EuroMid Journal of Business and Tech-Innovation (EJBTI)
https://iejbti.com
Online ISSN: 3062-2131
Print ISSN: xxxx-xxxx

# Board Diversity and Governance Quality in the MENA Region: Survey Evidence from Egyptian Listed Firms

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**Received**: July 2025; **Accepted**: December 2025

**Abstract:** This paper explores the relationship between board diversity and governance quality in listed companies in Egypt, the largest Arab economy, and a setting of intensifying governance reform efforts and persistent governance challenges across the broader Middle East and North Africa (MENA) region. Based on primary survey data from 214 senior executives, board members, and audit committee chairs in 67 companies listed on the Egyptian Exchange, we develop and test a structural model linking four dimensions of board diversity (gender, educational background, nationality, and tenure heterogeneity) to three governance quality outcomes (board monitoring effectiveness, strategic decision quality, and stakeholder orientation). The study uses Partial Least Squares Structural Equation Modelling (PLS-SEM) with reflective measurement models and tests common method bias using Harman's single-factor test. We find that both gender and educational diversity are the strongest positive predictors of governance quality in all three dimensions of the outcome. We also find a non-linear relationship between nationality diversity and monitoring effectiveness, with positive effects at moderate levels but decreasing returns at high levels. Tenure heterogeneity is significantly positively related to strategic decision quality and negatively related to board monitoring effectiveness, consistent with arguments on the trade-off between experiential richness and the entrenchment of long-serving directors. Several of these relationships are moderated by institutional ownership concentration and family control, which are both highly prevalent in the Egyptian corporate context and illuminate the distinctive governance dynamics of family-dominated MENA business systems. In this paper, we contribute to the comparative corporate governance literature by providing the first large-sample survey evidence on board diversity and governance quality in the Egyptian context and by developing theoretical arguments on the ways distinctive features of MENA institutional environments are shaping the diversity-governance relationship.

**Keywords:** Board Diversity, Corporate Governance, MENA, Egypt, PLS-SEM, Gender Diversity

**Type:** Research Paper



**DOI: 10.51325/k9eenm51**

## 1. Introduction

The question of the impact of board composition on governance quality has long been a concern for the corporate governance literature, at least since the 1990s, leading to a rich empirical literature that covers a variety of national contexts and governance traditions. However, the MENA region, and Egypt in particular, are still largely underrepresented in this literature, despite the economic importance of the region, its unique institutional features, and the severe governance challenges that have shaped the evolution of its major companies. The gap matters. The MENA region is a theoretically important test case for governance theories developed mostly in Anglo-American and Western European contexts, given its combination of formal institutional development, family ownership concentration, and informal governance practices. Recent evidence continues to document heterogeneous governance outcomes within the region: board size, audit committee presence, and meeting frequency are positively associated with firm performance in Moroccan listed companies, while board independence shows mixed effects depending on the performance metric used (Faiteh et al., 2026), pointing to the importance of context-specific, multi-dimensional governance analyses of the kind conducted in this paper.

Egypt offers a particularly informative context within which to examine board diversity and governance quality. As the largest Arab economy and the most populous country in the MENA region, Egypt combines a maturing capital market infrastructure — centred on the Egyptian Exchange (EGX) with over 200 listed companies, and regulated by the Financial Regulatory Authority (FRA) and the Central Bank of Egypt — with a rapidly evolving governance reform agenda that has made board gender diversity a regulatory priority since 2019. At the same time, Egypt shares many of the governance challenges characteristic of the MENA region: family-dominated ownership structures, significant state ownership in key sectors, weak minority shareholder protections, and an informal governance culture in which personal and business networks continue to shape corporate decision-making alongside formal mechanisms. Thus, the investigation of the effect of board diversity on governance quality in this context may add to the understanding of the diversity governance nexus in economies that are actively reforming their governance architecture while still constrained by structural features that limit the effectiveness of those reforms.

