

MERGERS AND ACQUISITIONS IN DEVELOPING COUNTRIES: IS GENDER DIVERSITY DESIRABLE?

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Abstract

This study investigates the impact of gender diversity on target firms' supervisory boards on merger and acquisition (M&A) decision-making in Indonesia, an emerging market characterized by concentrated ownership, weak shareholder protection, and the absence of gender quotas. While previous M&A studies have been viewed from the acquirer's perspective, this study shifts the lens to the target firm's governance structure, explicitly focusing on board gender composition. Drawing on resource dependence theory, agency theory, absorptive capacity theory, upper-echelons theory, and critical mass theory, this study aims to explain how board structure can affect a firm's strategic outcomes. The investigation is conducted using robust regression on a comprehensive dataset of public companies in Indonesia that engaged in M&A activities between 2004 and 2022, spanning two crisis periods. The results show that larger supervisory boards are negatively associated with M&A activity, consistent with entrenchment concerns. Interestingly, although male-dominated boards tend to resist M&A attempts, females on the board, especially at the top, increase the likelihood of M&A. These findings contribute to the corporate governance literature by highlighting the strategic role of females on corporate boards in emerging markets, supporting the critical mass theory. The study shows that female leadership can influence high-level strategic decisions without regulatory mandates. These insights have practical implications for regulators and companies aiming to improve corporate governance effectiveness toward diversity rather than imposed quotas. Future studies could expand on these findings through cross-country comparisons and qualitative boardroom dynamics.

Keywords: Corporate Governance, Crisis, Gender Diversity, Merger and Acquisition, Supervisory Board.



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INTRODUCTION

Mergers and acquisitions (M&A) as a form of corporate entrepreneurship are strategic decisions that have broad implications for acquiring and targeting companies. Traditionally, M&A decisions have

been studied primarily from the acquiring company's perspective, focusing on maximizing synergies and the associated risks (Kellner, 2024; Moeller et al., 2005). These strategic maneuvers often result in direct financial gains for the target company's shareholders, primarily through post-announcement stock price increases (Kellner, 2024; Mamun et al., 2021). However, the results are not always favorable. For the acquiring company, M&A can be a costly and risky venture with potentially negative consequences, including destroying shareholder value and post-merger inefficiencies (Moeller et al., 2005; Rahman & Lambkin, 2015).

Despite the risks, M&A remains a dominant strategic response for firms navigating complex resource environments, especially in emerging markets. From a theoretical perspective, resource dependence theory (Pfeffer & Salancik, 1978), firms engaging in M&A aim to reduce dependence on the external environment, gain access to critical inputs, and stabilize resource flows. Complementing this view, the absorptive capacity theory states that M&A facilitates acquiring and internalizing external knowledge and capabilities essential for innovation and growth (Kim & Davis, 2019). These strategic advantages depend on the acquiring firm's ability to absorb and leverage the target firm's tangible and intangible resources, such as knowledge, management expertise, and embedded routines (Mamun et al., 2021).

However, the success of M&A is not only determined by strategic alignment or financial projections but also critically depends on the dynamics of internal governance, especially in the target company. Resistance to M&A actions can arise from the target company's supervisory board, driven by personal and political considerations. Based on agency theory (Eisenhardt, 1989; Jensen & Meckling, 1976), this resistance can be explained by the divergence of interests between management and shareholders. M&A often threatens incumbent executives and board members through job insecurity, loss of influence, and increased external scrutiny (Hussain & Loureiro, 2022). This resistance is exacerbated by the efforts of managers and board members to maintain their positions (entrenchment effect (Claessens & Fan, 2002). Protection theory (Bebchuk, 1999) further supports this view, stating that in an environment with weak legal protection and concentrated ownership structure, managers and dominant shareholders are more likely to reject M&A offers that endanger their control, even at the expense of corporate efficiency and shareholder value (Bebchuk & Roe, 1999).

This tension between governance structures and strategic decision-making is particularly pronounced in countries such as Indonesia, where institutional frameworks are still developing and governance systems are still weak. Recent literature increasingly explores how these governance challenges intersect with board demographic characteristics, particularly gender diversity (Satrio, 2026), and how this shapes M&A outcomes (Alessio & Vasilakis, 2024; Bazel-Shoham et al., 2020; Brahma et al., 2023; García & Herrero, 2022; Tampakoudis et al., 2022). While some studies show that gender-diverse boards are more open to acquisitions and improve corporate image (Alessio & Vasilakis, 2024; Tampakoudis et al., 2022), other studies find that gender composition has no measurable effect on acquisition frequency or even performance (García & Herrero, 2022), or can reduce M&A activity when there is a significant gender gap between the acquiring and target firms (Bazel-Shoham et al., 2020).

The mixed empirical evidence suggests the need for more contextual and theory-based investigations on how gender diversity on boards affects M&A activities, particularly from the perspective of target firms, which remains underexplored. This study aims to examine how gender diversity on supervisory boards in Indonesia, which are different from executive boards in a two-tier board system, affects M&A outcomes. Unlike executive boards, supervisory boards aim to protect shareholder interests, so they play a significant role in facilitating or rejecting acquisition attempts. As the presence of female board members brings different communication and decision-making styles, their presence can significantly change board dynamics and strategic outcomes.

