

REFeree'S REVIEW

Program:	Master in Corporate Finance
Student:	Polina Tingli
Title of thesis:	The impact of board of directors diversity upon corporate financial performance

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.	4		
Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.	5		
Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.	4		
Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.		3	
Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.		3	
Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.		3	
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.		3	

Each item above is evaluated on the following scale, as applicable: 5 = the thesis meets all the requirements, 4 = the thesis meets almost all the requirements, 3 = a lot of the requirements are not met in the thesis, 2 = the thesis does not meet the requirements.

Additional comments:

The topic choice was justified. The goal of the paper corresponds to the research title, the objectives are clearly stated and support the achievement of the main goal. All the objectives were achieved in some way as well as the main goal. Two goals were not fully attained in the study: the validity of the regression results was not tested versus actual figures of ROA and Tobin's Q; and the steps for further research were not identified – the author provided with the issue to consider in future.

The paper is well structured. The hypotheses are supported by the literature overview and tested further in the empirical part of the study.

The chosen tool follows from the literature overview and suits the goal and objectives of the research. The choice of variables especially dummies is questionable. The dummies for only one foreigner and woman on board seem to be odd as the national diversity and gender diversity shall control for the number of the groups' representatives.

The sample selection criteria are not very detailed (see p.33). The grouping methodology of sample by industry is very questionable. For instance "telecom and IT" group consists of Mvideo, Rostelecom, Yandex, Megafon; "Food" group is represented by Magnit, Dixi and PhosAgro and so on. The very different companies with different main businesses are put in one group. Considering the size of the sample/subsamples the results of the industry analysis shall be extremely biased.

Considering the research design the very first question is the dependent variables choice. The author picks up Tobin's Q and ROA as proxies for the financial performance of the firm. Although the author puts this question for further research the choice of ROA as a variable dependent to the board of directors seems to be invalid. As the relation between market expectation about the firm and board structure may exist, the impact of board diversity on the ROA which is mainly characteristics of managerial effectiveness cannot be imagined, neither the background was provided by the author. The paper omits the results of ordinary OLS regression for ROA.

The research performed three types of regression model: ordinary OLS, OLS with fixed effects and random effects, however, there is no analysis which model fits the research objectives the most. This is especially crucial given the fact that all three models generate different signs of explaining variables so no unified conclusion on the diversity impact can be made. Moreover most of the diversity controlling variables (gender, nationality, age) are not significant at any level (1%, 5% or 10%). These make the researcher's conclusion that "the association between diversity of the board and corporate performance exists on Russian market, however, in terms of market based measure (if to consider OLS as the only unbiased estimation)" doubtful. As it was mentioned above the conclusions made on the industry analysis are also unreliable due to the subsamples design. As the variable for age diversity in all regressions is not significant, the suggestion to hire directors of same age is unproven.

Due to the research constrains mentioned above the managerial application of the paper is not obvious. The recommendations made by author in the conclusion seem to be not supported by the research.

Also the author should pay more attention to the layout of the paper. The references are made to the wrong figures/ formulas (ex.g.: Figure 4, p. 34 referred to as Figure 3; Formula 16, p.38 referred to as Formula 15; on page 45 the reference shall be made to Formula 6 and Figure 10; the figure on page 58 is not numerated and referred to as Figure Z etc.). The number of hypotheses changes within the paper (pages 29-31 describes 3 hypotheses with a and b subpoints in each, while Figure 3, p. 36, p. 62 etc. mentions hypothesis "c" which does not exist). Considering the size of the paper (about 85 pages) the readability is very low.

Master thesis of Polina Tingli meets the requirements of the Master in Corporate Finance program, and according to the reviewer's opinion deserves a/an "satisfactory(D)" grade, thus the author can be given the desired degree.

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