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## **Executive Decision Making in Financial Institutions and the Impact of COVID-19 on Performance (Case of 15 Large FTSE100 Listed Banks and Insurance Companies)**

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**Abstract:**

**Purpose:** *The major goal of this scientific paper is to investigate the impact of managers' decision-making on performance in publicly traded financial institutions using the COVID-19 effect.*

**Design/Methodology/Approach:** *The empirical tests were conducted using panel data from FTSE 100 businesses (15 institutions over 9 years, or 135 observations). We developed a set of hypotheses to solve this research challenge.*

**Findings:** *The findings of the empirical testing show that compensation size has a beneficial impact on performance. The empirical experiments, on the other hand, reveal that board size and dual function have a favorable effect on performance, while dual function has a negative effect.*

**Practical Implications:** *A deeper understanding of this process will allow researchers to better understand the causes for behavioural dominance's traits and evolution throughout time, as well as its interactions with the other mechanisms that make up the governance system as a whole.*

**Originality/Value:** *Working on the decision-making process of behavioral leadership dominant policy in relation to governance, on the other hand, would necessitate an empirical procedure with a significant qualitative component.*

**Keywords:** *Decision-making aspect, Performance, Compensation, Board of Directors, Duality, Gender, COVID-19, ROA, ROE.*

**JEL Classification:** *G21, G22, G34, G32, I15.*

**Paper type:** *Research article.*

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## **1. Introduction**

Fears of widespread default could arise as a result of the health-care issue' economic consequences. However, the scale of the European Central Bank and other regulatory agencies' conventional and unconventional measures to date make this unlikely. The risk of bank failure, on the other hand, is very serious. The success of the post-2008 Basel measures will be revealed by the COVID-19 catastrophe. Is the capitalization of the banks adequate?

While an answer can only be given at the end of this crisis, French banks are unquestionably more resilient and robust than they were in 2008. They have a mandated capital adequacy ratio of 15 on average. However, we do not know how long the pandemic will last or what health measures will be taken against it. A lasting deterioration in the economy would effectively send bank.

Fifty FTSE 100 companies have disrupted their regular reporting schedules to make public declarations on the virus's impact on their operations. These businesses operate in some of the most affected industries, including tourism and leisure, home construction, and general distribution.

COVID-19 was the subject of 40 percent of FTSE 100 firms planned announcements. Companies with year-ends in September and December, as well as operations or a strong presence in China, were among the first to point to the increasing uncertainty and anticipated impact on their company in February.

The other FTSE 100 firms have not yet made any statements or offered any market updates on the effects of COVID-19. Companies that expected a big positive impact, or even a limited impact, in particular, appear to have preferred to wait for more visibility.

Management teams sought to calm market jitters in all those that did communicate, whether on a planned or unplanned basis, by emphasizing the strength of their long-term strategy, the robustness of their liquidity, the robust nature of their operating models, and their ability to quickly adapt and deploy resources and investment if necessary.

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The latter, one of the Big Five and a benchmark in financial and accounting audits, brought the American dream to an end. Financial misdeeds have tainted the

publication of results as well as the role of managers in producing value. Companies' sometimes sluggish performance, along with their CEOs' ever-increasing salary, has fueled competition. In light of the foregoing findings, we decided to investigate the impact of managers' behavioural dominance on company profitability.

Our study will also investigate the pay packages of these companies' top executives. The fact that they play a crucial part in strategic decision-making and the development of value because of financial and economic success explains this decision. This institutional and cultural anchoring appears to be significant and scientifically fascinating.

These are characterised by a greater dispersion of corporate capital and the growing influence of institutional and foreign investors, particularly under the impact of globalisation. This is more important as little work has been done on this subject in a non-Anglo-Saxon context (Alcouffe, 2004). While several studies have looked at the influence of behavioural dominance on the performance of firms, we have chosen to adopt a different perspective here.