The paper contributes to the literature in three ways. First, it provides the first large-sample, survey-based empirical analysis of board diversity and governance quality of Egyptian listed firms, which fills a significant gap in the comparative corporate governance literature. Second, it develops and tests a multi-dimensional conceptualisation of both board diversity - including gender, educational background, nationality, and tenure heterogeneity - and governance quality - including board monitoring effectiveness, strategic decision quality, and stakeholder orientation - which goes beyond the single-dimension approaches that dominate existing research. Third, it explores the contextually contingent moderating effects of two well-known characteristics of the Egyptian and MENA governance context, namely, institutional ownership concentration and family control, on the diversity-governance relationship, providing contextually meaningful insights that add to the general comparative governance literature.

The remainder of the paper is organized as follows. Section 2 reviews the relevant literature and develops the hypotheses of the study. Section 3 presents the research methodology, data collection, and measurement. The PLS-SEM analysis results are presented in Section 4. Section 5 includes findings and theoretical and practical implications. Section 6 discusses the limitations and future directions for research. Conclusions are in Section 7.

## 2. Literature Review and Hypotheses

### 2.1. Board Diversity and Governance Outcomes: Theoretical Background

There are three generic arguments underpinning the theoretical case of board diversity as a driver of governance quality. The resource dependence argument (Pfeffer and Salancik, 1978) states that board members give firms access to resources such as information, expertise, networks, and legitimacy that firms need to manage their environment; diversity in these resources increases the board's capacity to perform the resource-provision function. The human capital argument (Becker, 1964) posits that diverse boards will have a more extensive pool of knowledge, skills, and perspectives to access when dealing with governance challenges; this epistemic richness should improve the quality of monitoring, strategic deliberation, and stakeholder engagement. The agency theory argument (Jensen and Meckling, 1976) argues that board independence from management is necessary for effective monitoring; diversity, in particular gender and nationality diversity, is related to greater independence from the dominant coalition and therefore to stronger monitoring.

But, in contrast to these theoretical arguments, a competing literature (drawing on the research on group dynamics (Janis, 1982) and organisational demography (Pfeffer, 1983)) suggests that diversity may threaten the cohesion and social capital necessary for effective board functioning. Highly diverse groups may be more conflictual, less trusting, and less able to come to a consensus, which may degrade the quality of governance decisions, even as they improve the epistemic inputs to those decisions. Recent evidence from weak institutional business environments confirms that diversity effects are highly context-dependent and frequently inconclusive (Ashiru et al., 2025), while multi-domain reviews find that demographic, human capital, social capital, cultural, and structural dimensions of diversity produce context-contingent rather than uniform effects (Pandey et al., 2025). The tension between these two sets of arguments—diversity as epistemic enrichment versus diversity as social disruption—provides the theoretical motivation for our multi-dimensional, multi-outcome approach, which is designed to capture the conditions under which different types of diversity enhance or impede governance quality.

### 2.2. Gender diversity and quality of governance

The gender diversity and governance quality nexus is the most empirically explored dimension of the board diversity body of literature. Meta-analytic evidence consistently supports a positive association between the proportion of female directors and measures of board independence, monitoring intensity, and ethical oversight, although the association with firm financial performance is more debated (Post and Byron, 2015; Pletzer et al., 2015). Research in the MENA region is sparse but emerging: Al-Shaer and Zaman (2016) find positive associations between gender diversity and sustainability reporting quality in GCC firms, and Arfken et al. (2004) document the significant underrepresentation of women on MENA corporate boards and its association with governance gaps. More recent cross-national evidence further confirms that gender diversity positively affects governance outcomes, but the effect is weaker in institutional settings characterised by patriarchal values, with board nationality diversity positively affecting outcomes only in network-oriented governance systems (Morán-Muñoz et al., 2025). In Egypt, women held 22% of board seats in EGX-listed firms as of 2024, reflecting the impact of mandatory FRA regulations requiring at least two women or 25% female representation on listed company boards — yet Egypt remains short of its national 30% target for 2030, and significant cross-sector and cross-firm variation provides scope for meaningful empirical analysis (AUC Women on Boards Observatory, 2024). Evidence from worldwide board gender diversity reforms further suggests that the empowerment mechanism — the quality of female directors' influence on deliberation — matters more than mere representation for governance outcomes (Wang et al., 2024). We therefore hypothesize:

H1: Gender diversity on corporate boards is positively related to governance quality, measured in terms of (H1a) board monitoring effectiveness, (H1b) strategic decision quality, and (H1c) stakeholder orientation.

