The CFO Role in the Boards of Directors of Maltese Listed Entities

by

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A dissertation submitted in partial fulfilment of the requirements for the award of the Master in Accountancy degree in the Department of Accountancy at the Faculty of Economics, Management and Accountancy at the University of Malta

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Abstract

TITLE: The CFO Role in the Boards of Directors of Maltese Listed Entities

PURPOSE: The objectives of the study are threefold: (i) to ascertain how, if in any way, MLEs require CFOs to participate as BMs, or as regular Board participants, or as not regular but specially invited participants on their Boards, or not inviting CFOs to participate at all on such Boards; (ii) to evaluate the pros and cons of the preferred type of participation from the perspectives of both the CFOs themselves and other BMs and (iii) to analyse the wider positive and/or negative CG implications of CFO Board presence upon the Board directors, managers and shareholders of MLEs.

DESIGN: A mixed research methodology was adopted. Semi-structured interviews were conducted with 10 BMs and 16 CFOs from MLEs. Additionally, written responses were obtained from three additional BMs and two CFOs, bringing the total number of participants to 31.

FINDINGS: The findings underscored MLEs' preference for CFOs as regular participants rather than BMs, thus maintaining financial oversight while preserving independent management scrutiny. The benefits of such type of participation included improved financial understanding and communication among directors. Factors such as CFO shareholding, Board financial literacy, and entity complexity influenced the type of participation. The acceptability of current CFOs on other MLE Boards was noted, as was the presence of ex-CFOs with cooling-off periods. Challenges included potential clashes between current CFOs and ex-CFOs and balancing of Board commitments with day-to-day work by CFOs. Despite some concerns, CFO Board participation was seen as aiding strategic alignment, providing managers with strategic insights and enhancing shareholder confidence. Small Maltese shareholders showed little concern, while large institutional shareholders were reassured by the Board presence of CFOs.

CONCLUSIONS: The study concludes that CFO regular participation but non-Board membership is the preferred type of CFO Board participation for MLEs. This facilitates independent scrutiny while prioritising financial considerations. Despite the challenges faced by CFOs in participating on MLE Boards, these including the time commitment involved, the advantages of such participation outweigh the disadvantages, and such participation satisfies the needs of directors, managers and shareholders.

IMPLICATIONS: The study seeks to highlight to MLEs the significance, advantages and disadvantages of CFO Board participation and the broader CG implications for directors, managers, and shareholders. The recommendations being forwarded are designed to help MLEs establish a framework to ensure that CFOs attend Board meetings with no negative implications on independence, ultimately fostering governance.

KEYWORDS: Chief Financial Officer, Board of Directors, Maltese Listed Entities, Corporate Governance

Dedication

To my family, for their unwavering
love, patience, understanding,
and relentless encouragement

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Finally, I extend my thanks to God, who has been with me every step of the way.

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List of Abbreviations

ACL	Alternative Companies List
Board(s)	Board(s) of Directors
BM(s)	Board Member(s)
CEO(s)	Chief Executive Officer(s)
CFO(s)	Chief Financial Officer(s)
CG	Corporate Governance
ED(s)	Executive Director(s)
ESG	Environment, Social, and Governance
IFAC	International Federation of Accountants
IFSM	Institutional Financial Securities Markets List
INED(s)	Independent Non-Executive Director(s)
M&A	Memorandum and Articles of Association
MBR	Malta Business Registry
MLE(s)	Maltese Listed Entity/(ies)
MSE	Malta Stock Exchange
NED(s)	Non-Executive Director(s)
Std. Dev	Standard Deviation
U.S.A	United States of America

Chapter 1
Introduction

1.1 Introduction

This Chapter introduces the study as depicted in Figure 1.1 below. Section 1.2 gives a background to the study. Next, Section 1.3 elaborates on the rationale for the study while Section 1.4 outlines the research objectives. Thereafter, the scope and limitations of the study are explained in Section 1.5. Ultimately, a synopsis of the study is presented in Section 1.6.