We wish to understand how the behavioural dominance of managers is formed by studying its different variables. This research object could, in fact, shed light on why the behavioural dominance of managers has soared in recent times and explain the logic underlying this phenomenon.

As a result, we conclude that managerial behavioural dominance affects the financial and economic performance of UK FTSE100 listed banking and insurance companies.

The behavioral dominance of managers has been studied in several theoretical disciplines. In a caricatured fashion, we might contrast two groups of theories that assign managers a passive or active role in the establishment of their remuneration and their relationships with capital suppliers. The basic theoretical foundation of our work is the agency theory (Jensen and Meckling, 1976). This theory is founded on the idea that there are conflicts of interest between the management, who is a self-interested opportunist, and the shareholder, who wants to maximize the financial profitability of his investments (Boyer, 2005).

From a contractual standpoint, agency theory examines the shareholder-manager relationship (Fama and Jensen, 1983a). The formalization of the reciprocal obligations of the two parties through a contract allows for the framing of expected results, i.e. a performance.

However, because comprehensive control of managers is impossible to guarantee, we remark that the contracts are inadequate, allowing managers to exercise discretionary power, particularly over the amount of their payment. Man's control

mechanisms the discretionary space of the manager would be decreased in the presence of effective control systems, and shareholders would be protected from potential conflicts of interest and forms of opportunism. However, reality and various empirical studies have shown the problems of shareholders exerting maximum control on managers and the reopening of space for flexibility for the latter.

The observation of the imperfect nature of managers' control systems also helped to establish the notion of managerial authority (Bebchuk and Fried, 2002). Behavioral dominance, according to managerial power theory, would be a part of agency difficulties rather than a possible instrument for solving agency problems (Bebchuk and Fried, 2003), Stern and Sagot, (2010), and entrenchment (Bebchuk and Fried, 2003; Weil, 2014).

In this regard, entrenchment theory explains how managers create special assets to make themselves irreplaceable and thus retain through considerable salary (Boot, 1992; Schleifer and Vishny, 1989). Tournament theory (Barget, Llorca, and Teste, 2011), on the other hand, considers the impact of competition among managers in determining their salary, taking into consideration their personal attributes and comparative talents. As a result, agers must be implemented to control their behavior (Williamson, 1985).

The purpose of this essay is to better understand the factors that influence executive compensation in publicly traded English corporations. Several research questions come from the problems posed by our theoretical framework. To begin, it's worth considering the impact of the company's performance on CEO remuneration.

This link is crucial since its presence is questioned not only by the literature but also by practitioners. Second, the efficiency of shareholder control tools for managers, particularly internal governance systems, will be explored. The simultaneous effects of these elements, as well as their connections, will be investigated. As a result, our study question will be as follows:

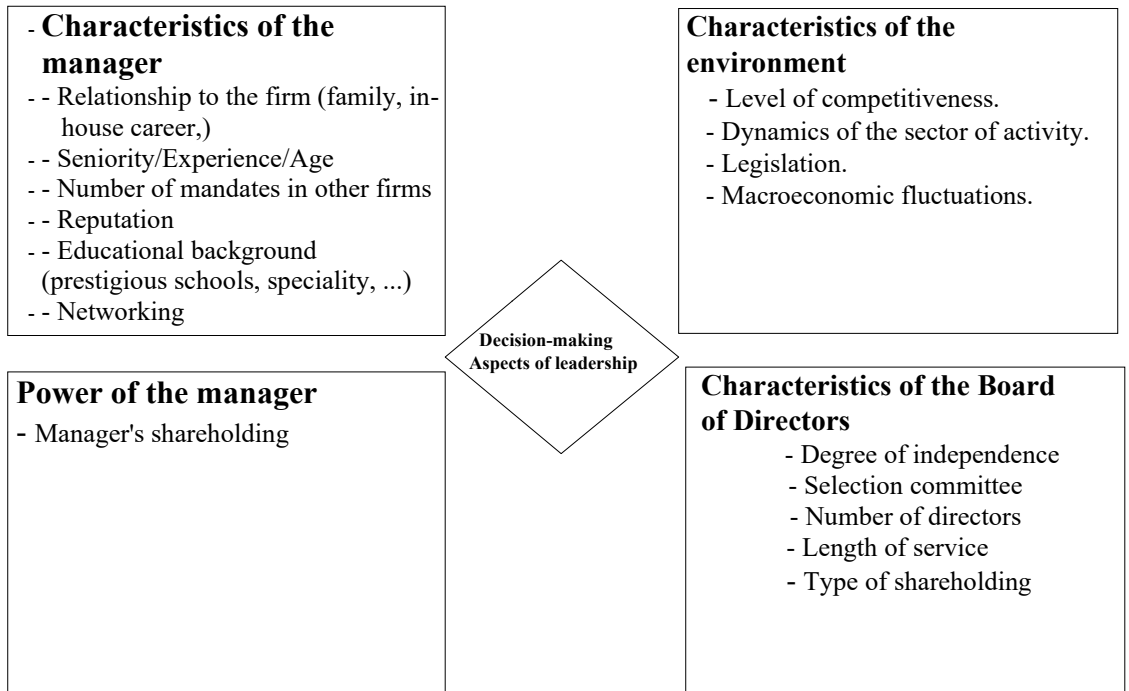
*Q1: What impact does management's executive decision-making have on the firm's profitability?*

## **2. Literature Review and Development of Hypotheses**

As a result, we'll outline the most essential behavioural and structural aspects that influence a business manager's decision-making. These variables involve the company and, in particular, its size, age, and ownership structure, as well as the manager and, in particular, his age, experience in managing the firm, training, and behavior in terms of accounting and financial information disclosure.

The various components that make up the determinants of company performance are depicted in Figure 1. We distinguish between traits that pertain to the management, those that pertain to the firm, and those that pertain to the environment.

*Figure 1. Components of company performance.*



*Source: Pekovic & Rolland (2012).*

**Variable executive payment:** A company's executive remuneration policy, according to governance theories, serves as a governance instrument for steering executive behavior in a desirable direction. Jensen and Murphy (1990) were the first researchers to investigate the link between executive pay and firm success. According to Barkema and Gomez-Mejia (2002), executive compensation can motivate and incentivise executives to make decisions that optimize firm value and, as a result, profitability. Broye and Moulin (2014), Donaldson and Davis (2015; 2019).

*H1: Executive pay has a beneficial impact on productivity.*

**Variable gender of leader:** Inequalities in the performance of firms managed by individuals of different genders may be due to the respective sectors in which their firms operate; these inequalities are discussed by both the theory of labour market segmentation and the theory of compensatory differences Lorber and Gasponer (2016) and Landrieux-Kartochian, (2019).

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*H2: Gender has a positive influence on the performance of managers in banking and insurance financial institutions in listed companies.*

**Duality variable:** Several studies have been carried out to investigate the relationship between board size and firm performance. The first trend considers that the relationship between board size and performance is negative. Thus, the larger the board of directors, the less effective it is and the less the company performs. In this sense, studies in psychology show that smaller groups are better able to make good decisions.

According to Yermak (1992), companies with small boards perform better than others. He also states that small boards are able to dismiss managers when the company becomes underperforming. Eisenberg, Sundgren and Wells (2020) analyse a sample of small and medium-sized Finnish companies and find a negative relationship between board size and performance. In the same vein, Sarkar *et al.* (2019) consider duality as an obstacle to the board's role since it weakens control by making directors dependent on the manager and therefore a failing control system encourages managerial opportunism. Donaldson and Davis (2019).

*H3: The dual role of the CEO and the board of directors has a negative impact on the company's success.*

**Variable board size:** The board of directors' major job as an internal governance mechanism is to limit managers' discretionary power and, as a result, to manage the agency relationship between shareholders and managers, as well as the company is many stakeholders. As a result, its composition should allow for effective management of this relationship.