This study utilizes two main theoretical frameworks to analyze this issue: critical mass theory and upper-echelon theory. Borrowing from the concept of critical mass theory (Kanter, 1977), the influence of females on the board will only be effective if they reach a certain threshold of representation. In an unbalanced environment where females are a minority, they will be sidelined, and their contribution will be minimized. However, once a balanced composition has been achieved, they can exert substantial influence, characterized by cautious and risk-averse decision-making (Ballester et al., 2020; Belaounia et al., 2020; Joecks et al., 2013). Upper-echelon theory (Hambrick & Mason, 1984) supports this logic by emphasizing that strategic decisions reflect the characteristics and values of top executives. Female board members who have successfully overcome structural and cultural barriers to rise to top supervisory

positions will have distinctive perspectives shaped by experience and are more likely to influence high-stakes decisions such as M&A (Gao et al., 2024).

This study contributes to the literature in four crucial ways. *First*, unlike most studies that focus on the implementation of CG of the acquiring company, namely the acquiring board, and ignore the role of the supervisory board, this study investigates how gender plays a role in the supervisory board. This board is a party that has an essential role in M&A actions because it represents the shareholders who will influence the results of the M&A itself. *Second*, this study raises the issue of gender diversity from the target company's perspective. The investigation of gender diversity is carried out on the supervisory board, which is the party that is also a direct representative of the shareholders in the target company. The consideration is that the board of the target company is the party that suffers the most when this action occurs. This study indirectly investigates the defense effect by the target company's shareholders as described in the entrenchment hypothesis (Claessens & Fan, 2002), which posits that target company boards may resist M&A to protect their positions and interests, potentially at the expense of shareholder value. *Third*, this study enriches the existing theories, such as the upper-echelon theory (Hambrick & Mason, 1984) and the critical mass theory (Kanter, 1977), by applying them to an emerging market context: Indonesia. By focusing on the role of gender diversity in a developing country setting, this study makes a novel contribution to the literature. It enhances understanding of the dynamics in M&A decisions, specifically from the target company's perspective. *Fourth*, the investigation covers two crisis periods: the subprime mortgage crisis and COVID-19. Testing with several control variables aims to capture as many confounding effects as possible that may occur in the investigation of gender diversity concerning M&A decisions.

Indonesia provides an ideal context for this study for the following reasons. *First*, Indonesia has a gender development index compared to the average of countries in the Association of Southeast Asian Nations. There is a gender income gap, and there tends to be an increase only in parliament (Bangun et al., 2024), which makes this country interesting to investigate regarding gender issues in companies. *Second*, this country implements a two-tier board system that separates the supervisory and executive functions on the company board. *Third*, Indonesia is an emerging market country that adheres to civil law with high asymmetric information problems that affect both internal and external sides (Satrio, 2022; Satrio et al., 2022), and the implementation of CG tends to be slow to develop (Dercon, 2007). *Fourth*, the country has a weak legal system for protecting the interests of shareholders. Countries with weak legal protection for shareholders are prone to concentrated ownership, which tends to be faced with a weak legal system, weak law enforcement, and corruption (Claessens & Fan, 2002). *Fifth*, no mandatory regulations in Indonesia have been implemented regarding the obligation of the percentage of gender diversity quotas on company boards. Therefore, the Indonesian context provides the right difference in investigating gender diversity issues that can be utilized and investigated concerning M&A.

The results of this investigation show that better target CG and the proportion of males supervising the board significantly reduce the probability of M&A in Indonesian companies. Interestingly, female board members who have power in the boardroom have the opposite role. These results are robust based on a series of alternative tests, including the effects of the crisis, the financial industry, and M&A dominance. The results of this study provide several important contributions. *First*, significant attention to the setting of developing countries, both theoretically and empirically, allows us to find out how the implementation of GCG, especially gender diversity, can have different roles in the strategic actions of companies, namely M&A. This study contributes to the body of knowledge, especially the critical mass theory (Kanter, 1977) related to boardroom member diversity, upper-echelon theory (Hambrick & Mason, 1984) by emphasizing the position of female board members in top positions and underlining the agency issue in companies (Jensen & Meckling, 1976). *Second*, the results of this study provide a new understanding of how the target company's governance mechanism can interact with the M&A action by the acquirer. The results of this investigation enrich understanding, not like previous literature from the perspective of the acquirer, but from the perspective of the target company.

There are several valuable implications, especially for regulators and companies in developing countries. By focusing on target companies during M&A actions, the results of this study are helpful for regulators in formulating clearer and more robust regulations related to diversification and gender dominance in companies to ensure more solid CG practices. Moreover, companies in developing countries need to place females on the board, especially in dominant or top positions, although not required by regulation. Placement of females on the board based on competence and qualifications and

not based on tokenism or the glass cliff concept, can encourage females' effective contribution to better CG, especially in the face of uncertain environmental volatility.

The sections in the paper are structured as follows. The second section discusses the research methodology and continues with the third section, presenting the results and discussing the results found. The fourth section presents the implications and limitations of this study. Finally, the conclusion is given at the end.

RESEARCH METHOD

This study employed a quantitative research approach to investigate the role of the supervisory board, with a particular focus on gender diversity, in M&A within the context of developing countries. The research targeted all publicly listed companies in Indonesia that had undergone M&A transactions between 2004 and 2022, as these companies provided a robust dataset for analyzing corporate governance dynamics in a transitioning economy. Based on the purposive sampling method, the sample of this study included all target companies that have undergone M&A, namely 172 companies, during the specified period. This sample size provides adequate statistical power (at a 5% significance level) to detect medium-to-large effects. Structured data extraction for consistent variable measurement for the study was secondary data primarily sourced from publicly available financial reports on the Indonesia Stock Exchange, supplemented by additional information manually collected from credible secondary sources, such as annual reports and company websites.