### 2.3. Education, Diversity, and Governance Quality

Educational diversity, which refers to the heterogeneity in directors' academic disciplines, professional qualifications, and institutional training, is theoretically important as a proxy for cognitive diversity: the diversity of mental models, analytical frameworks, and problem-solving approaches that board members bring to governance tasks (Hambrick and Mason, 1984; Miller et al., 1998). Egyptian corporate boards are characterised by relatively high average educational levels, reflecting the country's expanding university system and a significant share of directors holding postgraduate qualifications from domestic and international institutions. Nonetheless, boards tend to be highly homogeneous in educational background, with strong concentrations of directors trained in finance, accounting, and law. We hypothesize that greater educational diversity – including engineering, social science, humanities, and other disciplinary backgrounds in addition to financial and legal expertise – improves governance quality by increasing the cognitive resources available for monitoring and strategic deliberation:

H2: Educational diversity on corporate boards is positively related to governance quality, measured by (H2a) board monitoring effectiveness, (H2b) strategic decision quality, and (H2c) stakeholder orientation.

### 2.4. National Diversity and Quality of Governance

In the Egyptian context, the issue of nationality diversity – the proportion of board members of non-Egyptian nationality or with significant international professional experience – is especially relevant given Egypt's growing integration into global capital markets and the significant presence of multinational corporations and international institutional investors among EGX shareholders. International directors can bring exposure to different governance norms, regulatory environments, and stakeholder expectations that can enrich board deliberation and strengthen monitoring of management practices that may be taken for granted in purely domestic board environments. However, at high levels of international diversity, the social distance between board members and local stakeholders – employees, customers, communities – may undermine the stakeholder orientation dimension of governance quality, particularly in a context where informal stakeholder relationships and local knowledge remain central to corporate legitimacy. We thus hypothesize a non-linear relationship:

H3: Nationality diversity is inversely U-shaped related to board monitoring effectiveness (H3a), linearly and positively related to strategic decision quality (H3b), and inversely U-shaped related to stakeholder orientation (H3c).

### 2.5. Tenure Heterogeneity and Quality of Governance

The heterogeneity of director tenure, or the variation in tenure of board members, reflects the trade-off between new ideas and institutional memory on the board. Boards with high tenure heterogeneity combine the independent scrutiny of newer directors, who have not yet been socialised into the firm's existing ways of doing things, with the contextual expertise of longer-serving directors who understand the firm's history, strategy, and competitive environment in depth (Vafeas, 2003). We expect this combination to increase the quality of strategic decisions, but it may create tensions in the monitoring function where the interests of long-serving directors and management are aligned, thus leading to a loss of independence:

H4: Tenure heterogeneity is positively related to strategic decision quality (H4a) but negatively related to board monitoring effectiveness (H4b).

### 2.6. Moderating Effect: Family Control and Institutional Ownership

Family control, i.e., a controlling family shareholder with board representation, is a pervasive feature of listed firms in Egypt, as in the broader MENA region, with family-owned and family-affiliated businesses accounting for a substantial share of EGX market capitalisation and operating across banking, real estate, industrial, and commercial sectors. Consistent with agency theory, family control is expected to diminish the governance benefits of board diversity. Family-controlled boards might view diversity as a legitimacy signal rather than a genuine consideration of different viewpoints in decision-making (Morck et al., 1988; Villalonga and Amit, 2006). However, it is anticipated that the concentration of institutional ownership, or the share of shares owned by institutional investors, will have the opposite moderating effect, increasing the governance benefits of board diversity through creating investor pressure for substantive rather than symbolic inclusion of diverse board perspectives.

H5: Family control negatively moderates the relationships between the dimensions of board diversity and the outcomes of governance quality.
H6: The concentration of institutional ownership positively moderates the relationships between the dimensions of board diversity and the governance quality outcomes.

# 3. Research Methodology

## 3.1. Sample and Data Collection

The study population is all of the firms listed in the Egyptian Exchange (EGX) as of 1 January 2023. It represents 67 publicly listed companies in the banking, financial services, real estate, industrial, and commercial sectors. Primary data were collected through a structured self-administered questionnaire administered to senior executives, board members, and audit committee chairs of all 67 EGX-listed firms from March to August 2023. The questionnaire was developed in English and translated into Arabic using the back-translation method recommended by Brislin (1970). In total, 214 usable responses were obtained from 61 of the 67 target firms, with 91.0% of the firms and 68.4% of the individual-level responses of the 313 distributed questionnaires. Table 1 displays the descriptive characteristics of the sample of respondents.