Indeed, a review of the major studies on the subject of the board of directors has led to the identification of various indicators related to the efficacy of this mechanism's control. According to the study by Zeghal *et al.* (2006) these factors include the independence of the directors on the board and the various board committees, the combination of the positions of CEO and chairman, and the size of the board of directors (Jiang, Szambelan, and Maue, 2020).

*H4: The size of a company's board of directors has a detrimental impact on its success.*

**Board of directors with varying degrees of independence:** Several studies have examined the value of external directors on the board of directors. They act as independent management controllers due to their appropriate knowledge and complementarity with the organization. The significant presence of independent outside directors reinforces the degree of autonomy of the controlling entities (Rosenstein and Wyatt, 1990; Byrd and Hickman, 1992; Morck and Nakamura,

1999; Kaplan and Minton, 1994). In this respect, the degree of independence of a board of directors is closely related to its composition (John and Senbet, 1998).

However, a reading of the financial literature has led us to conclude that the link between board independence and control effectiveness leads to contradictory conclusions. For G. Charreaux and Pitol Belin, (1990), Charreaux (2009), and Del Vecchio (2010), as long as they can be appointed based on a proposal from the directors, they are unable to question the skills or choices of a manager who has selected them. Their neutrality is thus biased.

Entrenchment theory suggests that managers will, for example, try to paralyse the control systems of the firm by putting in place directors who will support their decisions (Pichard-Stamford, 1998). In this perspective, Alexandre and Paquerot (2000) consider that cross-shareholdings in boards of directors are also an excellent way to paralyse the critical spirit of boards. This reciprocal exchange of services between managers does not favour the exercise of control and its efficiency.

Consequently, the absence of a hierarchical or commercial link does not necessarily guarantee the independence of directors from management. On the other hand, there are divergent views on the relationship of board members to performance. Some studies defend the hypothesis that the presence of outside directors improves performance (Rosenstein and Wyatt, 1990; Byrd and Hickman, 1992; Morck and Nakamura, 1999; Kaplan and Minton, 1994). Others, however, demonstrate the negative impact on performance. Yermack (2017), and Adams and Mehran (2012) concluded that increasing the percentage of independent directors does not improve firm performance.

In this approach, we can see how the relationship between board composition and business success is highly ambiguous. Should we adopt an agency logic when it comes to the weight of outsiders, or should we reject their impact on organizational performance? (Cucari and De Falco, 2018),

*H5: Corporate performance is influenced by board independence.*

**Sector of activity:** Is a control variable that, according to various empirical investigations, has a variable value, depending on how it interacts with the other variables, has a distinct effect. Performance is designed to describe the interplay of a collection of variables linked to the sector's architecture and the behavior of its enterprises, according to the structuralist approach to industrial economics. This is why performance analysis is usually the last part of a sector study.

Performance is the subject of the study's penultimate portion, preceding the analysis of coping mechanisms, which constitute organizations' responses to performance,

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under Moati (2011)'s 'evolutionary' design. McMahan and Estes is a law firm founded by McMahan and Estes (2015).

*H6: The sector of activity of the listed company or the nature of the activity affects a positive or negative effect.*

**Variable age:** The age of such a publicly traded company is taken into account by the business management when evaluating funding applications (Watanabe, 2004). The requirements for qualifying for and giving credit might be influenced by the company's age. However, while it is acknowledged that younger firms are the most dependent on their banker to meet their financing and development needs, the literature does not agree on the relationship between the age of the firm and the facilities obtained when negotiating the terms of the credit.

On the one hand, several authors, such as Hooks (2003), point out that younger firms have difficulties in formulating their loan applications when they do not have sufficient past financial statements. On the other hand, more experienced firms may not be able to systematically overcome these difficulties if they do not present a level of collateral commensurate with their level of risk of default (Robb and Wolken, 2002).

