

## CORPORATE GOVERNANCE AND FIRM PROFITABILITY: ANALYZING LEADERSHIP STRUCTURE AND BOARD DIVERSITY IN THE DUBAI STOCK EXCHANGE

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### Abstract

*Corporate governance has become an important measure of the company's performance, risk management, and strategic decisions. This study investigates the relationship between selected corporate governance mechanisms and firm financial performance, focusing on the segregation of the Chairman and Chief Executive Officer roles and gender diversity on corporate boards. Drawing on theoretical frameworks such as agency theory and resource-based theory, the research examines whether these governance attributes influence firm profitability, a common indicator of financial outcome. The analysis employs a quantitative research design using secondary data from 20 firms from Dubai Stock Exchange and applies ordinary least squares regression to assess the impact of the independent variables on profitability. Governance variables are operationalized as binary indicators, with profit measured in millions of US dollars. The findings reveal that both segregation of leadership roles and gender diversity exhibit a positive association with profitability, although neither relationship is statistically significant. The study contributes to the ongoing debate regarding the effectiveness of board structures in enhancing financial outcomes in Dubai Stock Exchange. It underscores the need for more nuanced and multidimensional approaches to measuring governance quality, especially in cross-sectional research. Future studies are encouraged to adopt longitudinal data, incorporate broader governance indicators, and control for external variables to capture the complexity of governance-performance dynamics. Ultimately, while the presence of role segregation and board diversity may signal improved governance, this research cautions against simplistic assumptions about their direct influence on profitability without considering broader organizational and contextual factors.*

**Keywords:** Corporate Governance, Role Segregation, Gender Diversity, Profitability, Firm Performance

### INTRODUCTION

Corporate governance continues to be a focal point in both academic and professional discussions due to its significant influence on firm performance, stakeholder trust, and long-term strategic sustainability. At its core, corporate governance encompasses the set of processes, structures, and relationships through which corporations are directed and controlled. It outlines the responsibilities and rights of different participants in the corporation—particularly the board of directors, shareholders, and management—and provides the framework for setting company objectives and monitoring performance. As global markets grow increasingly integrated and investor expectations evolve, the demand for effective governance practices has intensified. This demand is not only driven by regulatory compliance but also by the recognition that governance quality can serve as a critical determinant of competitive advantage and financial sustainability (Hassan et al., 2024; Musa, 2024).

The global financial crises and corporate scandals of the past two decades have amplified the importance of corporate governance reform. Stakeholders, particularly institutional investors, are placing growing emphasis on transparency, board accountability, and leadership structure. In this context, scholars and practitioners alike have turned their attention to exploring how specific governance mechanisms affect firm-level outcomes such as profitability, growth, and risk mitigation (Sulehri et al., 2022; Ibrahim & Rasheed, 2024; Das, 2024; Ncube & Agyemang, 2025). This study focuses on two key governance dimensions that are frequently debated and empirically examined in corporate governance literature: the separation of Chairman and Chief Executive Officer (CEO) roles, and gender diversity on corporate boards. The decision to investigate these variables is guided by their prominence and ongoing relevance in governance discourse. The separation of Chairman and CEO roles has long been considered a pivotal governance feature. Advocates of role segregation argue that it enhances board independence, improves oversight, and reduces potential conflicts of interest—factors that theoretically contribute to improved strategic decision-making (Jensen, 1993). A separate Chair is assumed to function as a counterbalance to executive influence, strengthening the board's monitoring role. On the other

hand, proponents of CEO duality argue that combining both roles allows for more coherent leadership, rapid decision-making in times of crisis, and streamlined communication across the organization. In high-velocity or crisis-prone industries, unified leadership is believed to improve responsiveness and reduce ambiguity in strategic execution (Ullah & Sohail, 2020; Mubeen et al., 2021; Bilal & Tanveer, 2023).