**Table 1:** Demographic Characteristics of the Respondents

| **Characteristic** | **Category** | **N (%)** |
|---|---|---|
| Respondent Role | Board Member / Chair | 89 (41.6%) |
| | Senior Executive (CEO/CFO/COO) | 74 (34.6%) |
| | Audit Committee Chair/Member | 51 (23.8%) |
| Sector | Banking & Financial Services | 81 (37.9%) |
| | Real Estate & Construction | 52 (24.3%) |
| | Industrial & Manufacturing | 44 (20.6%) |
| | Commercial & Services | 37 (17.3%) |
| Firm Size (employees) | < 100 | 38 (17.8%) |
| | 100 – 499 | 79 (36.9%) |
| | 500 – 999 | 57 (26.6%) |
| | > 1,000 | 40 (18.7%) |
| Family Control | Yes (>50% family ownership) | 138 (64.5%) |
| | No | 76 (35.5%) |
| Mean Board Size | 8.3 members | SD = 2.1 |
| Mean Female Directors (%) | 11.4% | SD = 8.6 |

## 3.2. Measurements

*3.2.1 Dimensions of Board Diversity*

Gender diversity was measured with the Blau (1977) heterogeneity index (Blau index = 1 - Σpi2) based on the proportion of male and female directors on each board. Educational diversity was measured with a Blau index with five categories in which the primary academic discipline of the directors was finance/accounting, law, engineering/technology, natural/social sciences, and other. Nationality diversity was measured with a Blau index based on nationality categorisation (Egyptian, Arab non-Egyptian, European/North American, and other). Tenure diversity was measured as the coefficient of variation of directors' years of board service with the firm.

*3.2.2. Outcomes of Governance Quality*

Board Monitoring Effectiveness (BME) was assessed by a seven-item reflective scale adapted from Brown & Caylor (2006) and validated for the MENA context by Al-Shaer & Zaman (2016). Items measured the effectiveness of oversight of the audit, management performance evaluation, risk governance, and independence from management influence (Cronbach's alpha = 0.847; AVE = 0.61). Strategic decision quality (SDQ) was measured by a six-item reflective scale measuring quality of board deliberation, strategic analysis, and long-term planning processes (Cronbach's alpha = 0.831; AVE = 0.58). Stakeholder orientation (SO) was measured through a five-item scale measuring the board's consideration of the interests of employees, the community, customers, and the environment in governance decisions (Cronbach's alpha = 0.819; AVE = 0.56). All items were rated on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree).

*3.2.3 Regulatory Factors*

We controlled for board size (number of directors), firm size (log of total assets), firm age (years since incorporation), leverage (total debt to total assets), and sector (dummy variables for banking/finance, real estate, industrial, and commercial), consistent with prior governance literature.

### 3.3. Analytical methods

The study used Partial Least Squares Structural Equation Modelling (PLS-SEM) through SmartPLS 4.0 software (Ringle et al., 2022). PLS-SEM is suitable for this study because of the mixture of reflective and formative constructs in the model, the relatively small sample size compared to the complexity of the structural model, and the exploratory nature of some hypotheses regarding the MENA governance context (Hair et al., 2019; Hair et al., 2024). The analysis is performed in two steps: (1) validity and reliability of the measurement model (convergent validity, discriminant validity, composite reliability) are evaluated; (2) the structural model (path coefficients, confidence intervals obtained through bootstrapping, R2 values, and effect sizes) is assessed. The product-indicator approach, as recommended by Hair et al. (2019), was used to test for moderating relationships. Harman's single-factor test and the common latent factor approach were used to test for common method variance. Neither test suggested problematic levels of common method variance.

## 4. Results

### 4.1. Descriptive Statistics and Correlations

Table 2 presents the descriptive statistics and bivariate correlations for the study variables based on 214 observations. Overall, the diversity dimensions are positively associated with the key governance and strategic outcomes. Gender, educational, and nationality diversity are each positively and significantly related to monitoring effectiveness, strategic decision quality, and stakeholder orientation. Educational diversity shows the strongest association with strategic decision quality (*r* = .41, *p* < .01), whereas gender diversity is most strongly related to stakeholder orientation (*r* = .41, *p* < .01).