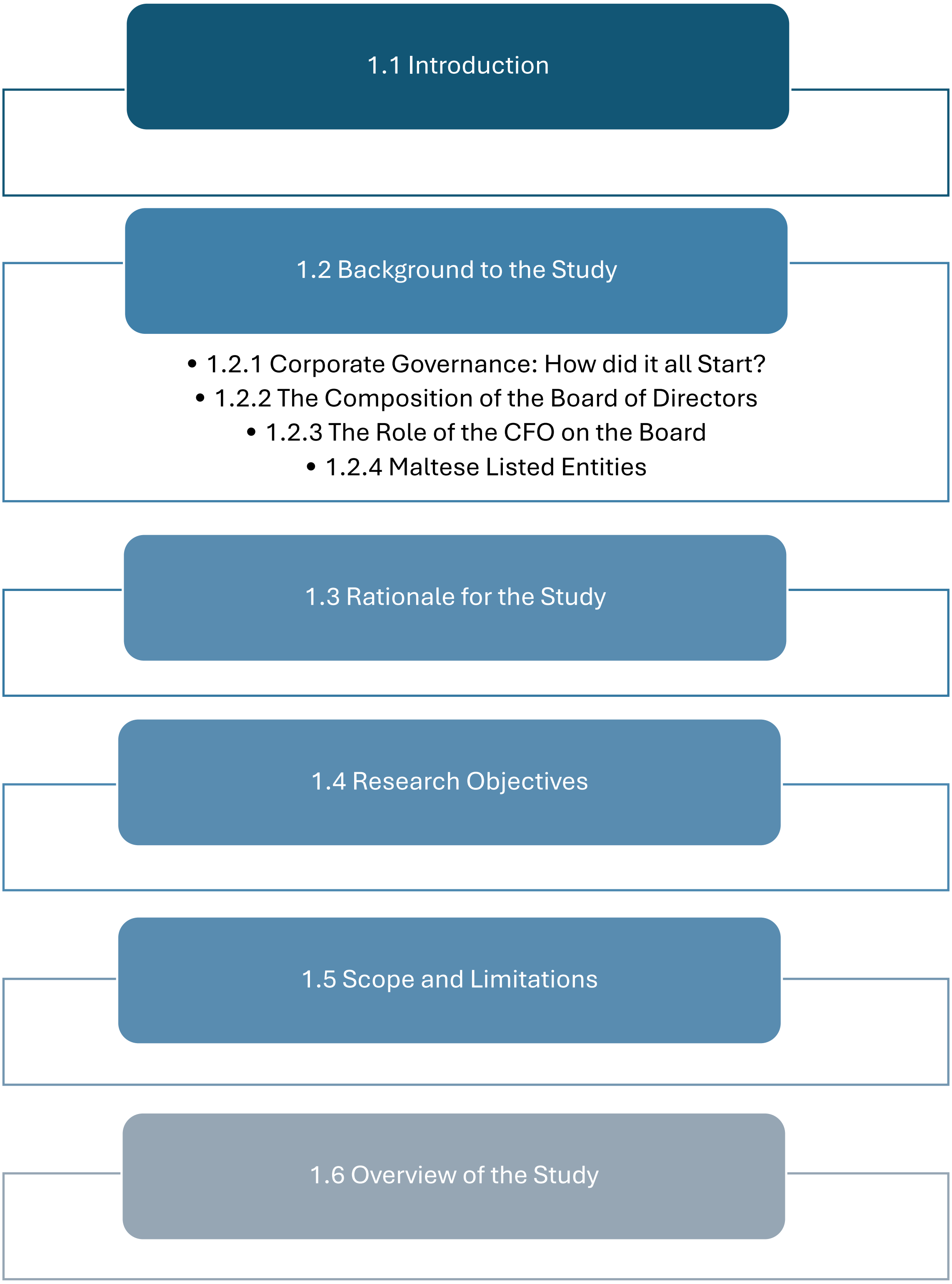

Figure 1.1: Outline of Chapter 1

1.2 Background to the Study

1.2.1 Corporate Governance: How did it all Start?

Corporate governance (CG) was initiated when the corporate form created conflicts between managers and investors, commonly known as principal-agent problems (Wells 2010). In a nutshell, the agency theory contemplates that shareholders *(principals)* appoint salaried managers *(agents)* to maximise their wealth. However, managers due to their self-serving behaviour, tend to end up aiming for satisfactory results instead of maximising the entity's performance (Bonazzi, Islam 2007). For this reason, various entities began introducing various rewards and punishments to try to match the managers' interests with those of the shareholders (Pike, Neale 2009).

CG was long ignored worldwide, especially in the United States of America (U.S.A), and it was only at the beginning of the twenty-first century as a result of various corporate failures that a renewed interest was taken in this subject. Perhaps, one of the biggest CG failures of all time is that of Enron and Parmalat (Dibra 2016) where investigators