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Corporate Board Characteristics of Family-Managed Firms and its Impact on Firm Performance

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Abstract:
Well-balanced and active corporate boards ensure effective corporate governance in family firms. Studies in the area of corporate governance across the globe made considerable effort to study the composition of corporate boards and their effectiveness. The present study is an effort to evaluate the impact of board characteristics on the performance of selected Indian family-managed firms. The paper encompasses how various board parameters such as board size, board independence, the duality of the chairman, gender diversity, and inclusion of foreign directors in the board impact a firm's market and accounting performance measures. The data is collected from the CMIE PROWESS Database, consisting of 173 family-managed firms belonging to 11 macro-industrial sectors selected. The panel data used for the study consist of 2076 observations for 12 years, from 2010-11 to 2021-22. The study uses regression analysis to evaluate the impact of board characteristics on performance measure indicators Tobin's Q and ROA of the firms.

Keywords: Board size, Board independence, Board characteristics.

Introduction:

Corporate governance is a vital aspect of modern business operations, ensuring accountability, transparency, and ethical behaviour within the organisation. Effective corporate governance always depends on the dynamic corporate boards. Corporate boards serve as the governing body responsible for representing the interests of stakeholders while overseeing the management of the company. The corporate board is the guardian of corporate governance, ensuring that the company is well managed in the best interests of shareholders and other stakeholders. The board's role in corporate governance is to set the strategic direction of the company, monitor its implementation, and evaluate performance (Tricker, 2012). Boards achieve this by engaging in strategic discussions, reviewing business plans, and assessing the performance against the company's objectives.

Moreover, corporate boards are tasked with overseeing risk management processes within the organization. The board's primary duty is to ensure that the company finds, evaluates, and manages risks that could have an impact on its operations and stakeholders. Corporate boards play a pivotal role in succession planning and board composition. Corporate boards are responsible for hunting and nurturing talent, assessing possible executives, and ensuring that the board's makeup remains independent and balanced (Hermalin and Weisbach, 2003). Corporate boards play a multifaceted role in corporate

governance, serving as the cornerstone of effective oversight, accountability, and stewardship within organizations. The effectiveness of corporate boards is critical for maintaining investor confidence, promoting transparency, and enhancing shareholder value (Shleifer and Vishny, 1997).

Effective corporate governance can mitigate agency conflicts, promote long-term orientation, and align the interests of family owners with external stakeholders. Family firms with strong corporate governance mechanisms, such as independent boards and transparent disclosure practices, tend to exhibit better financial performance and higher market valuations (Villalonga and Amit, 2006). The governance structure of family firms plays a crucial role in shaping their strategic direction, performance, and long-term sustainability. Studies on corporate governance have emphasised the importance of considering board dynamics and processes when assessing their impact on the performance of family-managed firms. Board composition, communication, and decision-making in family business are crucial in driving firm success (Chrisman et al., 2012). Family members on the board may possess unique industry knowledge, long-term orientation, and commitment to preserving family legacy, which can positively influence firm outcomes. The role of effective governance practices are crucial in balancing family interests, professional management, and strategic direction. Considering the previous research studies on the relationship between board characteristics and performance, the present attempt has been made to analyse the impact of corporate board characteristics on the financial performance of Indian family-managed firms.

Review of Literature:

An exhaustive research literature exists on corporate board characteristics. The general argument is that the family firms control corporate board and management, which ensures the better firm performance. Whether this argument is in line with the reality? Following are the some research studies on the relationship between board characteristics on firm performance;

Boyd (1995) examined CEO Duality and firm performance using 192 publicly held US firms belonging to 12 different industries. He found that the duality of CEO impacts the performance of the firm positively in the right circumstances. Even the results of CEO duality on firm performance vary with the industry to the firm belongs and board activism.

Yermack (1996) studied the relationship between firm value and board size considering the sample of 452 large U.S. industrial corporations between 1984 and 1991. The study highlights an inverse association between corporate board size and firm financial performance. He observed a decline in the financial ratios related to operating efficiency and profitability when the board size increased.

Eisenberg et al. (1998) studied the impact of large board size on the performance of small firms using a sample consisting of 785 healthy and 94 bankrupt Finnish firms from 1992 to 1994. This study highlights that board size has negative correlation with the profitability of small and mid-size firms.