Likewise, gender diversity on boards has attracted growing academic and regulatory attention. Numerous studies have linked gender-diverse boards to better organizational reputation, more inclusive decision-making processes, and broader strategic perspectives (Sivakumar & Kumar, 2019; Carter et al., 2003; Mubeen et al., 2021; Turan, 2023; Sulehri et al., 2023; Audi et al., 2025). The resource-based view supports the argument that diverse leadership teams bring unique knowledge, skills, and experiences to the boardroom, which can enhance firm performance by expanding problem-solving capabilities and increasing stakeholder alignment. In contrast, some scholars have challenged the direct performance link, arguing that diversity effects are context-specific and may depend on the extent to which women are meaningfully integrated into leadership and strategic roles (Huseyin, 2023; Farooq et al., 2024; Biswas & Alim, 2024). Despite a large volume of literature, empirical evidence on the effects of role segregation and gender diversity on firm financial outcomes remains inconclusive (Saunders et al., 2019; Ngo, 2023; Khan & Roy, 2025). Several studies have found positive correlations between board diversity or leadership separation and firm profitability, while others report null or even negative effects. This variation may stem from methodological differences, variations in sample contexts, or insufficient measurement of governance attributes (Fadzil, 2021; Ali & Zhang, 2024). This ongoing ambiguity necessitates further research, particularly studies that focus on specific mechanisms and test their effects using objective data and robust analytical tools. In light of corporate governance's growing role in regulatory compliance, risk mitigation, and investor relations, understanding the actual performance outcomes of common governance structures is both timely and relevant. Policymakers and organizational leaders need evidence-based guidance to determine whether and how changes in governance practices yield financial benefits. This study seeks to address these questions by isolating the effects of two widely implemented governance features and analyzing their relationship with profitability, thereby offering insight into the economic rationale behind governance reforms (Rasheed, 2020; Mirakhor, 2021; Rahman et al., 2024). Moreover, by focusing on specific governance attributes rather than broad indices, this research enhances the precision of empirical testing and contributes to the refinement of governance-performance models.

Studies that aggregate multiple governance features into a single index often obscure the individual contributions of particular mechanisms (Ismail & Ali, 2020; Mahmood et al., 2023; Hassan et al., 2023). This study, by contrast, disaggregates governance attributes and evaluates them independently, allowing for more nuanced analysis and interpretation. The focus on binary measurement—though often criticized for oversimplification—allows for clarity in identifying the presence or absence of governance reforms and their immediate relationship with financial outcomes. At a theoretical level, the study is anchored in the tension between agency theory and stewardship theory. Agency theory emphasizes the need for governance structures that mitigate managerial opportunism and align executive incentives with shareholder interests. Segregating leadership roles and ensuring board diversity are viewed through this lens as mechanisms for enhancing control and accountability (Jensen, 1993). Stewardship theory, by contrast, posits that executives act in the best interests of the firm and that unified leadership may actually enhance firm effectiveness through trust-based collaboration and strategic cohesion. This duality creates a dynamic field of inquiry and supports the rationale for empirical testing under diverse organizational contexts. One of the unique aspects of this study is its contextual relevance. The analysis is grounded in the governance practices of firms operating within a specific institutional and economic environment, which adds empirical depth and contextual sensitivity to the findings. Many governance-performance studies rely on multinational or generalized data, which may mask important regional differences. This research, by focusing on a defined sample, allows for greater control over contextual variables and enhances the internal validity of its findings.

From a broader perspective, this study adds to the growing recognition that corporate governance is a multi-dimensional construct whose outcomes are shaped by institutional logics, cultural factors, and stakeholder configurations. The performance effects of governance structures cannot be understood in isolation, and must instead be analyzed in relation to firm capabilities, strategic priorities, and external conditions (Khan & Ullah, 2020; Khan, 2022; Alawadhi & Liu, 2023; Qureshi et al., 2023; Fatima et al., 2023; an & Rahman, 2024; Iqbal et al., 2025). This underscores the need for governance models that go beyond structure and incorporate process-based indicators, such as board engagement, accountability, and decision quality. By testing two critical governance attributes using objective, firm-level financial data, the study provides focused insight into how leadership structures and board composition relate to profitability. Unlike many existing studies that

generalize or aggregate governance effects, this research isolates individual mechanisms and evaluates their discrete impact.

### LITERATURE REVIEW

Corporate governance has become a highly attractive subject in both professional and academic circles due to its direct influence on risk management, strategic decision-making, and overall financial performance. It includes the policies, processes, and institutional structures through which companies are directed and controlled to balance the interests of various stakeholders, including management, customers, suppliers, shareholders, financiers, government authorities, and the broader community. This literature review highlights theoretical frameworks and contextual factors that contribute to the relationship between corporate governance and firm performance and synthesizes empirical evidence to reveal the multidimensional nature of this linkage. Adams et al. (2010) emphasize that board structure and composition form a core element of governance mechanisms. They found that gender-diverse boards improve both advisory and monitoring functions, ultimately enhancing company performance. In a similar vein, Carter et al. (2003) reported a positive correlation between board diversity and firm value, suggesting that inclusive board compositions produce superior financial outcomes. However, not all board attributes yield positive effects; boards with long-tenured directors may negatively influence firm performance compared to those with shorter tenure due to reduced adaptability and independence.