found senior managers who acted in their own self-interest in a fraudulent manner (Crête 2016). More recently in 2014, a similar case ensued with the revelation of the Volkswagen Emissions scandal (Poier 2020) while in 2020 the CG failure of YES Bank fiasco, one of India's largest private banks, proved that there were top-tier managers who put their self-interests first at the expense of shareholders' wealth (Deb 2021). Similarly, in the Maltese scenario, the bankruptcy cases of Supermaster and Price Club supermarkets provided substantial evidence that poor CG is also present here in Malta (Sant 2003).

1.2.2 The Composition of the Board of Directors

As described in the previous section, the CG of any listed entity mostly revolves around shareholders, who are its main stakeholders, the Board of directors (Board), who acts as a main monitor, and the managers of the entity, who act as controllers. The interlinks between ownership, monitoring and control are illustrated in Figure 1.2.

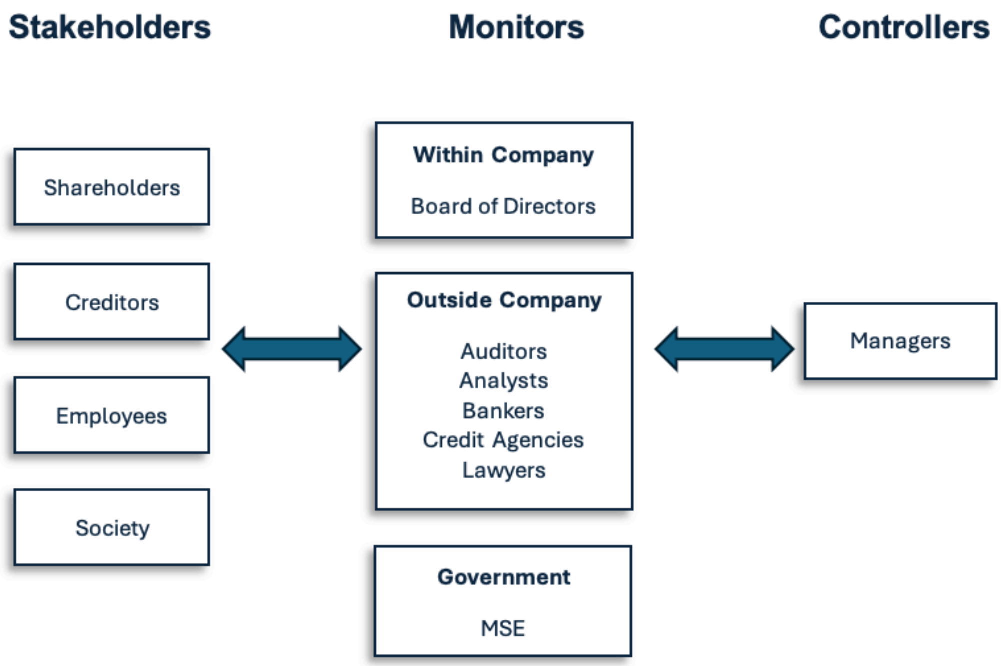

Figure 1.2: Separation of Ownership, Monitoring and Control in Listed Entities

Amended from Adegbite (2010, p.6)