Bhagat and Black (2001), examined the relationship between board independence and firm performance, considering the sample of 394 US large public corporations for the period 1988-1993. The study found low profitability firms increase board independence in anticipation of a performance increase by an independent monitoring board. However, the firms with more board independence do not perform significantly better than other firms.

Hermalin and Weisbach (2003) undertake a review of past research studies on the effects of board composition on the performance of firms. Through the literature study they found that board size has a negative correlation with business performance. whereas, board composition does not impact performance. Further, the quality of board's decision, succession planning and executive compensation

are influenced by the board size and composition.

Carter et al. (2003) studied the relationship between board diversity and firm value using cross-sectional data of 797 companies from Fortune 1000 firms for the year 1997. This empirical study highlights the positive significant relationship between the proportion of women directors on the board with firm value. The proportion of women directors on board increases with the firm size and board size and decreases with the insider holdings.

Campbell and Mínguez-Vera (2008) examined the link between the gender diversity of boars with financial performance using panel data consisting of 68 Spanish firms for the period 1995-2000. Findings indicate that increased gender diversity on boards contributes positively to a firm's financial performance. Greater gender diversity resulted in economic value addition to the Spanish firms.

Adams and Ferreira (2009) study the impact of gender diversity on governance and performance using unbalanced panel data of listed 1939 US firms for the period 1996-2003. They found women directors have a significant impact on board dynamics and performance. The study highlights that gender-diverse boards allocate more effort to monitoring activity. However, the average effect of gender diversity on performance of the firm is negative.

Ahern and Dittmar (2011) studied 248 Norwegian public firms listed on Oslo Stock Exchange, from 2001 to 2009 on firm valuation on women's board representation. Research reveals that the Norwegian government's enforcement of a 40% female board representation quota resulted in significant declines in share prices and firm valuation (Tobin's Q). Quota led to younger and less experienced boards, resulting in decreased operational performance.

Saeed et al. (2013) investigated how corporate governance practices influence financial performance among Pakistani textile companies using a sample of 137 listed companies over five years from 2007 to 2011. Results indicated that a larger board size positively affected firm performance, whereas a higher percentage of NEDs and the presence of CEO duality negatively impacted performance.

Mnzava (2022) studies relationship between participation of foreign directors on boards and the financial performance of firms using 21 firms of Tanzania. He found the participation of foreign director improves the corporate performance of firms measured in terms of ROA, ROS and EPS. Foreign directors bring expertise, knowledge and new network to the firm. Even the paper documented that women directors affect the performance of the firm negatively.

Bendigeri and Hyderabad (2022) examine the impact of composition and board structure on financial performance using a panel data sample of 45 CNX Nifty companies belonging to 13 industries for the period 2011 to 2017. The study found board independence and promoter holding have a significantly positive relationship with ROA. CEO duality negatively impacts firm performance but results are insignificant.

Objective of the study:

The present study has the following objectives;

1. To study board characteristics of sample firms.
2. To study the relationship between board characteristics and Tobin's Q of sample firms.
3. To study the relationship between board characteristics and Return on Assets of sample firms.

Hypothesis for the study:

H_{01} : There is no significant relationship between board size and firm performance.

H_{02} : There is no significant relationship between board independence and firm performance.
H_{03} : There is no significant relationship between CEO duality and firm performance.
H_{04} : There is no significant relationship between Gender diversity and firm performance.
H_{05} : There is no significant relationship between foreign directors on board and firm performance.

Methodology and Data:

The present study is based on the secondary data collected from the CMIE PROWESS Database. These 173 Family-managed sample firms belong to 11 macro-industrial sectors selected from the BSE 500 index. Firms from the financial service and banking sectors are excluded from the sample. The panel data of 173 firms consisting of 2076 observations for the period from 2010-11 to 2021-22 is used in the study.

For the analysis of data analytical tables and descriptive statistics are used to summarize and describe the behaviour of the variables in a study. Inferential statistics are used to draw conclusions on the reliability and generalisation of the findings. To test the research hypotheses, the inferential tests used include correlation and regression analysis. The analysis in the study used tools and techniques such as Descriptive Statistics, a Correlation matrix, a Regression Model, and the Variance Inflation Factor (VIF). Statistical analyses of data were carried out using Stata software.