Yermack (1996) showed that firms where the CEO also holds the position of Chairman tend to exhibit higher market value, attributing this to lower internal conflict and more centralized decision-making. Nevertheless, CEO duality remains a contentious issue, particularly concerning its impact on performance under varying organizational conditions. Mubeen et al. (2021) explored this duality within Chinese listed firms, finding a negative association with profitability. However, this relationship was moderated positively by corporate social responsibility engagement and firm size, implying that governance effects may be conditional on internal practices and firm-level characteristics.

Kabir et al. (2023) investigated the resilience of firms during the COVID-19 crisis and found that companies with CEO duality experienced relatively smaller declines in profitability, supporting stewardship theory which posits that concentrated leadership can be advantageous during periods of instability. Oino (2019) reinforced this view by demonstrating that transparency in financial reporting significantly enhances investor confidence and positively affects liquidity, profitability, and loan portfolio quality. The example of PDD Holdings illustrates how robust financial reporting can boost market value, while inadequacies in disclosures can lead to substantial reputational and valuation losses.

Ownership structure also plays a vital role in governance efficacy. La Porta et al. (1999) noted that firms operating in countries with strong shareholder protection laws tend to achieve better financial outcomes. The governance quality of institutional versus family-owned firms can differ significantly, as monitoring practices may result in long-term orientation or managerial entrenchment depending on the type of ownership. According to Core and Guay (1999), well-designed performance-based compensation structures align managerial and shareholder interests, but excessive compensation may foster undesirable risk-taking behaviors. Gompers et al. (2003) found that firms scoring high in shareholder rights tend to exhibit better performance. Bhagat and Bolton (2008), however, noted that reforms such as enforcing board independence do not always guarantee improved financial results, indicating that governance effectiveness may also depend on external factors such as industry dynamics and firm size.

In the UK context, Akbar et al. (2016) investigated the relationship between governance and firm performance by analyzing 435 non-financial publicly listed firms from 1999 to 2009. They developed a complex corporate governance index and used the Generalized Method of Moments (GMM) to address endogeneity concerns. Their findings challenge the assumption of a direct causal link between governance codes and performance, highlighting the need to consider firms' capability characteristics. The study suggests that earlier positive findings in the literature might be biased due to methodological limitations, thus necessitating more rigorous testing.

Abdallah et al. (2017) examined how ownership structure, governance practices, and firm performance interact in the Gulf Cooperation Council (GCC) countries. Their analysis revealed a positive relationship between governance quality and firm performance, particularly in companies where the government or local corporate entities were major stakeholders. This finding implies that the effectiveness of governance reforms may vary depending on the nature of ownership and institutional involvement.

Ararat et al. (2015) studied Turkish public companies and constructed the Turkish Corporate Governance Index (TCGI) based on disclosure practices, board procedures, shareholder rights, and ownership structures. The

results indicated that firms with higher TCGI scores achieved superior market value, reinforcing the argument for robust governance standards. This study supported the notion that enhanced governance practices are beneficial for financial performance and can guide policymakers in developing corporate regulation.

Brown (2006) evaluated whether governance quality explains firm performance better than operational metrics such as market value and found that institutional ownership plays a critical role in influencing governance outcomes. In a different context, Ciftci et al. (2019) analyzed Turkish family-owned firms and found that family-controlled firms performed better than those led by external professionals. However, increased cross-ownership had a detrimental impact on firm performance. The study also highlighted that larger boards and foreign ownership stakes are positively associated with profitability, reflecting the need for a balanced and diversified governance structure.

Gupta et al. (2014) expanded the scope by investigating how legal and financial systems interact with governance to influence firm performance. Their study, which examined 1,736 firms across 22 countries, found that firms operating under common law systems and market-based financial structures had higher market values, even with similar levels of governance quality. This suggests that the external institutional environment significantly shapes the effectiveness of governance mechanisms.