A robust regression model was applied for data analysis to explore the relationship between supervisory board characteristics, particularly gender diversity, and M&A activity. Robust regression was chosen to reduce the impact of outliers and heteroskedasticity, which are common in financial datasets over long time horizons. All statistical analyses were performed using STATA 15, with robust standard errors to ensure consistent estimation.

The dependent variable was the change in the acquirer's ownership stake post-M&A, outlined by prior research (Rahman & Lambkin, 2015). Independent variables include board composition (total members, gender breakdown) and control variables that are captured by firm performance (Bao & Li, 2024; Brahma et al., 2023; García & Herrero, 2022; Kellner, 2024; Tampakoudis et al., 2022; Zhao et al., 2024), leverage (Bao & Li, 2024; Brahma et al., 2023; García & Herrero, 2022; Malik & Mamun, 2024; Tampakoudis et al., 2022; Yang et al., 2023), growth (Feng et al., 2023; Yang et al., 2023), and asset maturity (Deesomsak & Pescetto, 2009; Tampakoudis et al., 2022), based on established financial ratios. In this case, companies with solid performance, growth, and asset maturity are fundamental factors of target companies that are attractive to acquirers. On the other hand, companies with high leverage indicate a higher risk.

The analysis in this study follows a staged modeling approach. First, baseline regression aims to assess how firm fundamentals affect acquirer shares. Next, board size is added to investigate the role of governance structure. Finally, gender diversity indicators are included in the test to examine their strategic role. Each stage gradually clarifies the impact of internal governance and gender composition on M&A outcomes. The following equation shows the baseline model in this study:

$$\text{Stakes}_{i,t} = \beta_0 + \beta_1 \text{Performance}_{i,t} + \beta_2 \text{Leverage}_{i,t} + \beta_3 \text{Growth}_{i,t} + \beta_4 \text{Maturity}_{i,t} + \varepsilon_{i,t} \dots (1)$$

Where Stakes shows the size of the acquirer's ownership portion in the target company after M&A. The Performance, Leverage, Growth, and Maturity indicators reflect the company's financial performance, funding risk, growth opportunities, and asset maturity, respectively. The main goal of this study is to investigate the role of gender diversity in M&A decision-making. The first test was carried out by involving the effect of the supervisory board in the test in the first equation. The role of supervisory board size was assessed as a proxy of governance structure (Ma et al., 2024; Orazalin, 2020). This investigation is essential as a preliminary test to reveal the role of this board as a form of governance of the target company. In this case, more board committees have been shown to increase the chances of survival, especially during an economic downturn (Ahmad et al., 2024). The test model is shown in the second equation.

$$\text{Stakes}_{i,t} = \beta_0 + \beta_1 \text{Board}_{i,t} + \beta_2 \text{Performance}_{i,t} + \beta_3 \text{Leverage}_{i,t} + \beta_4 \text{Growth}_{i,t} + \beta_5 \text{Maturity}_{i,t} + \varepsilon_{i,t} \dots (2)$$

In equation 3, the role of board gender diversity is tested by entering the independent variable in the baseline model (first equation). Gender diversity testing determines the role of male and female supervisory boards in M&A actions. There are three gender diversity indicators in this study, namely

male board members, female board members, and a female at the top of the supervisory board (chairperson).

$$\text{Stakes}_{i,t} = \beta_0 + \beta_1 \text{Gender diversity}_{i,t} + \beta_2 \text{Performance}_{i,t} + \beta_3 \text{Leverage}_{i,t} + \beta_4 \text{Growth}_{i,t} + \beta_5 \text{Maturity}_{i,t} + \varepsilon_{i,t} \dots (3)$$

A data collection instrument grid was developed to ensure consistent measurement across the sample (see Table 1). This grid summarizes each variable, its operational definition, data source, and the formula used for calculation.

Table 1. Variable definition and data collection grid

Variable	Definition	Formula/ Measurement	Data Source
<i>Dependent variable</i>			
Stake	The size of the acquirer's ownership portion in the target company after M&A (Rahman & Lambkin, 2015).	Stakes after – Stakes before	IDX and annual reports
<i>Independent variables</i>			
Board	The number of Board of Commissioners (Mukherjee & Krammer, 2024).	Σ members of the supervisory board	Annual reports and company websites
Female	The proportion of females on the supervisory boards (Bao & Li, 2024; Chu, 2024; Mehmood et al., 2023).	Σ Female members on the supervisory board	Annual reports and company websites
Male	The proportion of males on the supervisory boards.	Σ Male members on the supervisory board	Annual reports and company websites
Female (chairperson)	The female is at the top of supervisory boards (Gao et al., 2024; Gull et al., 2018; Lakhali et al., 2024).	Dummy 1 if the supervisory board is led by a female and 0 otherwise	Annual reports
<i>Firm-specific control variables</i>			
Performance	A firm's ability to generate earnings from its assets (Kusmayadi et al., 2025).	$\frac{\text{Sales}}{\text{Total Assets}}$	Audited financial reports
Leverage	Leverage reflects the company's funding risk and is measured by comparing the liabilities and market value of the total assets (see (Satrio, 2022)).	$\frac{\text{Total Liabilities}}{\text{Market Value of Total Assets (MVTA)}}$ MVTA: Total Liabilities + Market Value of Equity (MVE). MVE: Multiplying the stock price by the number of shares outstanding.	IDX and audited financial reports
Growth	Growth opportunities are measured by sales growth (Eugster et al., 2024; Konadu et al., 2022; Yu, 2023).	$\frac{\text{Sales}_t - \text{Sales}_{t-1}}{\text{Sales}_{t-1}}$	Audited financial reports

Variable	Definition	Formula/ Measurement	Data Source
Maturity	Maturity (also called asset tangibility (Wongsinhirun et al., 2023)) is a measure of how much of the company's total assets are invested in long-term, fixed assets (Deesomsak & Pescetto, 2009; Tampakoudis et al., 2022).	$\frac{\text{Fixed Assets}}{\text{Total Assets}}$	Audited financial reports

RESULTS AND DISCUSSION

Descriptive Statistics

Table 2 presents a descriptive summary of company statistics in Indonesia with M&A activities from 2004 to 2022.