Monitoring effectiveness is positively associated with both strategic decision quality (*r* = .47, *p* < .01) and stakeholder orientation (*r* = .39, *p* < .01), suggesting that stronger board monitoring coincides with better strategic and stakeholder-related outcomes. Tenure heterogeneity is negatively related to monitoring effectiveness (*r* = −.14, *p* < .05), but positively associated with strategic decision quality (*r* = .29, *p* < .01). The correlation coefficients are generally low to moderate, with the highest correlation being .47, indicating that multicollinearity is unlikely to be a serious concern.

**Table 2:** Descriptive Statistics and Correlations among Study Variables

| Variable | M | SD | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|---|---|
| 1. Gender Diversity | 0.19 | 0.11 | — | | | | | |
| 2. Educational Diversity | 0.52 | 0.14 | .21** | — | | | | |
| 3. Nationality Diversity | 0.31 | 0.18 | .17* | .24** | — | | | |
| 4. Tenure Heterogeneity | 0.44 | 0.21 | .09 | .13 | .18* | — | | |
| 5. Monitoring Effectiveness | 3.41 | 0.72 | .38** | .32** | .19* | -.14* | — | |
| 6. Strategic Decision Quality | 3.57 | 0.68 | .34** | .41** | .28** | .29** | .47** | — |
| 7. Stakeholder Orientation | 3.28 | 0.81 | .41** | .29** | .22** | .07 | .39** | .43** |

Note. M = mean; SD = standard deviation. * p < .05; ** p < .01 (two-tailed). n = 214.

### 4.2. Evaluation of the Model

Convergent validity was assessed using factor loadings and average variance extracted (AVE). All indicator loadings were greater than 0.70 (range: 0.71 – 0.89). AVE values for all reflective constructs were above the threshold of 0.50 as recommended by Fornell and Larcker (1981): BME = 0.61, SDQ = 0.58, SO = 0.56. Composite reliability values for all constructs exceeded 0.80 (BME = 0.874, SDQ = 0.851, SO = 0.836), confirming internal consistency. To assess discriminant validity, the Heterotrait-Monotrait (HTMT) ratio criterion was employed. All HTMT values were below the conservative threshold of 0.85 (range: 0.61 – 0.83), indicating adequate discriminant validity between constructs.

### 4.3. Main Effects: Results of the Structural Model

The structural model explained 41% of the variance in board monitoring effectiveness ($R^2 = .41$), 47% of the variance in strategic decision quality ($R^2 = .47$), and 38% of the variance in stakeholder orientation ($R^2 = .38$), which indicated a moderate to substantial explanatory power. Stakeholder orientation (beta = .387, p < .001) and monitoring effectiveness (beta = .341, p < .001) are most strongly predicted by gender diversity, supporting H1. H2 is supported. Educational diversity is the strongest predictor of strategic decision quality (beta = .374, p < .001). For H3, partial support is found for the hypothesized inverted U-shape of the relationships between nationality diversity and monitoring effectiveness (linear: beta = .198, p = .007; quadratic: beta = -.163, p = .029) and stakeholder orientation (linear: beta = .176, p = .05; quadratic: beta = -.141, p = .029). The tenure heterogeneity is positively related to strategic decision quality (beta=.264, p<.001) and negatively related to monitoring effectiveness (beta=-.179, p=.021). Thus, H4 is fully supported.

**Table 3**: PLS-SEM Path Coefficients- Direct Effects

| Hypothesis / Path | Monitoring Effectiveness (beta) | Strategic Decision Quality (beta) | Stakeholder Orientation (beta) | t-stat | p-value | Supported? |
|---|---|---|---|---|---|---|
| *H1: Gender Diversity* | .341** | .298** | .387** | 4.81 | < .001 | Yes |
| *H2: Educational Diversity* | .289** | .374** | .261** | 4.12 | < .001 | Yes |
| *H3: Nationality Diversity (linear)* | .198* | .241** | .176* | 2.74 | .007 | Partial |
| *H3: Nationality Diversity (quadratic)* | -.163* | — | -.141* | 2.19 | .029 | Partial |
| *H4a: Tenure Heterogeneity -> SDQ* | — | .264** | — | 3.48 | < .001 | Yes |
| *H4b: Tenure Heterogeneity -> BME* | -.179* | — | — | 2.31 | .021 | Yes |
| **$R^2$ (endogenous constructs)** | **.41** | **.47** | **.38** | — | — | — |

Note. beta = standardised path coefficient. t-statistics and p-values derived from 5,000 bootstrap samples. ** p < .01; * p < .05. Control variables included but not reported.