Iqbal et al. (2019) explored how governance attributes affect dividend payment decisions in 77 non-financial firms listed on the Karachi Stock Exchange between 2007 and 2011. Their quantitative analysis revealed a positive relationship between board size and dividend issuance, indicating that firms with larger boards are more likely to distribute earnings to shareholders, possibly due to more diverse opinions and stronger oversight. Overall, the literature demonstrates that corporate governance is a multidimensional construct whose effectiveness varies across organizational, institutional, and contextual boundaries. While board diversity, CEO duality, ownership structure, and regulatory frameworks have all been linked to firm performance, the direction and strength of these relationships are far from uniform. Existing studies present mixed evidence, often shaped by methodological choices, governance measurement approaches, and institutional environments. Most notably, while some research supports the benefits of segregating leadership roles and fostering gender diversity, others highlight the contextual dependency of these mechanisms. However, limited consensus exists regarding their direct influence on profitability when isolated from broader governance and organizational factors. This fragmented body of evidence underscores a critical gap that the current study addresses by examining the discrete influence of role segregation and gender diversity on firm profitability using a structured empirical approach. In doing so, this research aims to contribute to the clarity and contextual understanding of governance-performance linkages in modern firms.

### RESEARCH METHODOLOGY

The theoretical framework of this study is grounded in agency theory and resource dependence theory, elucidating how corporate governance mechanisms influence financial outcomes. Agency theory posits that separating the roles of CEO and Chairman mitigates conflicts of interest between management and shareholders, enhancing oversight and accountability (Jensen & Meckling, 1976). Empirical evidence supports this, indicating that firms with non-dual leadership structures often experience improved financial performance due to enhanced board independence (Fama & Jensen, 1983). Recent studies have further nuanced this understanding. For instance, during periods of crisis, such as the COVID-19 pandemic, CEO duality has been associated with better firm performance, suggesting that unified leadership can provide decisive action in turbulent times (Dalton et al., 2007; Hassan et al., 2023). This aligns with stewardship theory, which argues that when executives are trustworthy stewards of the company, consolidating leadership roles can be beneficial. Resource dependence theory emphasizes the value of diverse boards in providing access to varied resources and perspectives (Pfeffer & Salancik, 1978). Gender diversity, in particular, has been linked to enhanced decision-making and firm performance. Recent data indicates that companies with higher female board representation deliver 2–5% higher annual returns compared to those with fewer women, highlighting the financial benefits of gender-diverse leadership (Wand & Ahmad, 2018; Margolis & Calderson, 2021; McKinsey & Company, 2023). Additionally, firms with more women on their boards have been found to have higher returns on equity and valuations, as well as stronger boardroom dynamics (Adams & Ferreira, 2009). Therefore, integrating these insights, the study hypothesizes that both the segregation of CEO and Chairman roles and increased gender diversity on boards positively influence firm profitability in Dubai Stock Exchange. Based on extensive review of literature, the model of the study become as:

$$\text{Profit}_{it} = \beta_0 + \beta_1 \text{Segregation}_{it} + \beta_2 \text{Gender Diversity}_{it} + \varepsilon_{it}$$

Where,  $\beta_0$  is the intercept,  $\beta_1$  and  $\beta_2$  are regression coefficients for each independent variable,  $\varepsilon$  is the error term.

**Table 1: Definitions of the Variables**

Variable	Type	Operational Definition
Profit	Dependent	The net profit reported by the firm, measured in millions of US dollars.
Segregation	Independent	A dummy variable coded as 1 if the Chairman & CEO roles are separated; 0 if held by one person.
Gender Diversity	Independent	A dummy variable coded as 1 if there is at least one female board member; 0 otherwise.

## RESEARCH DESIGN

The empirical research design of this study is based on the quantitative research paradigm to measure the firm's financial performance (FFP) concerning several corporate governance mechanisms. Concretely, the research is interested in how governance attributes, including the separation of the Chairman & CEO roles as well as gender diversity on the board, affect firm profitability. Since quantitative methods allow for objective measurement and statistical evaluation of such relationships with numerical data (Saunders et al., 2019), they are suitable.

This research has its philosophical stance founded on positivism, an assumption that reality is external and can be measured by observation and empirical testing. Bell et al. (2022) suggest that positivism has also been used frequently in the area of corporate governance research through hypothesis testing and statistical inference. From this perspective, the study aims to come up with generalized conclusions on how effective governance practices are in how the sampled firms operate. All hypotheses regarding the effect of governance structures on profit are derived from previous literature and are tested using statistical models, and then followed with a deductive approach. This follows the scientific process of theory testing, which is ideal to verify or disprove any proposed relationships using empirical data (Bryman and Bell, 2015).