Table 2. Descriptive statistics

	Mean	Std. dev.	Min	Q1	Q2	Q3	Max
Stake	0.6759	0.1469	0.5007	0.5406	0.6500	0.7897	0.9974
Board	3.9375	1.8154	2.0000	3.0000	3.0000	5.0000	10.0000
Male board members	3.5865	1.8104	0.0000	2.0000	3.0000	4.0000	10.0000
Female board members	0.3510	0.6114	0.0000	0.0000	0.0000	1.0000	4.0000
Female (chairperson)	0.0769	0.2671	0.0000	0.0000	0.0000	0.0000	1.0000
Performance	0.9116	0.8955	0.0000	0.2342	0.5664	1.3754	4.1686
Leverage	0.4210	0.2728	0.0023	0.1912	0.4161	0.6218	1.0000
Growth	3.0960	16.5787	-1.0000	-0.0496	0.1076	0.3884	145.5769
Maturity	0.5202	0.2714	0.0000	0.3178	0.5300	0.5300	0.9645

Notes: This table presents descriptive statistics on all variables investigated in this study from 2004-2022. For each table, the mean, standard deviation, minimum value, 25th percentile (Q1), median (Q2), 75th percentile (Q3), and maximum value are reported.

Focusing on key variables, Table 2 shows that the average post-M&A ownership is 67.59 percent. Interestingly, M&A in Indonesia can include almost full ownership by a particular party, which is indicated by more than 99 percent ownership. Furthermore, the financial performance of companies that carry out M&A reaches 416.86 percent of company assets. Interestingly, some companies are acquired with minimal growth potential (seen in the minimum value of the Growth variable).

The diversity of CG implementation in Indonesia is fascinating to learn more about. There is a minimal portion of the board of commissioners, namely only two people, and the supervisory board is relatively large, consisting of 10 members. The results in Table 1 also show that there are companies that do not have any male supervisory boards at all, and vice versa; there are also other companies that do not have females on the supervisory board. On average, the proportion of females on the supervisory board is 0.3519, while males are 3.5865, which means that a skewed group condition occurs. On average, the proportion of females on the supervisory board in companies is only 9.79 percent.

Correlation and Multicollinearity

Initial identification of the relationship between variables and the presence or absence of multicollinearity problems is shown in Table 3.

Table 3. Correlation matrix

VIF	1	2	3	4	5	6	7	8	9
Stake	1								
Board	1.13	-0.1784	1						
Male board members	1.10	-0.1402	0.9431	1					

Female board members	1.17	-0.1148	0.1765	-0.1607	1					
Female (chairperson)	1.14	0.0700	-0.1295	-0.2636	0.3959	1				
Performance	1.51	0.1526	0.0188	0.0627	-0.1420	0.0537	1			
Leverage	1.05	-0.0943	0.0539	0.0611	-0.0227	-0.0268	0.1766	1		
Growth	1.03	0.1531	-0.1477	-0.1288	-0.0686	-0.0403	-0.0271	0.0110	1	
Maturity	1.48	0.0288	0.1416	0.1370	0.0157	-0.1362	-0.5098	0.0467	-0.0043	1

Initial results in Table 3 show that the increasing number of supervisory boards and male supervisory boards have a relationship with a decrease in M&A potential. Interestingly, the female supervisory board at the top has a positive relationship. The correlation test results also show that companies with high performance, growth, and asset maturity are attractive factors in the company's M&A actions. This result contrasts with the increasing leverage as an indicator of the target company's risk. Finally, all test results show a variance inflation factor (VIF) value smaller than 5. This value proves that there is no multicollinearity problem in the research model.

Regression Results

Table 4 shows the investigation results on this study's baseline and main models. A baseline model preceded the test to ensure that the fundamental indicators revealed play a role in M&A actions. The test results on the whole sample showed a coefficient value (β) of performance of 0.0441, which was significant at the 0.01 level. The same results were also shown in the growth variables ($\beta= 0.0014$) and asset maturity ($\beta= 0.0910$), with a significance level of 0.05 means that company performance, growth opportunities, and asset maturity are attractive factors in M&A actions. On the other hand, the higher the company's financial risk, the more the acquirer avoids it ($\beta= -0.0783$, sig. 0.05).

The subsequent testing was conducted to ensure these variables are dominant factors in determining M&A actions without involving financial firms. This test is essential because financial companies have different financial characteristics from companies in other industries. The test results in equation 6 show the coefficient values on the performance, growth, and asset maturity variables of 0.0440, 0.0014, and 0.0916, respectively, while the leverage variable has a negative value of 0.0752. These results remain statistically significant, indicating that these factors are considered in corporate M&A actions. The following table (Table 4) presents the results of the regression tests for the baseline and main model, which are divided into two groups, namely, the whole sample and non-financial firms.

