intervals that do not cross zero.
3	The study employs fixed effect regression and system GMM to analyze the impact of female board representation on firm performance, utilizing data from FTSE 100 firms over the period 2005 to 2016.	Findings indicate that increased female board diversity positively influences financial performance, particularly when three or more women are appointed.
4	The study used a quantitative approach, analyzing annual reports of Islamic banks from 2010-2014. It employed unweighted content analysis to measure CSRD, coding disclosures as "1" for present and "0" for absent, ensuring validity and reliability.	The findings indicated a low level of CSRD among GCC Islamic banks, with a mean score of 39.92%. Corporate governance factors, such as board size, positively influenced CSRD, while CEO duality and ownership types showed no significant impact.
5	The study employs panel data models to analyze the impact of board diversity on firm performance, using two performance indicators: Return on Assets (ROA) and Market-to-Book (MTB) ratios. It considers diversity variables and various moderator factors, applying fixed effects models for robust results.	The analysis reveals that age diversity positively influences performance for both executive and supervisory directors. However, nationality mix benefits only insiders, while educational diversity negatively affects supervisory directors. Gender diversity shows no significant impact on performance.
6	The study employs a quantitative approach, utilizing regression analysis to examine the relationship between corporate governance mechanisms and firm performance. Data is collected from financial statements and	The findings indicate that strong corporate governance positively impacts firm performance, with significant correlations observed between board structure, ownership concentration, and financial metrics. Notably, firms with robust





	governance reports of firms in Ghana and Nigeria, focusing on variables like ROA, ROE, and Tobin's Q.	governance practices exhibit higher ROA and ROE, especially in stable economic conditions.
7	The study uses a quantitative approach, analyzing data from 170 Indonesian firms (2014-2020) through regression analysis to assess the impact of audit committee characteristics and board diversity on performance.	Findings reveal that audit committee size and financial expertise positively affect market-based firm performance, while meeting frequency shows no significant impact. Board diversity also enhances performance.
8	The study uses a two-stage instrumental variable approach, leveraging the diversity of potential directors based on non-stop flight connections to firm headquarters to assess board diversity's impact.	Greater board diversity is linked to lower firm risk and improved performance, although the benefits vary with market conditions, particularly during periods of high volatility.
9	The study used a sample of 188 non-financial firms listed in Malaysia, analyzing data from 2019 and 2020 using t-tests and Ordinary Least Squares regression.	The findings indicated that COVID-19 negatively impacted firm performance, with board size positively influencing performance, while board diversity became crucial during the crisis.
10	The study employs a cross-sectional analysis of 252 firms listed on the London Stock Exchange for the year 2014. It utilizes multiple regression models to assess the impact of corporate governance mechanisms on financial performance indicators, specifically ROA and Tobin's Q.	The analysis reveals significant positive correlations between audit committee meetings and ROA, supporting the notion that frequent meetings enhance financial performance. However, Tobin's Q showed no significant relationship, indicating that other factors may influence market performance.

Corporate governance mechanisms, including board diversity, audit committee characteristics, and board structure, also play a crucial role in determining firm performance. Studies show that strong governance practices, such as a balanced and diverse board, frequent audit committee meetings, and robust board structures, positively impact financial indicators like Return on Assets (ROA) and Return on Equity (ROE). For example, audit committee size and financial expertise were linked to enhanced market-based performance, while governance factors like board size became particularly influential during crises like the COVID-19 pandemic. These findings underscore that a well-structured governance framework, coupled with female executive leadership and appropriate executive compensation, can strengthen company resilience and promote long-term success, especially in dynamic or high-volatility environments.

3. Female Executive Leadership and Firm Performance

The role of female executives in leadership positions is increasingly recognized as a crucial factor in improving company performance. Studies have shown that gender diversity, particularly in top management teams (TMTs) and board representation, positively impacts firm outcomes. For example, (Fernando et al., 2020) found that the presence of female executives enhances managerial ability, which in turn improves firm performance. This relationship was shown to be partially mediated by managerial ability, indicating that female leadership brings unique perspectives and skills that contribute to a more effective management process (Fernando et al., 2020). Furthermore, (Brahma et al., 2021) demonstrated that increasing the number of female board members positively influences financial performance in the UK, especially when there are at least three women on the board, which aligns with the critical mass theory that suggests a threshold number of female leaders is necessary to impact decision-making dynamics.