## 4.4. Moderating Effects

**Table 4:** Moderating Effects of Family Control and Institutional Ownership

| Interaction Term | Monitoring Effectiveness (beta) | Strategic Decision Quality (beta) | Stakeholder Orientation (beta) |
|---|---|---|---|
| *Gender Div. x Family Control* | -.218** (p = .003) | -.196* (p = .018) | -.241** (p = .001) |
| *Educational Div. x Family Control* | -.167* (p = .031) | -.184* (p = .022) | -.143* (p = .047) |
| *Gender Div. x Institutional Own.* | .231** (p = .002) | .198* (p = .014) | .214** (p = .005) |
| *Educational Div. x Institutional Own.* | .178* (p = .026) | .221** (p = .004) | .159* (p = .041) |

Note. All interaction terms significant at p < .05 or better. Control variables included but not reported.

Family control greatly reduces the positive effects of gender and educational diversity on all three governance quality outcomes, and H5 is supported (Table 4). The negative moderating coefficients imply that the governance benefits of diversity are much lower in family-controlled firms. For example, the marginal benefit of gender diversity on monitoring effectiveness is reduced by about 64% in family-controlled versus non-family-controlled firms (beta interaction = -.218 vs. beta main effect = .341). Institutional ownership concentration yields the opposite pattern, magnifying the benefits of gender and educational diversity for all three outcomes, consistent with H6. The moderating effects suggest the institutional mechanisms through which family control and investor pressure shape the diversity-governance relationship in the Egyptian context.

## 5. Discussion

### 5.1. Implications for theory

Our results contribute to the literature on corporate governance and business ethics in several ways. The robust positive associations between gender diversity and all three dimensions of governance quality – monitoring effectiveness, strategic decision quality, and stakeholder orientation – are consistent with the growing body of evidence from other contexts (Post and Byron, 2015) and extend it for the first time at scale to the MENA region. The gender diversity effect on stakeholder orientation is particularly striking in the Egyptian setting, where the norms of stakeholder governance are less institutionalised than in Northern European systems and where mandatory diversity regulations have focused primarily on representation metrics rather than the quality of governance processes. The finding suggests that gender-diverse boards may be particularly important in embedding substantive stakeholder considerations into governance processes in contexts where regulatory pressure for gender inclusion is growing, but institutional pressure for stakeholder orientation remains relatively weak.

The non-linear relationship between nationality diversity and monitoring effectiveness is a new contribution to the literature on board diversity. The finding that nationality diversity improves monitoring to a moderate level before showing declining returns is consistent with theoretical arguments about the social capital costs of very high board heterogeneity (Pfeffer, 1983), and resonates with cross-national evidence that the governance effects of nationality diversity are contingent on the governance system of the host country (Morán-Muñoz et al., 2025), and suggests that governance policy prescriptions that treat diversity as uniformly beneficial irrespective of level may be empirically misleading. Specifically in the Egyptian context, the inflection point in the nationality diversity-monitoring relationship may reflect the social distance that emerges between highly internationally diverse boards and the local institutional environment — the informal business networks, state relationships, and sector-specific knowledge that remain central to effective governance in Egypt's regulatory and political economy context.

Among our most substantive contributions are the moderating effects of family control and institutional ownership. The strong negative moderating effect of family control on the diversity-governance relationship confirms and extends previous evidence in other family-dominated business systems (Villalonga and Amit, 2006; Amin et al., 2024), and a major review of three decades of family business governance research warns that treating family firms as a homogeneous category obscures precisely the ownership dynamics that determine whether board diversity generates real governance returns across different institutional contexts (Lu et al., 2026) and has important implications for governance reform in Egypt and the MENA region at large. If family-controlled firms systematically get lower governance returns from investments in board diversity, then governance reform strategies that concentrate solely on diversity requirements and neglect the underlying ownership structures will be less successful than anticipated. The positive moderating effect of institutional ownership means that investor pressure can partly offset the effects of family control, supporting the argument for increasing the activism of institutional investors in the Egyptian market.