The main objective of this study is to investigate the role of board gender diversity in corporate M&A actions. The test results on the entire sample in Table 4 are shown in equations 2 to 5, while testing only on non-financial firms is shown in equations 7 to 10. Initial identification related to the role of the supervisory board in M&A (equation 2) shows a β value of -0.0118, which is significant at the 0.05 level. These results indicate that the existence of a supervisory board inhibits corporate M&A actions in Indonesia. These results remain consistent in the sub-sample test of equation 7 ($\beta= -0.0120$, sig. 0.05). In line with the supervisory board, the male supervisory board weakens the M&A process. Statistically, this is shown in the entire sample (equation 3), and sub-sample (equation 8) with a negative direction coefficient value, and all are significant at the 0.05 level.

On the other hand, no significant role was found for the female supervisory board in M&A actions (equations 4 and 9). To ensure the role of the female board, this study then conducted a re-investigation by examining the dominance of female boards in top positions. Interestingly, the results show that female board members with 'power' will try to support M&A actions as indicated by a β value of 0.0959 and significant at the 0.05 level. The results remain consistent in investigating non-financial firms (equation 10).

Robustness Checks

To ensure the robustness test results, a two-stage robustness check was conducted. Table 5 presents a retest involving the variable of the proportion of ownership by the acquirer in the previous period. In addition, the investigation was also carried out by considering external factors that could have contributed to the company's M&A actions. This study also controls the effects of the crisis during the analysis period with several considerations. *First*, the company will have different reactions during a

crisis, primarily corporate actions such as M&A. *Second*, not all companies comply with GCG regulations during a crisis. Compliance with these regulations can harm the company's survival (Ahmad et al., 2024). *Third*, external disruptions during the financial crisis or the COVID-19 pandemic not only had an impact on the capital market (Shaikh et al., 2024) but also posed a challenge to the issue of gender diversity (Mukherjee & Krammer, 2024). *Fourth*, consider the glass cliff issue during difficult times (Ryan & Haslam, 2005). Based on the logic of the glass cliff, there was a probability of an increase in the number of females in the boardroom during a crisis. At least two crises occurred during the research period: the subprime mortgage crisis in 2008-2009 and the severe health crisis in 2019-2021.

Unsurprisingly, the portion of ownership by the acquirer in the previous period had a significant impact on M&A actions carried out in the following period. This result is shown in all tests, both whole sample and sub-sample, with a significance level that is all significant at the 0.01 level. The results of the first stage robustness check show consistency with the tests presented in Table 3, namely that the increasing number of supervisory boards and male supervisory boards will reduce the probability of M&A actions in the target company. Conversely, a female supervisory board at the top position will increase the opportunity for such actions to be carried out. This result remains consistent in the whole sample test and the non-financial firms' sample.

The robustness check is then continued to ensure the consistency of the results. The test is carried out by considering sample companies with a dominant M&A portion, as indicated by a change in the portion of ownership of the acquirer, which is more than half of the total ownership. Considering the risks posed to the acquirer at an increasingly large portion of ownership, this test is necessary. This precautionary principle should cause certain factors that the acquirer should not consider dominant to become statistically insignificant. Table 6 presents the results of this investigation while still considering the crucial variables and indicators that have been tested and presented in the previous tables. The test results on the supervisory board show β values of -0.0136 and -0.0127, respectively, which are significant at the 0.05 and 0.1 levels.

Furthermore, the male supervisory board also has a negative direction coefficient, which is significant at the 0.05 level. These results are consistent with all previous tests. Consistent results are also found on the female supervisory board, which holds the chairperson position, which is indicated by β (0.1222 and 0.1938), with significance levels of 0.1 and 0.01. The following tables (Tables 5 and 6) are for robustness testing. The testing in Table 5 is differentiated based on stake effects and crisis, while in Table 6, the strength is tested based on high M&A.

The study results in Tables 5 and 6 show that increasingly stable performance, growth, and asset maturity make the target company attractive to acquirers. All of these factors are fundamental factors that can support the company's sustainability in the future so that it is undoubtedly attractive to the public, especially the acquirer in strategic efforts such as M&A. The opposite result was found in the target company's leverage variable, namely, there was a negative impact. This opposite impact indirectly reflects two issues. *First* is the risk faced by the company. The increasing use of debt indicates the risk the acquirer will face if the M&A action is carried out. *Second* is the monitoring factor by external parties. The extensive use of debt indirectly shows that creditors increasingly monitor the company, which will cause them to monitor and control all strategic actions of the target company. Indirectly, this M&A action will exacerbate type III agency conflict (agency theory (Jensen & Meckling, 1976)).

This study begins the investigation of M&A issues by examining the entire supervisory board in the action. The investigation then continues by narrowing down to the core variable that is the main objective of this study, namely, gender diversity. The study's results on the main model, which is built based on the baseline model that has been tested previously, document several significant findings. Initial findings indicate that a greater number of supervisory boards in a company causes a decrease in the portion of M&A. This finding confirms the defense effect on the target company (entrenchment hypothesis (Claessens & Fan, 2002)). In this case, the supervisory board, which is also indirectly a reflection of the former shareholders in the target company, will indirectly harm them during the M&A action because of two logics.