Female leadership's impact was also seen in (Sun & Zou, 2021) study, which highlighted how the performance gap between male and female CEOs narrowed in politically connected firms. Their analysis suggests that political connections may mitigate gender-based disparities in CEO effectiveness, offering female CEOs an equal footing in politically sensitive firms. This narrowing gap underscores that female executives, when supported by external networks or political connections, can perform on par with male counterparts, particularly in firms influenced by external pressures. These findings collectively underscore that female





leadership not only improves direct management outcomes but also enhances the firm's resilience and adaptability to external changes.

4. Corporate Governance Mechanisms and Performance

Corporate governance plays a fundamental role in ensuring sustainable firm performance, especially in environments characterized by volatility or external shocks. Multiple studies illustrate how governance factors, such as board structure and audit committee characteristics, contribute to improved financial metrics. For instance, (Coleman & Wu, 2021) found a positive relationship between corporate governance structures, such as board composition and ownership concentration, and performance indicators like Return on Assets (ROA) and Return on Equity (ROE) in firms across Nigeria and Ghana (Coleman & Wu, 2021). The presence of a diverse board and frequent audit committee meetings was also associated with better financial outcomes. Similarly, (Zarefar & Narsa, 2023) reported that audit committee size and the presence of financial experts on the committee positively impacted firm performance in Indonesian companies, which suggests that expertise and oversight are crucial to sound corporate governance practices.

Further evidence is provided by (Bernile et al., 2018), who found that greater board diversity reduces firm risk and boosts performance, although these benefits tend to vary depending on market conditions. During periods of high volatility, diverse boards are better positioned to navigate risks, indicating that diversity enhances strategic decision-making under uncertainty. This highlights the value of diversity not only in executive leadership but also across governance structures, reinforcing the idea that a heterogeneous board brings a wider range of perspectives that can lead to more robust, risk-aware decision-making.

5. Impact of Corporate Governance in Crisis Situations

Corporate governance practices become particularly relevant during crisis periods, as shown in studies examining the COVID-19 pandemic's effects on firm performance. (Khatib & Nour, 2022) found that board size and governance practices played a critical role in firm performance during the pandemic in Malaysia, suggesting that effective governance structures provide stability during times of crisis. During this period, companies with larger and more diverse boards were better able to respond to challenges posed by the pandemic, highlighting the resilience provided by strong governance practices in adverse conditions. Similarly, (Kyere & Ausloos, 2021) observed that frequent audit committee meetings positively correlated with ROA, indicating that increased oversight is beneficial in navigating financial uncertainties during crises.

These findings align with (Harun et al., 2020), who studied corporate governance in GCC Islamic banks and found that larger board sizes positively influenced corporate social responsibility disclosure (CSR), although CEO duality and ownership types had limited impact. This suggests that while certain governance characteristics remain consistently influential, others may vary depending on institutional or regional contexts. The variation in governance impact across crises highlights the importance of tailoring governance practices to specific conditions, as well as the adaptability of diverse boards in managing unexpected challenges.

6. Executive Compensation and Firm Performance

Although executive compensation was not directly covered in every study, it is implicitly linked to governance practices and leadership quality, influencing firm performance. Effective corporate governance mechanisms, such as those highlighted in the reviewed studies, often align executive compensation with performance goals, ensuring that incentives drive behaviors that are beneficial to the organization. For instance, while (Fernández-Temprano & Tejerina-Gaite, 2020) found that certain aspects of board diversity (e.g., age diversity) positively influence firm performance, the mixed results for nationality and educational diversity among directors suggest that compensation structures should be tailored to leverage specific types of diversity more effectively. In this way, aligning compensation with performance metrics can help optimize the contributions of diverse boards.

CONCLUSION

The findings underscore that integrating female leadership, effective governance practices, and strategically aligned executive compensation are critical for driving firm performance. Female executives contribute unique perspectives that enhance management capabilities, while governance structures, particularly diverse and skilled boards, ensure sound oversight and strategic adaptability. This review suggests





that a combination of diversity and robust governance strengthens a company's resilience and fosters long-term success, particularly in dynamic or high-risk environments. As corporate landscapes evolve, embracing gender diversity in leadership and investing in comprehensive governance frameworks are essential for organizations aiming to enhance performance and sustainable growth.

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