Table-1: Classification of sample firms for the study based on period of incorporation

Sl. No.	Incorporation period of firms	No. of Firms	Percentage
1	Before 1950	33	19.08
2	Between 1950 to 1990	98	56.65
3	After 1990	42	24.28
Total sample firms		**173**	**100**

Variables:

Two performance indicators were opted as dependent variables for the study, ROA opted as an accounting indicator and Tobin's Q opted as a market indicator of firm performance. ROA measures a firm's profitability relative to its total assets. It indicates how efficiently a company is generating profit from its assets. Tobin's Q is a ratio that compares a company's market value to the replacement cost of its assets. It is used as a measure of the firm's market value relative to its book value.

Five board characteristics are opted as independent variables and four variables as control variables namely Firm Size, Firm Age, Leverage and Industry. Studies have identified a positive relationship between the size of the firm and performance. Large firms tend to have economies of scale, greater market power, and access to resources which contribute to profitability and market valuation (Kothari and Shanken, 1997). Firm Leverage at moderate levels may enhance profitability through a corporate tax shield, whereas excessive leverage can lead to financial distress (Sarkar and Sarkar, 2000). The age provides a life cycle effect for the firms, profits of older and matured firms will be higher on account of goodwill and learning effects (Randoy and Goel, 2003).

Table -2 : Description of Variables used in the study

Sl. No.	Variables		Description	Measurement
Dependent Variable				
1	Return on Asset	ROA	Net income of the firm divided by the total book value of assets of the firm	Percentage
2	Tobin's Q	Tobin's_Q	The market value of the firm divided by the total book value of assets of the firm	Number
Independent variables				
3	Board Size	B_Size	Number of directors on the company's board	Number
4	Board Independence	B_Indp	The proportion of independent directors to total directors on board	Ratio
5	Duality of Chairman	C_Duality	A dummy variable: if the chairman also holds the position of MD or CEO, its value is 1, else 0	Binary Number
6	Gender Diversity on the Board	W_Director	The proportion of women directors to total directors on the board	Ratio
7	Foreign Directors on the Board	F_Director	The proportion of foreign directors to total directors on the board	Ratio
Control variables				
8	Age of the firm	F_Lev	Number of years from establishment of firm	Number
9	Size of the firm	F_size	Natural logarithm of total book value of total assets	Natural Log
10	Leverage	F_Age	long-term debt divided by total assets	Ratio

Table- 3 Year wise details of board size of sample firms

Board size	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total observations	% of total observations
Less than or equal to 5	1	1	1	2	0	1	2	2	1	0	1	1	13	0.63
6 to 10	89	87	86	89	68	84	84	75	78	71	93	82	986	47.50
11 to 15	69	76	72	71	94	80	82	86	83	94	72	78	957	46.10
16 to 20	14	9	14	10	10	8	5	10	11	8	7	12	118	5.68
Above 20	0	0	0	1	1	0	0	0	0	0	0	0	2	0.10
Total firms	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**2076**	**100.00**

From Table -3: year wise details of board size of sample firms, we infer that out of total samples 0.63% observations has board size less than or equal to 5, 47.50% of observations has board size between 6 to 10, 46.10% of observations has board size between 11 to 15, 5.68% of observations has board size between 16 to 20, Only 0.10% observations have board size above 20. A slight variation in the number of firms among the board size range between 6 to 20 is observed over the years. No firm holds more than 20 directors since 2015-16. Almost 93.60% observations have board size between 6 to 15, which indicate that the Indian family managed firms prefer to have medium size boards rather very small or considerably large boards.

Table- 4 Year wise detail of level of board independence of sample firms

Board independence	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total observations	% of total observations
Less than 25 %	1	0	0	0	1	0	0	1	1	0	0	1	5	0.24
25 to 50%	37	31	32	31	42	29	28	40	39	29	36	25	399	19.22
50% to 75%	127	133	137	134	125	138	141	130	128	139	133	143	1608	77.46
More than 75%	8	9	4	8	5	6	4	2	5	5	4	4	64	3.08
Total firms	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**2076**	**100**

From Table-4: year wise detail of level of board independence of sample firms, we infer that out of total samples 0.24% observations has board independence less than 25%, 19.22% of observations has board independence between 25% to 50%, 77.46% of observations has board independence between 50% to 75% and 3.08% of observations has board independence above 75%. The firms with board independence above 75% has been considerably decreased over the years. Out of total samples 80.54% observations have board independence above 50%. The results indicate that the most of the Indian family firms has board independence more than 50%.