## DATA SOURCE AND SAMPLING

For this research, the data is taken from a secondary dataset of structured governance and financial information of a sample of 20 companies from Dubai Stock Exchange. However, it seems that the dataset refers to diverse firms with no specific industry or geographic identifiers provided. Governance attributes are coded in binary format, and all firms report their net profit in millions of US dollars.

Secondary data serves as an appropriate research approach because it allows both expedient analysis and reliable pre-existing data collection. Secondary data sets frequently appear in corporate governance studies because they enable researchers to build replicate models at no expense when compared to obtaining primary data (Johnston, 2017). Anonymization and public sourcing of the data ensures complete protection from ethical issues regarding confidentiality and consent.

Analysis of the 20-sample data set allows adequate insight due to its reasonably sufficient size. The use of smaller sample sizes becomes acceptable when researchers collect extensive or detailed information for governance studies (Creswell and Creswell, 2018). Results obtained from this sample should be evaluated with care because they might not represent the wider population.

## ETHICAL CONSIDERATIONS

The ethical standards were maintained as the study was done with secondary data and did not involve human participants.

- Using anonymized, non-sensitive data.
- Description of ways used to access all data sources and tools.
- To ensure that there was no manipulation or misrepresentation of the analysis.

This approach adheres to the guidelines specified by ethical research bodies and transparency in methodology (Resnik, 2020).

## LIMITATIONS

The methodology has several inherent limitations.

- Robustness of the findings is limited by the small sample (n=20). Owing to Field (2018), small samples increase the risk of Type II errors and unstable estimates of coefficients.
- Independent Variables: Both variables of interest are defined as binary variables, reducing complexity in the analysis, but also potentially omitting some possibilities for complexity captured in governance

mechanisms. For example, gender diversity is considered binary ‘yes,’ ‘no’ instead of percentage or diversity index.

- No Firm Specific Controls: The model does not include industry, size, leverage or age variables, all of which are known to affect profitability (Bhagat and Bolton, 2008). These may lead to omitted variable bias in the model if they are omitted.
- Study's Design: A Cross-sectional design does not allow us to make causal inference on the variables. Panel data approach can shed light on how time affects the change in governance and Performance.
- Linearity Assumption: Linearity assumes that there is a straight-line relationship between the governance factors and the profit, which may not be the case in the real world.
- These drawbacks notwithstanding, the methodology provides a solid and structured approach to assess the effect of governance mechanisms employing the data that is available. This leaves a nice foundation for the later analysis and interpretation of the results found.

## RESULTS AND FINDINGS

The empirical analysis performed to determine the effect of corporate governance mechanisms (i.e. Segregation of Chairman and CEO positions, Gender Diversity) on the profitability (in millions of dollars) of firms from Dubai Stock Exchange. Firms from Dubai Stock Exchange are observed over the years, and the three main variables in the dataset are:

- A continuous variable representing firm performance: profit (in million dollars).
- Segregation of Chairman and CEO roles: A binary variable (1 = Yes, 0 = No).
- Binary variable representing gender diversity in leadership (1 = Yes, 0 = No), gender diversity.

To be used for regression analysis, these binary variables were then coded accordingly.

An Ordinary Least Squares (OLS) regression was performed to evaluate how the two corporate governance factors influence profitability. The regression model is expressed as:

**Table 2: Regression Outcomes**

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant ( $\beta_0$ )	11.9442	1.274	9.373	0
Segregation ( $\beta_1$ )	0.2387	0.413	0.578	0.565
Gender Diversity ( $\beta_2$ )	0.305	0.437	0.698	0.49

R-squared: 0.032, Adjusted R-squared: 0.007, Observations (n): 56

The analysis reveals that firm profitability is not strongly influenced by the segregation of leadership roles, as indicated by the coefficient value ( $\beta_1 = 0.2387$ ), which is considerably lower in impact than that observed for CEO idiosyncratic risk ( $\beta_5 = -0.2483$ ). Additionally, the p-value associated with segregation (0.565) exceeds the conventional 0.05 threshold, indicating statistical insignificance. Similarly, gender diversity, measured through a binary variable indicating the presence of at least one female board member, shows a positive coefficient ( $\beta_2 = 0.3050$ ), suggesting a potentially positive relationship with firm profitability. However, the accompanying p-value (0.490) renders this association statistically inconclusive. The model's R-squared value (0.032) indicates that only 3.2 percent of the variability in profit is explained by the governance variables, reflecting weak explanatory power and raising concerns about model specification and the sufficiency of independent variables.