On their part, shareholders invest their hard-earned cash into their owned entities in the form of equity capital in return for any residual cashflows that the entity might have after meeting its expenses (Pike, Neale 2009). Furthermore, the Board appointed by the shareholders monitors the entity and reports any important business matters to such shareholders (Armstrong, Guay et al. 2010, Cadbury 1992). Meanwhile, the managers control and run the entity on a day-to-day basis. Nevertheless, as may be seen, every entity also has various other stakeholders, including creditors, employees and society, as well as other monitors, including auditors, analysts, bankers, credit agencies and lawyers. These stakeholders and monitors also play their part, albeit small, in CG.

Notably, the active role which directors play on their Boards (Coles, McWilliams et al. 2001) may serve as the basis and vital element in mitigating the agency problem (Jensen, Meckling 1976) referred to earlier[1]. In fact, Board directors have a further two roles in addition to that of monitoring managers. These relate to establishing connections with the entity's external environment and setting the entity's decision-making process and strategy (Magnanelli, Pirolo 2021, Şener, Varoğlu et al. 2011).

The number of members constituting a Board is also said to influence and affect the entity's performance. In fact, a study carried out by Merendino and Melville (2019) and Orozco, Vargas et al. (2018) found out that, the lower the number of members on the Board, the better the results with respect to entity performance. With regards to Malta, the Companies Act 1995 does not indicate any minimum or maximum number of directors on Maltese Listed Entity (MLE) Boards but simply states that such Boards *"should be of sufficient size"* (MFSA 2011, p.4). In fact, Baldacchino, Camilleri et al. (2020) describe the Maltese regulatory framework in this regard as being *"lax"* and claims that there is a "*strong resistance to change"* with respect to changing the number of Board Members (BMs). Nonetheless, the Code does recommend that a Board should be made up of an unspecified number of executive directors (EDs) and non-executive directors (NEDs). The latter can be categorised as independent or non-independent. EDs are directors who also form part of the officers, employees or managers of an entity (Anand 2007), while NEDs are directors who are neither employed nor involved with the daily management of an entity (Caruana 2017). The different types of directors are detailed in Figure 1.3.