Table-5: Year wise details of Chairman's Duality of sample firms

Year	With Duality	Without Duality	Total Firms
2011	49	124	173
2012	52	121	173
2013	53	120	173
2014	56	117	173
2015	53	120	173
2016	55	118	173
2017	53	120	173
2018	55	118	173
2019	52	121	173
2020	52	121	173
2021	56	117	173
2022	55	118	173
Total observations	**641**	**1435**	**2076**
% of total observations	**30.88**	**69.12**	**100**

From Table-5: year wise details of chairman's duality of sample firms, we infer that out of total samples, 30.88% of observations have duality of chairman and 69.12% of observations separated the role chairman from the managing director. The results indicating that most of the family managed firms prefers to separate the role of chairman from the managing director. And it is observed that there is an increasing trend of Chairman's duality among the sample firms over the period.

Table-6: Year wise details of the number of women directors on the board of sample firms

Number of women directors on board	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total observations	% of total observations
0	95	98	92	86	14	6	7	5	2	3	4	7	419	20.18
1	58	54	59	65	123	132	120	117	93	67	73	65	1026	49.42
2	17	17	15	14	26	25	33	35	54	65	64	60	425	20.47
3 and Above	3	4	7	8	10	10	13	16	24	38	32	41	206	9.92
Total firms	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**2076**	**100.00**

From Table -6: year wise details on the number of women directors on the board of sample firms, we infer that out of total samples, 20.18% of observations didn't have any women directors on board, 49.42% of observations had 1 women director on the board, 20.47% of observations has 2 women directors on the board and 9.92% of observations has 3 or more women directors on the board. Up to 2014, less than 50% of the firms had women directors on their boards. After the enforcement of the Companies Act 2013, women's representation on the boards of family firms has increased considerably. The result indicates that the women representation on the corporate boards of family managed firms has been increasing considerably over the years.

Table-7: Year wise details of the number of foreign directors on the board of sample firms

Number of foreign directors on board	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total observations	% of total observations
0	127	123	123	126	123	126	129	126	127	128	129	126	1513	72.88
1	22	25	28	29	33	30	24	25	27	25	23	23	314	15.13
2	14	14	10	7	7	6	9	14	9	8	10	10	118	5.68
3	4	7	6	4	3	6	7	5	7	8	3	5	65	3.13
4 and above	6	4	6	7	7	5	4	3	3	4	8	9	66	3.18
Total firms	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**173**	**2076**	**100.00**

From Table-7: year wise details on the number of Foreign Directors on the board of sample firms, we infer that out of total samples, 72.88% of observations didn't have any foreign director on board, 15.13% of observations had 1 foreign director on board, 5.68% of observations has 2 foreign directors on the board, 3.13% of observations has 3 foreign directors on the board and 3.18% of observations has 4 or more foreign directors on the board. Only 27.12% of total observations have included at least one foreign director on their corporate board. Less than 12% of the samples have two or more foreign directors on

their board. The results indicate that Indian family-managed firms do not prefer to have foreign directors on their corporate boards.

Descriptive statistics:

Table-8: Descriptive statistics of variables

Variable	Observations	Mean	Std. Dev.	Min	Max
ROA	2,076	10.317	8.782	-27.029	91.203
Tobin's_Q	2,076	2.429	2.189	0.422	25.373
B_Size	2,076	10.831	2.737	4	23
B_Indp	2,076	0.541	0.095	0.222	0.889
C_Duality	2,076	0.307	0.461	0	1.0
W_Director	2,076	0.116	0.087	0	0.545
F_Director	2,076	0.043	0.087	0	0.556
F_Lev	2,076	0.209	0.170	0.00005	0.998
F_size	2,076	24.911	1.446	21.512	30.35
F_Age	2,076	44.240	24.295	4	159

Table - 8 exhibits the descriptive statistics of dependent and independent variables considered for the study. Accounting return measure ROA has a mean return of 10.317%, with maximum and minimum return of 91.203% and -27.029% respectively. Market measure Tobin's Q has a mean of 2.429 with a maximum and minimum of 25.373 and 0.422 respectively.