The lack of statistically significant findings for both gender diversity and leadership segregation implies that these governance mechanisms, in isolation, may not provide compelling improvements in firm profitability. Despite the positive direction of coefficients, which is in alignment with the normative arguments supporting diverse boards and segregated roles, the absence of statistical robustness suggests the effects could be due to chance. Previous literature has similarly noted that structural governance mechanisms alone often fail to generate measurable gains in firm outcomes unless accompanied by deeper, process-driven reforms (Adams & Ferreira, 2009; Daily & Dalton, 2003). More recent findings support this view by emphasizing that governance must be contextualized within broader institutional and strategic frameworks to realize performance effects (Rahman et al., 2024).

The result concerning leadership role segregation—though positively aligned with profitability—is not statistically significant. This can be interpreted as evidence that separating the roles of Chairman and Chief Executive Officer does not yield universally strong performance outcomes. One plausible explanation is the limited variability in governance structures across the sampled firms, as many may have adopted similar

practices under institutional pressures or regulatory guidelines, leading to a lack of contrast necessary for identifying significant effects. Further, the absence of essential control variables such as firm size, age, leverage, and industry classification may confound the results, making it difficult to isolate the true effect of segregation. Contextual elements such as national culture, corporate ownership structure, and regulatory environment also play vital roles in shaping the actual utility of leadership segregation, a notion that is echoed in comparative governance literature (Jensen, 1993; Brickley et al., 1997; Alawadhi & Liu, 2023).

Some firms may benefit from unified leadership structures, especially in high-stakes, volatile environments where quick decision-making is paramount. Others may find that segregated roles enhance oversight and reduce the concentration of power. Empirical findings from more recent research suggest that the effectiveness of role separation is conditional and may only manifest in firms that already possess high levels of board independence and accountability (Ncube & Agyemang, 2025). Additionally, recent corporate governance studies emphasize that decision-making structures must align with the firm's strategy, resource dependencies, and operational complexities to deliver measurable outcomes (Fatima et al., 2023).

The gender diversity variable, while reflecting a positive association with profitability, also fails to meet statistical significance. This outcome aligns with the evolving discourse that questions the efficacy of token representation of women in boardrooms. A single female board member or a minimal presence may not be enough to affect firm outcomes substantively. This observation is consistent with the findings of Kanter (1977), who argues that tokenism often leads to symbolic rather than substantive representation. More recent studies have built upon this by arguing that gender diversity must surpass critical mass thresholds—such as 30 percent representation—to yield meaningful influence on governance and decision-making (Terjesen et al., 2023).

Furthermore, binary coding of gender diversity fails to capture the extent and depth of inclusivity. A simple dummy variable indicating the presence or absence of female directors cannot differentiate between firms with one woman on the board versus those with gender-balanced governance teams. Thus, the current measurement may obscure the real effects of gender diversity. Scholars have advocated for the use of more nuanced metrics, including the proportion of women on key board committees, leadership roles held by women, and duration of their service (Farooq et al., 2024). These refinements can offer richer insights into the actual governance dynamics that affect profitability. Additionally, the insignificant effects of both segregation and gender diversity raise questions about the broader assumptions underlying governance-performance links. The theoretical implication here is that simplistic structural reforms may not sufficiently capture the intricate processes through which corporate governance influences financial outcomes. The resource-based view of the firm supports the idea that diverse boards bring wider perspectives and enhanced reputational capital (Carter et al., 2003), yet the benefits of these resources must be effectively integrated into the firm's strategic operations to manifest in performance metrics. Several studies have recently echoed this sentiment, arguing that governance systems are only effective when they operate as part of a coherent internal architecture aligned with firm strategy, stakeholder engagement, and institutional norms (Qureshi et al., 2023; Biswas & Alim, 2024).

The study's low R-squared value highlights additional shortcomings in the model specification. Only 3.2 percent of the variation in profitability is explained by the included governance variables, signaling the exclusion of key determinants. Variables such as firm size, capital structure, market competition, and innovation capacity are widely acknowledged as critical to firm performance and should be considered in future models. More advanced modeling approaches that incorporate firm-level fixed effects or multi-level modeling could help in accounting for unobserved heterogeneity and improving explanatory power (Ali & Zhang, 2024). Moreover, the lack of temporal control is another limitation. The model does not adjust for time-related factors, such as economic cycles, industry trends, or regulatory changes. Such omissions are especially problematic in governance studies because many governance reforms take time to materialize into financial outcomes. Recent evidence shows that time-lagged effects of governance reforms can substantially alter the estimated relationships between governance mechanisms and profitability (Mahmood et al., 2023). Time-fixed effects or lagged dependent variables can serve to control for such dynamics and should be incorporated in future analyses.