First, related to the portion of ownership. Although after M&A, the company's business scale will be larger, its ownership portion will decrease, which means that the rights and authority to control the company will be reduced. In this case, even though the previous management was inefficient, the old ownership will still be maintained because the parties participating in control under the existing ownership structure may be incentivized to inhibit changes in the ownership structure (Bebchuk & Roe, 1999). Borrowing the term rent protection theory (Bebchuk, 1999), this entrenchment condition will be more

apparent when companies with ownership in the target company are increasingly concentrated so that they will prefer to bear the costs involving the ownership structure rather than relinquishing their control keys to the company. *Second*, it is related to their position on the supervisory board. In this case, the acquirer's portability of GCG to the target company is common (Hussain & Loureiro, 2022), which can cause their position to be replaced by another party.

In line with the testing on the supervisory board, the results of the investigation on the male supervisory board also showed similar results. This result is certainly not surprising because of the dominance of males on the board compared to females. The minimal position of females on the supervisory board causes their contribution to be invisible in the M&A actions of companies in Indonesia. In this case, a skewed group occurs (critical mass theory (Kanter, 1977)) where, on average, companies in Indonesia that carry out M&A actions have a female board members percentage of only 9.79 percent, which means that males hold more than 90 percent of the supervisory portion of the company. In this case, female board members do not have an important role related to their function in the boardroom. Increasing their relative numbers will give females power and bring a different knowledge base and perspective (Joecks et al., 2013).

A female with agile and rule-abiding individual characteristics (Mulyanti et al., 2025) will benefit the company. Female board members provide added value and tend to avoid risks (Ballester et al., 2020; Belaounia et al., 2020). However, this will not occur when their power is minimal. Therefore, this study investigates the role of female board members if they are in positions of power. The results of testing the main model show that female board members in top positions significantly increase M&A activity. These results confirm the assumption of the glass ceiling, namely that when female board members have obtained a strong position, they will try to show their superior capacity in the hope of maintaining their position by working hard (Gao et al., 2024). The top position on the supervisory board also allows them to act more freely based on personal interpretations, based on the construct of their experience, values, and personality, so that female board members in this position become attractive to outsiders. In this case, female board members who have power will also smooth M&A if it is considered to create synergy. Satisfaction (Mo et al., 2024) and power will manage the risk, impacting the firm's performance (Aung et al., 2024). As a result, the portion of M&A in the company will be increasingly dominant.

The main result of this study showing that females can positively influence M&A outcomes is in line with previous studies (Alessio & Vasilakis, 2024; Tampakoudis et al., 2022), although there are also differences in the test results by previous researchers (García & Herrero, 2022). The differences are due to the different dominance of females. Their contribution to the company's board in this study was more visible when they occupied top supervisory board positions. These findings highlight significant theoretical and empirical contributions to the literature. Unlike previous studies focusing on acquiring a firm or treating the board as a homogeneous entity, this study introduces several key novelties.

First, it shifts the focus to the target firm's supervisory board. This area has rarely been explored, especially in developing countries that adopt the concept of a two-tier board system. *Second*, this study uniquely emphasizes the power and influence of female board members, not just their presence, demonstrating that females in leadership roles play a distinct role in driving M&A activity. *Third*, by analyzing data from Indonesia, a country with weak shareholder protection, no mandatory gender quotas, and high information asymmetry, this study provides insights into how governance mechanisms operate under institutional fragility. *Fourth*, this study examines M&A behavior during two major crises, the global financial crisis and COVID-19, adding a dynamic layer to understanding gender, governance, and corporate strategic action. This contribution enriches the critical mass, upper-echelon, and entrenchment theory theories by offering a novel lens on how gender-diverse governance influences strategic decisions in emerging markets.

The consistency of the test results in this study has essential contributions and implications. From a theoretical perspective, the results of this study enrich the body of knowledge related to gender issues concerning CG and, more specifically, corporate action issues. By shifting the focus to the target company in M&A actions, which is unlike most mass research, this study enriches the critical mass theory (Kanter, 1977) related to boardroom member diversity, upper-echelon theory (Hambrick & Mason, 1984), which emphasizes the importance of top positions on the board, and at the same time emphasizes the agency theory issue (Jensen & Meckling, 1976) in the strategic corporate action. The presence of a female in top supervisory board positions has been shown to have a dominant role in determining the success of a company's M&A. Unlike men who occupy board positions that reject M&A, the presence of female board members in the top position will increase the positive opportunities for the company's action. Indirectly,

these results confirm men's fears of M&A actions that can destroy their position in the company, while the presence of females seems to balance and form a new axis of power that can be a balancer and simultaneously strengthen the implementation of CG. The results of this study certainly offer a new nuance to understanding governance in the scope of M&A.

The practical implications of this study are especially for companies and regulators. The results of this study contribute to the understanding of CG in emerging markets, which shows the impact of gender diversity on M&A that may differ from that in developed economies. This study highlights the need for policies tailored to the unique challenges and institutional contexts in developing countries where shareholder legal protection may be weaker and CG reforms are still developing. Therefore, this study underlines that regulators in such countries must formulate more transparent and robust regulations requiring gender diversification on female supervisory boards. This regulation will encourage increasingly solid CG practices, and promoting the adoption of gender-balanced boards can play a crucial role, especially in the context of strategic corporate actions such as M&A.

For companies in developing countries, although it may not be required by regulation, it is necessary to consider placing female representatives on the board. If needed, the presence of female board members must pay attention to their dominance by considering the critical mass theory (Kanter, 1977). In countries that adopt a two-tier board system, the placement of female board members, especially in dominant positions, namely on the supervisory board, is to ensure their dominance on the board (upper-echelon theory (Hambrick & Mason, 1984). The selection of female board members must also be based on their competence and qualifications, not on tokenism or the glass cliff concept, to ensure their effective contribution to CG. Their presence on the board will be increasingly valuable in a volatile environment.