In the Biran context, Bellouma, Ben Naceur, and Abdelwahab (2005) find that the age of the firm has a favorable impact on bank credit supply for the period 2012-2020, based on a sample of 15 enterprises. As a result of these findings, the authors believe that the firm's age should be measured in terms of informational opacity rather than the presence or absence of investment opportunities.

*H7: The listed company's age has a beneficial impact on its performance.*

### **3. Research Methodology**

#### **3.1 Sample and Data Collection**

The objective of this work is to study the decision-making aspect of managers within listed financial institutions on performance with the COVID-19 effect. We use a sample of 15 UK financial institutions belonging to the FTSE 100 during the period 2012-2020.

Based on the sample, we collected the data manually from the annual reports and reference documents available on the companies' websites. Furthermore, the choice of 15 UK financial institutions is justified by the fact that, the choice of 15 UK financial institutions is justified by the fact that among the 100 large companies listed in the FTSE 100 there are just 15 institutions.

### 3.2 Measurement of Variables

Through this research, we aim to test whether the valuation model better reflects the economic and financial performance of the company. These will be carried out through multiple regressions aimed at testing the functional type relationships between the dependent and independent variables that subsequently form the econometric models in order to test the research hypotheses. Without ignoring the effect of the control variables on these relationships.

**Measurement of dependent variables: performance (ROE and ROA):**

**ROE: Return On Equity:** Corresponds to the return on the money brought by the shareholders to the company. It quantifies the amount of profit made in (%) of the capital investment, and therefore the company's ability to remunerate shareholders

$ROE = Net\ Income/Equity$
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**ROA: Return On Asset:** it measures in (%) the ratio between the net result and the total assets. It represents the capacity of the company to generate a result by using all its resources

$ROA = Net\ Income/Total\ Assets$
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**Measurement of the independent and control variables:**

**Table 1. Summary of research variables**

Variables	Symbol	Definition of variables	Measures	Previous research
<b>Dependent variables</b>				
Financial Profitability	ROE	Financial performance	net income/equity	Anderson, Duncan (2018)
Economic profitability	ROA	Economic performance	net income/total assets	Bastos (2019)
<b>Independent variables</b>				
Compensation	CEORem	Total executive remuneration	Sum of wages	Frydman, Jenter (2010)
kind	Gender	Presence of women on the Board	% of women on the Board	Lorber (1994)
Duplicity	Duality		Combining the functions of CEO and Chairman of the Board	Milne (2006)
Board size	Bsize	Total of the Board member	Number of directors on the Board	Nicholas (2011) Spring,

				Chatterton (2016)
Board independent	Bind	Independence of the Board of Directors	% of independent directors	Wen-bin (2006)
industry	Industry	Membership of the business sector	Banks =1 Other =0	Moati and Pouquet (2005)
Age	Age	Age of the company	Age < 30 years = 1 Otherwise = 0	Hooks (2003)

*Source: Perrone-Bertolotti (2011).*

Model 1: Return On Equity

$$ROE_{it} = \beta_0 + \beta_1 CEO_{it} + \beta_2 Gen_{it} + \beta_3 Dua_{it} + \beta_4 BSize_{it} + \beta_5 BInd_{it} + \beta_6 Nat_{it} + \beta_7 Age_{it} + \epsilon_{it}$$

Model 2: Return On Assets

$$ROA_{it} = \beta_0 + \beta_1 CEO_{it} + \beta_2 Gen_{it} + \beta_3 Dua_{it} + \beta_4 BSize_{it} + \beta_5 BInd_{it} + \beta_6 Nat_{it} + \beta_7 Age_{it} + \epsilon_{it}$$

With:

**ROE<sub>it</sub>**: The financial profitability of firm i for 9 years of t

**ROA<sub>it</sub>**: The economic profitability of firm i for 9 years of t

**CEO**: The remuneration of managers i for 9 years of t

**Gen**: Gender of the company's manager (male/female)

**Dua**: Duality of CEO and chairman of the board

**BSize**: Board size (total number of board members)

**BInd** number of independent members/total number of board members

**Nat**: The sector of activity (banking and insurance / other sectors of activity)

**ε<sub>it</sub>**: Error term.

## 4. Findings and Discussion

### 4.1 Descriptive Analysis

Table 2 summarizes the trend of each variable of the economic performance model from these outputs we can retain that the average, min and max values of the dependent variable are respectively of the order of (0.029), (0.114) and (0.867) during the period (2012-2020). The average value of the Executive Compensation variable has a value of 0.350 and the min and max values are respectively between 0 and 0.67. For the Gender variable, the average is equal to 0.2 and the min and max values have increased, respectively, from 0 to 0.6.

As for the control variable, i.e., the company's sector of activity, the average is equal to 72.133, which means that almost 72% of these listed companies are in banking and insurance, and the min and max values are between 9 and 196 respectively.

**Table 2.** Descriptive statistics

Variables	Obs	Mean	Standard deviation	Minimum	Maximum
ROE	135	0.246	0.386	0.114	0.473
ROA	135	0.256	0.379	0.029	0.867
CEO	135	0.350	0.114	0	0.67
GEN	135	0.2	0.401	0	1
DUA	135	11.422	1.878	7	16
BFSIZE	135	4.766	8.924	0.231	569
BIND	135	0.466	0.745	0	1
IND	135	0.466	0.500	0	1
AGE	135	72.133	63.317	9	196

Source: Output STATA 14.

#### 4.2 Correlation Analysis and the VIF Test

Before running the regression, it is essential to test the correlation between the explanatory variables. Thus, examining the Pearson correlation matrix between the different explanatory variables allows us to study the null hypothesis of the absence of correlation between two explanatory variables.

As shown in Table 3, all the coefficients that are significantly lower than 0.8 correspond to the limit suggested by Kennedy, (1985), at which we begin to have serious problems of multi-collinearity between the explanatory variables. This leads us to conclude that there is no multi-collinearity problem.

Therefore, to ensure that there is no real problem of multi-collinearity, an additional examination of the Variance Inflation Factor (VIF) coefficients is carried out. In fact, the VIF test shows that all values are less than 2.35, values less than 10, which is the limit drawn by Myers (1990).

This leads us to conclude that there is no multi-collinearity problem. Table 3 presents the FIV test.

**Table 3.** The correlation coefficients and VIF test reached results

variable	1	2	3	4	5	6	7
CEO	1						
GEN	-0.153	1					
DUA	-0.2678*	-0.043	1				
BFSIZE	0.1553	-0.043	-0.0660	1			
BIND	0.0130	0.0891	0.0825	0.0913	1		
IND	0.0130	0.0891	0.0825	0.0913	1.0000*	1	
AGE	0.2725*	0.3042	-0.0468	0.1703*	0.2374*	0.2374*	1
VIF	2.35	2.32	1.3	1.75	1.34	1.05	1.25

Source: Output STATA 14.

### 4.3 Specification Test

The specification test, also known as the "Fisher homogeneity test," is used to accept or reject the null hypothesis of a fully homogenous structure, in which all constants and coefficients are identical, as opposed to the hypothesis of the presence of an individual effect on panel data.

It can be assessed whether or not a given effect exists based on the results in the table below. The Fisher statistic derived for our model has a p-value of less than 1%. This indicates that they are models that have unique individual effects. As a result, panel data is perfectly suited to the circumstance we have described.

*Table 4. Homogeneity test*

	Model 1 (ROE)	Model 2 (ROA)
<b>Fisher statistics</b>	23.59	16.92
<b>P-value</b>	0.0006	0.000
<b>Specific effects</b>	Existence of effects	Existence of effects

*Note: \*\*\* indicates significance at the 1% level.*

*Source: Own study.*

However, this specific effect can be individual or random. A second specification test is therefore needed to decide whether the specific effects are random. The most common test to solve this kind of problem is the Hausman test.