The average board size is 10.831 with maximum and minimum sizes of 23 and 4 respectively. Independent directors on the boards account for an average of 54.1% with the maximum and minimum board independence of 22.2% and 88.9%. On average 30.7% of boards have a chairman's duality. Samples have on average 11.6% of women's representation on board with the minimum and maximum representation of 0 and 54.5% respectively. Foreign directors' representation on the board is on average 4.3% with minimum and maximum inclusion of foreign directors on the board of 0 and 55.6% respectively. Samples have 20.9% mean leverage with minimum and maximum leverage of 0.00005% and 99.8% respectively. Samples have a mean firm age of 44.240 years with minimum and maximum firm ages of 4 and 159 years respectively. Average firm size is ₹6,587.33 Crs (LN 24.911) with minimum and maximum firm sizes of ₹220.06 Crs (LN 21.512) and ₹ 15,18,000.00Crs (LN 30.35) respectively.

Correlation Analysis:

Table -9: presents correlation between the variables under the study. The accounting measure of performance Return on Assets has a positive correlation with Tobin's Q, board independence and chairman's duality. ROA has negative correlation with board size, women directors' representation, foreign directors' representation, firm leverage, firm size and firm age. The market measure of performance Tobin's Q has a positive correlation with board size, board independence, women representation on board and foreign directors' representation on board. Tobin's Q has negative correlation with chairman's duality, firm leverage, firm size and firm age.

Table-9: Correlation Matrix

	ROA	Tobin's_Q	B_Size	B_Indp	C_Duality	W_Director	F_Director	F_Lev	F_size	F_Age
ROA	1									
Tobin's_Q	0.580	1								
B_Size	-0.019	0.026	1							
B_Indp	0.077	0.024	-0.105	1						
C_Duality	0.015	-0.123	0.083	0.045	1					
W_Director	-0.006	0.073	-0.050	-0.032	-0.010	1				
F_Director	-0.057	0.002	0.205	0.061	-0.034	0.006	1			
F_Lev	-0.458	-0.383	0.129	-0.103	0.060	-0.034	0.055	1		
F_size	-0.318	-0.185	0.322	-0.048	0.013	0.161	0.268	0.397	1	
F_Age	-0.015	-0.017	0.058	0.085	-0.052	0.046	0.048	-0.012	0.043	1

Among independent variables, Board size has a positive correlation with chairman's duality, foreign directors' representation on board, firm leverage, firm size and firm age. It has negative correlation with board independence and women representation on board. Board independence has a positive correlation with chairman's duality, foreign directors' representation on board and firm age. It has a negative correlation with gender diversity on board, firm leverage and size of the firm. Chairman's duality has a positive correlation with firm leverage and firm size. It is negatively correlated with women representation on board, foreign directors' representation on board and firm age. Women representation on board has a positive correlation with foreign directors' representation on board, firm size and firm age. It is negatively correlated with firm leverage. Foreign directors' representation on board has positive correlation with all the control variables namely firm leverage, firm size and firm age.

Among control variables, Firm leverage has positive correlation with firm size and negative correlation with firm age. Firm size has positive correlation with firm age.

Regression Model:

To perform regression analysis to test the relationship of board characteristics on firm performance, following linear regressions equations are formed:

$ROA_{it} = \beta_0 + \beta_{1\text{-}5}$ (Board Characteristics $_{it}$) + $\beta_{6\text{-}8}$ (Control Variables $_{it}$) + ε_{it} .....Eqn (1)

Tobin's $Q_{it} = \beta_0 + \beta_{1\text{-}5}$ (Board Characteristics $_{it}$) + $\beta_{6\text{-}8}$ (Control Variables $_{it}$) + ε_{it} ..... Eqn (2)

For both equations:

Board characteristic variables – Board size, Board independence, Duality, Women, Foreign.

Control variables – Firm leverage, Firm size, Firm age.

Regression analysis:

Both Regression models applied for regression analysis at a 5% level of significance. Results of regression on ROA and Tobin's Q is presented in table-10.