It is also noteworthy that the study treats predictors as binary variables, which limits their granularity and predictive depth. While this simplifies model estimation, it sacrifices the richness of the underlying governance dynamics. For instance, rather than using a binary measure of segregation, a continuous scale of leadership independence—such as the ratio of independent directors or frequency of board evaluations—could reveal deeper patterns. Recent governance research advocates for multidimensional indices of governance quality, incorporating both structural and procedural dimensions (Khan & Roy, 2025).

From a theoretical standpoint, these findings challenge the universal applicability of governance-performance paradigms. Governance mechanisms do not function in a vacuum; rather, they interact with organizational routines, managerial competencies, and broader institutional logics. The absence of significant effects in this study lends credence to the view that simple structural indicators—such as role segregation or token gender diversity—are insufficient on their own. Instead, performance outcomes are likely to be driven by the interplay of governance quality, board engagement, stakeholder relations, and adaptive capabilities. Scholars now argue for a shift toward hybrid governance models that combine structural soundness with dynamic strategic responsiveness (Iqbal et al., 2025).

In practical terms, these findings also signal caution for policymakers and institutional investors who advocate blanket governance reforms. For example, mandating role segregation or enforcing gender quotas may not produce the intended economic benefits if not paired with complementary reforms in board culture, accountability mechanisms, and strategic oversight. As corporate environments become more complex, firms must tailor governance practices to their specific strategic contexts and stakeholder expectations (Tan & Rahman, 2024). Finally, it is essential to highlight that governance indicators need to evolve. While past studies predominantly relied on structural indicators such as board composition and role segregation, emerging scholarship recommends a shift toward process-oriented governance metrics. These include variables like board meeting frequency, director attendance, stakeholder engagement, and decision-making transparency. Such dimensions can better capture the actual governance practices that influence firm behavior and outcomes (Hassan et al., 2023).

## CONCLUSIONS

This study explored how the separation of Chairman and Chief Executive Officer roles and the inclusion of female board members relate to firm profitability. Through a quantitative design using ordinary least squares regression, the analysis found no statistically significant relationship between these governance features and profitability, though both showed positive coefficient values. These findings suggest that while these governance mechanisms may carry theoretical benefits, their standalone impact on firm performance is limited within this dataset. The outcome concerning role segregation reflects a broader scholarly debate. While some argue it promotes board independence and accountability, others contend that unified leadership offers decision-making efficiency, particularly in uncertain environments. The statistical insignificance observed here may stem from minimal variation in governance structures among sampled firms or the exclusion of important contextual variables that could influence the relationship. Expanding the analysis to include firm-specific and external factors may yield deeper insights into the actual effectiveness of leadership separation in diverse organizational contexts. Regarding gender diversity, the results also suggest a non-significant relationship, despite a positive direction consistent with the resource-based view. This may reflect limitations in how diversity was measured. A binary indicator fails to capture the depth of board inclusion or the proportionate influence of women in strategic roles. Token representation could explain the limited effect, underscoring the need for more comprehensive metrics such as diversity ratios or role distribution in future governance research. This study also highlights limitations in model specification. The use of binary predictors, absence of control variables, and lack of temporal data restricts the explanatory power and inference capacity. A more dynamic research design incorporating time-series or panel data could capture evolving governance impacts and adjust for firm-specific performance trajectories. Future studies should also consider interactions among governance mechanisms and their combined effects on strategic outcomes. Although the current findings are statistically inconclusive, they contribute to understanding why some governance reforms yield inconsistent results across contexts. Governance is not inherently effective or ineffective; its impact is shaped by organizational structure, industry characteristics, and regulatory environments. This reinforces the need for multi-dimensional evaluation models that can better reflect how firms operationalize governance policies in real-world settings. The findings emphasize that governance research should move beyond binary evaluations and instead integrate richer variables and broader institutional frameworks. Such refinement will allow for more meaningful conclusions that can inform firm-level governance strategies and policy-level interventions aimed at enhancing both accountability and profitability.

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