

The Power of Transparency: How Cyber Security Disclosure and Board Composition Shape Financial Performance

Ngoc Thuy Trang Le

Ph.D. Student, Faculty of Management and Economics, Tomas Bata University in Zlin, Czech Republic.

Drahomíra Pavelková

Professor, Head of the Department of Finance and Accounting, Faculty of Management and Economics, Tomas Bata University in Zlin, Czech Republic.

Abstract:

In the era of digitalization and the rapid expansion of internet technology, cybersecurity threats have intensified, posing significant challenges to businesses worldwide. This growing concern has led to a widespread reinforcement of cybersecurity practices. Against this backdrop, this study investigates the relationship between Cyber Security Disclosure (CSD) and financial performance. Additionally, the study examines the mediating role of board diversity and the moderating effect of independent board members in this relationship. Grounded in Resource dependence theory, this study employs a dataset of Europe's 49 largest publicly listed companies by revenue. It applies multivariate regression analysis to test the proposed hypotheses. The findings reveal that CSD significantly positively impacts financial performance, emphasizing that transparency in cybersecurity risk disclosure enhances investor confidence, strengthens corporate reputation, and improves financial efficiency. Moreover, board diversity acts as a mediator, amplifying the effectiveness of cybersecurity disclosures and contributing to better financial outcomes. Furthermore, the proportion of independent board members is a moderator, indicating that firms with more independent directors can better leverage CSD to enhance governance oversight and cybersecurity risk management, ultimately achieving superior financial performance. This study significantly contributes to corporate governance and financial management by integrating cybersecurity, board structure, and financial governance into a comprehensive analytical framework. The findings provide valuable practical implications for managers, investors, and policymakers, underscoring the importance of developing robust cybersecurity governance strategies, fostering board diversity, and strengthening board independence to ensure sustainable and stable financial growth in the digital business environment.

Keywords:

Cyber Security Disclosure, Board Diversity, Independent Board Members, Financial Performance.