Table -10: Regression Analysis on Return on Assets and Tobin's Q

Variables	Return on Assets			Tobin's Q		
	Coef.	Std. Err.	P>t	Coef.	Std. Err.	P>t
Constant	38.481	3.372	0	6.068	0.877	0
B_Size	0.315	0.067	0	0.092	0.017	0
B_Indp	3.576	1.810	0.048	0.100	0.471	0.832
C_Duality	0.582	0.368	0.114	-0.524	0.096	0
W_Director	1.938	1.976	0.327	2.067	0.514	0
F_Director	-0.441	2.049	0.829	0.526	0.533	0.324
F_Lev	-20.201	1.094	0	-4.515	0.284	0
F_size	-1.179	0.139	0	-0.149	0.036	0
F_Age	-0.007	0.007	0.322	-0.003	0.002	0.088
Number of Observations			2,076			2,076
Prob > F			0			0
F (9, 2078)			82.73			54.98
R			0.4924			0.4188
R-squared			0.2425			0.1754
Adj R-squared			0.2396			0.1723
Root MSE			7.6576			1.9917

Regression on ROA it is observed that the adjusted R^2 value is 0.2396 and the p-value is 0. It implies that the variables used in the study explain 23.96 % of the ROA. The results of our analysis show Board size and Board independence have a p-value <0.05, hence null hypothesis is rejected and the alternative hypothesis is accepted. We found Board size and Board independence impacts ROA of the firms positively and significantly. Chairman's Duality, Women representation on board and Foreign directors' representation on board has p-value >0.05, hence null hypothesis accepted. It is found that Chairman's Duality and Women representation on board has positively and not significantly impacts ROA. Foreign directors' representation on board is negatively and not significantly impacts ROA.

Regression on Tobin's Q it is observed that adjusted R^2 value is 0.1723 and p-value is 0. This implies that 17.23 % of the Tobin's Q is explained by variables used in the study. Results of our analysis shows Board size, Chairman's Duality and Women representation on board has p-value <0.05, hence null hypothesis is rejected and alternative hypothesis accepted. We found Board size and Women director representation on the board impacts Tobin's Q of the firms positively and significantly. Chairman's duality has negatively and significantly impact Tobin's Q. Board Independence and Foreign directors' representation on board has p-value >0.05, hence null hypothesis accepted. It is found that Board Independence and Foreign directors' representation on board is positively and not significantly impacts Tobin's Q.

Table-11: Multicollinearity test Statistics

Variable	VIF	1/VIF
F_size	1.44	0.696
F_Lev	1.22	0.819
B_Size	1.18	0.850

F_Director	1.11	0.899
W_Director	1.06	0.946
B_Indp	1.04	0.959
C_Duality	1.02	0.979
F_Age	1.02	0.981
Mean VIF	**1.14**	

Test for multicollinearity on all explanatory variables are calculated to check Variance Inflation Factor (VIF) and Tolerance Limit. No multicollinearity is observed in the model and multicollinearity test statistics are presented in table -11.

The results of the study on Board size is in line with findings of Saeed et al. (2013) and opposite to the findings of Yermack (1996), Eisenberg et al. (1998) and Hermalin and Weisbach (2003). Findings on Board independence supports the findings of Bendigeri and Hyderabad (2022) and opposite to the results of Bhagat and Black (2001). Results on Chairman's duality is opposite to the findings of Boyd (1995) and partially similar to the findings of Saeed et al. (2013) and Bendigeri and Hyderabad (2022). Result on Women representation on board is in line with the findings of Carter et al. (2003) and Campbell and Mínguez-Vera (2008) and are opposite to the findings of Adams and Ferreira (2009), Ahern and Dittmar (2011) and Mnzava (2022). Results on Foreign director representation on board is opposite but not significant to the findings of Mnzava (2022).

Conclusion:

The study was undertaken to understand the board characteristics of family managed firms and the impacts of board characteristics on the performance of family-managed firm. The results of the study indicate board size and gender diversity of the board positively impact the market performance. Duality of the chairman has significantly negative impact on market performance. Board independence and foreign directors' participation on board does not have significant positive impact on market performance of family-managed firms. Whereas accounting performance was positively impacted by the board size and board independence of the family-managed firms. Duality of the chairman and gender diversity positively but not significantly impacts accounting performance of family managed firms. Foreign directors' participation on board has negative but not significant impact on accounting performance. Results are indicating the balance, knowledge base of directors and gender and ethnic diversity in the board are rightly appreciated by the market. The paper does contain certain restrictions. The results of the study cannot be broadly generalised because the data only cover the selected Indian family-managed companies listed in the BSE 500 index. By adding other significant variables, like founding family representation on the board, Qualification of Director, tenure of the CEO and Founding Family CEO or Chairman to data from other nations, the relationship between board characteristics and financial performance can be further investigated.

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