### 5.2. Implications for Practice

The findings suggest that gender and educational diversity provide the most robust benefits for the quality of governance in the boards of Egyptian listed firms and should be prioritised in board recruitment and succession planning. The FRA's mandatory gender diversity requirements have made EGX-listed firms more gender-diverse than they were before 2019, but the moderating effects identified in this study suggest that representation mandates alone are insufficient: the governance benefits of that diversity are substantially attenuated in family-controlled firms. Family-controlled firms face a double governance challenge — they are less likely to exceed minimum diversity thresholds, and they achieve lower governance returns for the diversity they do possess. Dealing with this double challenge requires governance reforms that address both board composition and the informal governance dynamics through which family control constrains the effectiveness of diverse directors.

For regulatory authorities — specifically, the Financial Regulatory Authority (FRA) and the Central Bank of Egypt (CBE), which have primary governance oversight responsibilities in Egypt — the findings provide timely and policy-relevant evidence. The FRA's progressive mandatory diversity regulations, which have successfully lifted female board representation on EGX-listed firms to 22%, are a positive step. But this study suggests that diversity mandates without accompanying measures to strengthen board independence from controlling shareholders are unlikely to achieve their governance quality objectives. Specifically, the findings suggest that mandatory diversity requirements without accompanying measures to strengthen board independence from controlling shareholders are unlikely to achieve their governance quality objectives. Regulatory interventions should be designed to address both the compositional and structural dimensions of board governance simultaneously.

## 6. Limitations and Future Research Directions

The present study has some limitations that need to be acknowledged. First, the cross-sectional survey design limits causal inference: while the hypothesized direction of effects is theoretically driven, reverse causality cannot be ruled out, whereby high-quality governance leads to more diverse board recruitment. Longitudinal research designs following the effects of changes in board composition on governance quality outcomes would provide stronger causal evidence. Second, while reliance on perceptual measures of governance quality is suitable for tapping the subjective dimensions of monitoring effectiveness, strategic deliberation, and stakeholder orientation that archival data cannot reach, it also opens up the possibility of response bias. Future research should triangulate perceptual measures of governance quality with archival indicators.

Third, because the study focuses on firms listed on the EGX, the extent to which its findings can be generalized to the large private sector that is not publicly listed, which constitutes the bulk of economic activity in Egypt, is limited. Further research that expands the diversity-governance analysis to privately held family businesses and to other MENA markets, especially the GCC countries with more developed governance institutions, would add to the comparative picture. Fourth, the macroeconomic pressures and currency depreciation Egypt has faced since 2022 inevitably influence the governance environment in which the studied firms operate, and future research should explore how crisis conditions affect the diversity-governance relationship.

## 7. Conclusion

In this paper, we provide the first large-sample, survey-based empirical analysis of board diversity and governance quality among Egyptian listed firms. Using PLS-SEM to test a multi-dimensional structural model, we find that gender diversity and educational diversity are the strongest positive predictors of governance quality across monitoring effectiveness, strategic decision quality, and stakeholder orientation. The relationship between nationality diversity and monitoring effectiveness is non-linear, which is in line with theoretical arguments on the social capital costs of very high board heterogeneity. Tenure heterogeneity improves the quality of strategic decisions but undermines the effectiveness of monitoring. This result is in line with the dual role of long-serving directors as providers of institutional knowledge and potential entrenched interests.

The most substantively important findings of the study are the moderating effects of family control and institutional ownership, which are the dominant structural features of the Egyptian corporate governance environment. Family control strongly reduces the governance benefits of diversity, while institutional ownership concentration strengthens those benefits, thus illuminating the ownership-mediated mechanisms through which contextual governance structures influence the diversity–governance relationship. These results have clear implications for governance reform in Egypt and the MENA region: the FRA’s diversity requirements should be coupled with structural reforms to address family control dynamics and strengthen institutional investor activism if they are to deliver on their promised benefits in terms of governance quality.

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