Nevertheless, the results of this investigation are robust; the results of this study need to be interpreted and implied carefully. Regulations related to determining female quotas on the board are also not absolute because 'One-size-fits-all' does not always apply to all companies because various cultures and company characteristics will influence them. The decision to entrust certain positions in the boardroom must be based more on female competence and company characteristics. Finally, academics can use these results for future research. As with research in general, this study has its limitations. This investigation did not specifically explore the reactions of the two parties, namely from the acquirer's side or the female board's side, right before and after the M&A announcement. This study also did not explore the glass cliff issue, especially in the male boardroom, which was initially included in the characteristics of a uniform group (critical mass theory (Kanter, 1977)). By all means, this limitation opens the opportunity for future research related.

CONCLUSION

This study contributes to the growing body of literature on corporate governance and strategic financial decisions by investigating the nuanced role of gender diversity on supervisory boards in influencing M&A actions in the unique institutional context of an emerging economy. While extensive research has examined the impact of CG on firm performance, capital structure, and long-term value creation, there is minimal empirical evidence on how gender composition, particularly of target firms' supervisory boards, shapes control over corporate transactions in emerging markets. Using Indonesian firms characterized by high ownership concentration, weak shareholder protection, civil law, and the absence of mandated gender quotas, this study addresses a critical gap in the literature. Drawing on theoretical frameworks such as resource dependence theory, agency theory, absorptive capacity theory, upper-echelon theory, and critical mass theory, this study reveals several interesting insights with theoretical and practical implications. First, the results confirm that a larger supervisory board is associated with a greater probability of M&A activity, consistent with the entrenchment hypothesis that threatens their influence and continuity within the firm. Similarly, a dominant supervisory board that appears to act conservatively reduces the likelihood of M&A engagements. However, the most striking contribution of this study lies in the finding that the presence of female supervisory board members, especially when they hold influential or senior positions, significantly increases the likelihood and intensity of M&A transactions. This study suggests that when females gain significant power in the governance structure, they occupy a symbolic role and actively shape strategic direction. This dynamic provides empirical support for the critical mass theory, which suggests that a threshold level of female representation is necessary to bring about substantive change, and upper-echelon theory emphasizes how top executives' characteristics and cognitive frames influence strategic outcomes. These findings challenge the notion that board diversity requires regulatory mandates, suggesting that empowered female

leaders can drive strategic outcomes. These insights are particularly relevant for policymakers who aim to strengthen governance without relying solely on quotas. Future research could explore board dynamics and cross-country differences to deepen understanding of gender and corporate strategy.

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AUTHOR CONTRIBUTIONS

A. B.S. is the single author of the article. The author solely conducted this research, including conceptualization, data collection, analysis, interpretation, and manuscript preparation.

CONFLICTS OF INTEREST

The author(s) declare no conflict of interest.

USE OF ARTIFICIAL INTELLIGENCE (AI)-ASSISTED TECHNOLOGY

The authors declare that no artificial intelligence (AI) tools were used in the generation, analysis, or writing of this manuscript. All aspects of the research, including data collection, interpretation, and manuscript preparation, were carried out entirely by the authors without the assistance of AI-based technologies.

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Table 4. Regression Results

	Whole Sample					Non-Financial Firms				
	Baseline	Main Model				Baseline	Main Model			
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Board		-0.0118** (0.0057)					-0.0120** (0.0058)			
Male board members			-0.0117** (0.0057)					-0.0118** (0.0058)		
Female board members				-0.0051 (0.0204)					-0.0058 (0.0207)	
Female (chairperson)					0.0959** (0.0414)					0.1174*** (0.0420)
Performance	0.0441*** (0.0136)	0.0460*** (0.0131)	0.0472*** (0.0129)	0.0431*** (0.0136)	0.0433*** (0.0126)	0.0440*** (0.0137)	0.0458*** (0.0131)	0.0468*** (0.0130)	0.0431*** (0.0137)	0.0423*** (0.0125)
Leverage	-0.0783** (0.0370)	-0.0669* (0.0363)	-0.0678* (0.0361)	-0.0670* (0.0369)	-0.0699* (0.0371)	-0.0752** (0.0373)	-0.0637* (0.0366)	-0.0647* (0.0364)	-0.0637* (0.0372)	-0.0657* (0.0375)
Growth	0.0014** (0.0006)	0.0013** (0.0006)	0.0013** (0.0006)	0.0014** (0.0006)	0.0015*** (0.0006)	0.0014** (0.0006)	0.0013** (0.0006)	0.0013** (0.0006)	0.0014** (0.0006)	0.0015*** (0.0006)
Maturity	0.0910** (0.0458)	0.0927** (0.0466)	0.0935** (0.0464)	0.0766* (0.0455)	0.0868* (0.0453)	0.0916** (0.0460)	0.0929** (0.0467)	0.0934** (0.0465)	0.0774* (0.0458)	0.0874* (0.0453)
Constant	0.6138*** (0.0327)	0.6517*** (0.0364)	0.6460*** (0.0356)	0.6155*** (0.0331)	0.6048*** (0.0317)	0.6120*** (0.0332)	0.6509*** (0.0372)	0.6456*** (0.0365)	0.6136*** (0.0335)	0.6030*** (0.0318)
R-squared	0.0851	0.1075	0.1062	0.0849	0.1046	0.0838	0.1068	0.1055	0.0839	0.1100

Notes: This table reports the robust regression baseline and main model tests in this study involving (1) whole sample and (2) non-financial firms. The baseline model tests the role of the company's financial performance, leverage, growth, and asset maturity on M&A stakes. Furthermore, the main model tests the role of the supervisory board, especially gender diversification, on the proportion of M&A. Robust standard errors in parentheses. The accented signs ***, **, and * indicate significance values at the 0.01, 0.05, and 0.1 levels, respectively.