### 4.4 Hausman Test

Because the data in this study spans ten years, we used a panel regression analysis to control for the year effect. Furthermore, we used Hausman tests to specify the models by incorporating either fixed or random individual effects.

**Model 1 (ROE):** The Hausman test we ran on our model's parameters yielded a chi-square value of 55.23 and a probability of 0.000. For our model, this result suggests the presence of a fixed effect across all industries.

**Model 2 (ROA):** The Hausman test we ran on our model's parameters yielded a chi-square value of 66.00 and a probability of 0.000. For our model, this result suggests the presence of a fixed effect across all industries.

*Table 5. The Hausman test*

	Model 1 (ROE)	Model 2 (ROA)
$\chi^2(k)$	55.23	66.00
<i>p-value</i>	0.0000	0.0000
<i>EF/EA</i>	<i>EF</i>	<i>EF</i>

*Source: Output STATA 14.*

#### **4.5 Regression Analysis**

The interpretation of the results presented in the table below allows us to advance some analysis concerning the general characteristics of the empirical models as well as the validation of the research hypotheses carried out by the multivariate analysis. The results of the multivariate regression of the model (Table 6) show the following indications, with Fisher's statistic (F) measuring the overall significance of the Model 1 and Model 2, which is equal to 18.070 and 14.16. This confirms the good quality of the model at a level of significance lower than 1%.

As a result, the explanatory power of the model appears satisfactory since Fisher's statistic is significant at the 1% level. Consequently, the models are globally significant and are explanatory of the studied phenomenon. Moreover, model 1 and model 2 have an explanatory power, which is equal to 0.4586 and 0.4631.

According to Table 6, the regression results show that the CEO has a positive and significant impact on ROE ( $\beta = 4.55$ ,  $p < 0.000$ ) and on ROA ( $\beta = 1.84$ ,  $p < 0.068$ ). These results show that executive compensation is an important factor in improving the financial performance. We can confirm our first assumption that executive compensation in listed companies has a positive and significant effect on financial performance.

Our result has been confirmed by research conducted by Belot and Ginglinger, (2013) and Pascal Back, Kathrin Rosing (2020). Thus, GEN has a positive and significant effect on ROE ( $\beta = 3.46$ ,  $p < 0.046$ ) and on ROA ( $\beta = 3.38$ ,  $p < 0.002$ ) meaning that the Gender an important determinant of financial performance. This result leads us to confirm our H2. This suggests that the presence of gender of women on the Board of Directors has a positive effect on financial performance.

Our result has been confirmed by research conducted by Tulandi and Closon (2016) and Bauweraerts et al (2017). Indeed, we found a positive and a significant relationship between DUE and ROE ( $\beta = 2.05$ ,  $p < 0.004$ ) and DUE and ROA ( $\beta = 3.38$ ,  $p < 0.002$ ). Which means that companies with the same person in both executive and chairman positions better perform.

We can confirm our third hypothesis which states that the dual functions of chief executive officer and chairman of the board of directors in listed companies have a positive and significant effect on financial performance. Our result was confirmed by research conducted by Mkadmi and Halioui (2013).

On the other hand, we find that the BSIZE has a positive and insignificant effect on ROE ( $\beta = 1.35$ ,  $p < 0.179$ ) and on ROA ( $\beta = 0.91$ ,  $p < 0.365$ ). These results show that the size of the board of directors is not an important factor in improving the financial performance. This leads us to invalidate our H4.

These results confirm previous research by Morgan and Rose (2009) and Aumont (2012). Moreover, BIND has a positive and significant impact on ROE ( $\beta = 9.00$ ,  $p < 0.000$ ) and on ROA ( $\beta = 3.61$ ,  $p < 0.000$ ). Which explains the positive effect of the independent members of the Board of Directors on the performance of the company.

