

## DOCTORAL THESIS

### Board Diversity and Enterprise Risk Management Implementation in Banking Industry

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## **Abstract**

Enterprise risk management (ERM) refers to a holistic approach of corporate risk management. The global financial crisis restates the importance of ERM to safeguard stakeholders' interests. The board of directors takes the main responsibility of risk management and hence the board composition could be a key determinant for the success of ERM implementation. In this study, I examine the effect of board diversity on ERM implementation in the U.S. banking industry. Based on a multidimensional board diversity index of banks during the sample period from 2004 to 2013, I find strong evidence that banks with diverse boards are more likely to implement ERM. In cross-sectional tests, I examine the moderating effects of bank risk exposures and external scrutiny. I find that the effects of board diversity on banks' ERM implementation are stronger for banks with lower regulatory capital and higher duration ratio, for larger banks that are subject to tighter regulation, and for banks that are audited by Big N auditors. In additional tests, I provide evidence that ERM implementation mitigates future non-performing loans and drives future derivative hedging activities.

**Keywords:** Enterprise risk management; Board diversity; Corporate governance; Banking industry