Table 5. Robustness checks: Stakes effects and crisis

	Whole Sample				Non-Financial Firms			
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Stakes _{t-1}	-0.1618*** (0.0503)	-0.1630*** (0.0502)	-0.1676*** (0.0508)	-0.1756*** (0.0500)	-0.1629*** (0.0509)	-0.1645*** (0.0507)	-0.1677*** (0.0514)	-0.1820*** (0.0502)
Board	-0.0103* (0.0055)				-0.0104* (0.0056)			
Male board members		-0.0103* (0.0055)				-0.0105* (0.0056)		
Female board members			-0.0022 (0.0196)				-0.0025 (0.0198)	
Female (chairperson)				0.1060** (0.0425)				0.1349*** (0.0384)
Performance	0.0375*** (0.0133)	0.0385*** (0.0132)	0.0350** (0.0137)	0.0345*** (0.0128)	0.0370*** (0.0134)	0.0379*** (0.0132)	0.0347** (0.0137)	0.0327** (0.0127)
Leverage	-0.0414 (0.0364)	-0.0420 (0.0361)	-0.0403 (0.0369)	-0.0421 (0.0368)	-0.0371 (0.0368)	-0.0378 (0.0366)	-0.0359 (0.0373)	-0.0357 (0.0372)
Growth	0.0011* (0.0006)	0.0011* (0.0006)	0.0013** (0.0006)	0.0013** (0.0006)	0.0011* (0.0006)	0.0011* (0.0006)	0.0013** (0.0006)	0.0013** (0.0006)
Maturity	0.0875* (0.0457)	0.0884* (0.0455)	0.0746* (0.0449)	0.0851* (0.0441)	0.0879* (0.0458)	0.0886* (0.0455)	0.0758* (0.0451)	0.0864* (0.0440)
Constant	0.6711*** (0.0367)	0.6668*** (0.0359)	0.6394*** (0.0335)	0.6304*** (0.0318)	0.6709*** (0.0377)	0.6672*** (0.0370)	0.6379*** (0.0340)	0.6297*** (0.0319)
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1561	0.1558	0.1390	0.1634	0.1575	0.1573	0.1401	0.1748

Notes: This table presents the robustness checks of the main model in this study based on the whole sample and testing only on non-financial firms. Testing by (1) involving the size of the acquirer's ownership proportion exactly one period before the M&A was carried out and (2) considering the effects of the crisis that can be a confounding effect during the analysis period. Robust standard errors are in parentheses. The accented signs ***, **, and * indicate significance at the 0.01, 0.05, and 0.1 levels, respectively.

Table 6. Robustness checks: High M&A

	Whole Sample				Non-Financial Firms			
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Stakes _{t-1}	0.6888*** (0.1557)	0.6833*** (0.1494)	0.6393*** (0.1218)	0.6881*** (0.1207)	0.6656*** (0.1570)	0.6752*** (0.1525)	0.6297*** (0.1223)	0.6867*** (0.1219)
Board	-0.0136** (0.0063)				-0.0127* (0.0067)			
Male board members		-0.0155** (0.0066)				-0.0166** (0.0067)		
Female board members			0.0191 (0.0329)				0.0220 (0.0340)	
Female (chairperson)				0.1222* (0.0657)				0.1938*** (0.0369)
Performance	0.0444*** (0.0165)	0.0457*** (0.0160)	0.0438*** (0.0158)	0.0428** (0.0168)	0.0423** (0.0164)	0.0436*** (0.0160)	0.0423*** (0.0158)	0.0373** (0.0169)
Leverage	-0.0921* (0.0482)	-0.0930* (0.0470)	-0.0863* (0.0486)	-0.0234 (0.0507)	-0.0894* (0.0490)	-0.0906* (0.0475)	-0.0827* (0.0491)	-0.0141 (0.0510)
Growth	0.0010* (0.0006)	0.0010* (0.0006)	0.0013** (0.0006)	0.0013** (0.0006)	0.0012** (0.0005)	0.0009 (0.0006)	0.0013** (0.0006)	0.0013** (0.0006)
Maturity	0.1542*** (0.0572)	0.1586*** (0.0560)	0.1336** (0.0546)	0.1440** (0.0590)	0.1499** (0.0573)	0.1537*** (0.0560)	0.1297** (0.0546)	0.1387** (0.0587)
Constant	0.6832*** (0.0457)	0.6834*** (0.0448)	0.6340*** (0.0411)	0.5825*** (0.0448)	0.6880*** (0.0470)	0.6927*** (0.0461)	0.6367*** (0.0414)	0.5870*** (0.0447)
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1802	0.1884	0.1513	0.1488	0.1706	0.1871	0.1466	0.1689

Notes: This table presents the results of testing all main models in this study by considering the sensitivity of the M&A proportion, namely, with the M&A proportion exceeding fifty percent. The test still considers the sensitivity of the previous period's ownership proportion and the effects of the crisis during the investigation period. Robust standard errors are in parentheses. The signs ***, **, and * indicate significance at the 0.01, 0.05, and 0.1 levels.