We can confirm our fifth hypothesis. Several authors have confirmed these results, including Barkema (2018) and Bernhart (2019). These results show that board size is an important determinant of financial performance.

**Table 7.** Multivariate regression analysis

Variables	Model 1 (ROE)		Model 2 (ROA)	
	$\beta$	t- stat	$\beta$	t- stat
Constant	1.93**	0.056	3.28*	0.083
CEO	4.55***	0.000	1.84**	0.068
GEN	3.46**	0.046	3.38***	0.002
DUA	2.05***	0.004	3.38***	0.002
BSIZE	1.35	0.179	0.91**	0.365
BIND	9.00***	0.000	3.61***	0.000
IND	3.14***	0.000	4.31***	0.000
AGE	3.45***	0.000	2.15***	0.000
R2	<b>0.4586</b>		<b>0.4631</b>	
R2 adjusted	<b>0.4333</b>		<b>0.4539</b>	
F (p-value)	<b>18.070***</b>		<b>14.16***</b>	

Source: Output STATA 14.

As for the control variables, the regression results show that the industry type has a positive and significant impact financial performance. This result shows that firms in the banking sector have significant opportunities for financial performance.

Finally, starting with the, the results showed a positive and statistically significant relationship between firm age and financial performance. This indicates that firm age is a very important determinant in our study context.

**Table 8.** Hypotheses and results

Hypotheses	Results
H1. Executive compensation has a positive effect on performance	Supported
H2. Gender has a positive influence on the performance of managers in banking and insurance financial institutions in listed companies	Supported
H3. The duality of the CEO and board functions negatively affects the performance of the company	Supported
H4. Board size negatively affects firm performance	Supported
H5. Board independence influences corporate performance	Supported

Source: Output STATA 14.

## **5. Conclusion**

The purpose of this paper was to draw attention to the relation between managers' behavioural dominance and the performance of British publicly traded enterprises (FTSE100). The behavioural finance theory investigates the impact of individual and group behavior on the price of listed securities, according to the literature review. It aims to explain a variety of financial market movements that appear to defy standard explanation. Men in general, and investors in particular, are not particularly reasonable in their decisions. They are "under influence". Behavioural finance is interested in situations where these irrationalities (« limited rationalities") influence investors' thinking and behavior. Inefficiencies are created as a result of these biases in the form of pricing anomalies.

Despite this, the literature has frequently concentrated solely on the Anglo-Saxon environment. In this way, our study offers a global perspective because it focuses on English corporations, for whom statistics on salary, board size, gender, and duality are only recently available. As a result of an extensive data gathering effort, our research advances the generality of the conclusions on these many factors.

The results of the theoretical model's test reveal an important point. We found that CEO compensation, duality, gender, and the independence of the board of directors of UK-listed businesses all have a favorable relationship with performance. The findings show that in the United Kingdom, the sensitivity of business sectors and board size is rather low.

This outcome, according to Jensen and Murphy (1990), is counter-intuitive and certainly reflects major changes in British capitalism during the last two decades. Furthermore, there is little evidence that having to pay salaries alters dominance tendencies, including social comparison effects.

There are numerous limitations to this study. This approach, in particular, characterizes the nature of behavioral finance as a function of executive remuneration without examining the process that leads to the development and execution of executive compensation policies. This is a procedure that is yet mostly unknown.

A deeper understanding of this process will allow researchers to better understand the causes for behavioural dominance's traits and evolution throughout time, as well as its interactions with the other mechanisms that make up the governance system as a whole. Future research should focus on the difficulty of examining the dynamic nature of behavioural finance policy-making and the responsibilities of the numerous parties involved. Working on the decision-making process of behavioral leadership dominant policy in relation to governance, on the other hand, would necessitate an empirical procedure with a significant qualitative component (Wirtz, 2000).

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