[1] Vide S.1.2.1

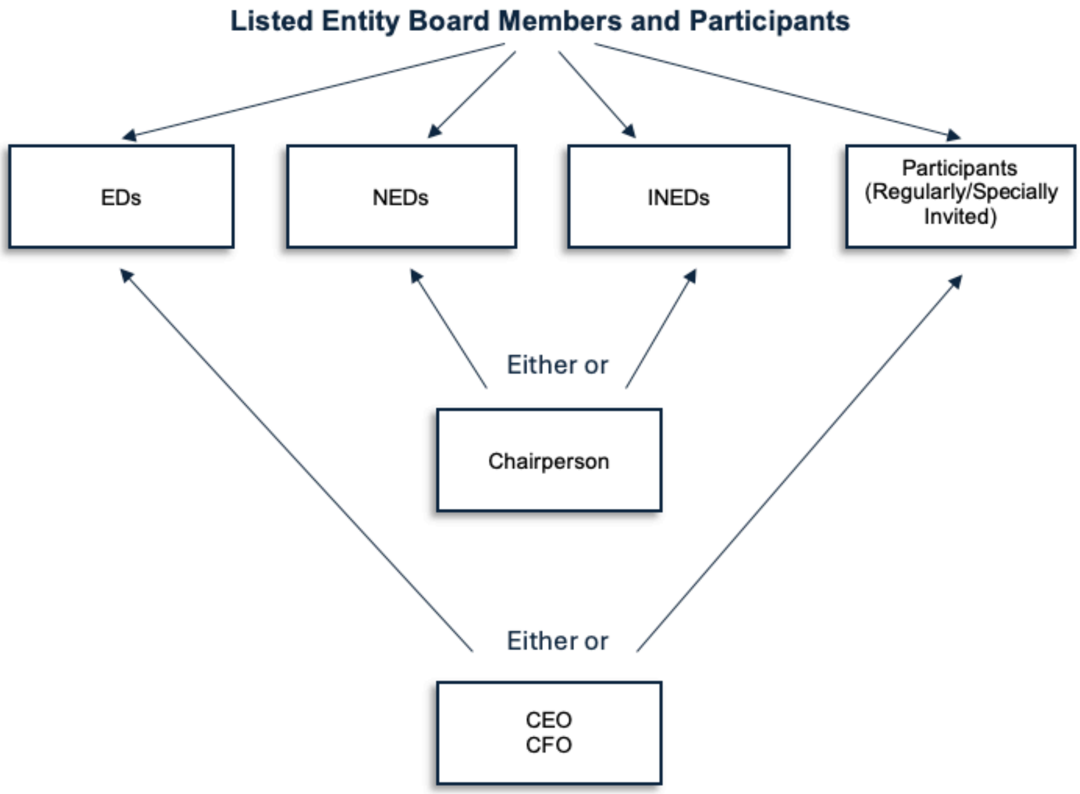

Figure 1.3: The Types of Directors, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and Other Executives in Listed Entity Boards

Source: Author

1.2.3 The Role of the CFO on the Board

The role of CFOs on Boards of listed entities has long been discussed. They form part of the top-level management of any listed entity and may be required to serve as BMs (Mobbs 2018). Past research has identified that Board seats incentivise CFOs towards proposing further new projects (Acharya, Meyers et al. 2011) and renders them more influential in Board decisions (Adams, Ferreira 2007). Moreover, such Board membership may offer CFOs the opportunity to acquire needed industry experience (Deloitte 2023). However, in view of increased regulations, such as the Sarbanes-Oxley Act (SOX) 2002 in the USA, many overseas listed entities began to remove their CFOs from their Boards as part of an effort towards securing more Board independence from the entities' executives (Adams, Ferreira 2007). In addition, the removal of CFOs from Board membership would result in them not being unnecessarily held accountable, both legally and ethically, in the fulfilment of their responsibilities (Deloitte 2023).

In this connection, in 2014, the Center for Effective Organizations carried out a study on Board meeting participation of various high-level executives within listed entities in the U.S.A. It discovered that, for most entities, the CFOs were either BMs or executives who were generally present during Board meetings (Lawler, Finegold 2006). Furthermore, the percentage of CFOs in 2014 who were listed entity BMs in the U.S.A was only 8% while, in comparison, in Australia it was much higher at 42% (Bedard, Hoitash et al. 2014). Since then, company legislation in many countries has been further changed to require that at least one financial expert sits on any listed entity's Board. This has led to the inclusion of many CFOs on such Boards. For example, in the U.S.A, all S&P 500 Boards now comprise such experts as opposed to just 21% in 2003 (Karaian 2014).

1.2.4 Maltese Listed Entities (MLEs)

A listed entity is defined by the Financial Markets Act 1991 Art. 2[1], as one whose financial instruments have been accepted to be traded on a trading venue. There are three main recognised trading venues within the Malta Stock Exchange (MSE). These include the Official List composed of both equity-listed and bond-listed entities, the Alternative Companies List (ACL) and the Institutional Financial Securities Markets List (IFSM). The three trading venues demand different sets of requirements for a listing to be admitted (MFSA n.d). This study will be limited to entities that are listed on the Official list. As of 31st March 2024, these consist of 32 equity listed entities and 70 bond listed entities (MSE 2024). The Code of Principles of Good Corporate Governance for Listed Entities published by the MFSA requires all such listed entities to be *"headed by an effective board"* (MFSA 2011, p.9). It also suggests that a minimum of one-third of BMs are NEDs so as to ensure fairness within the Board's decision-making process (MFSA 2011).

1.3 Rationale for the study

From the economic downturn of the 2007-2008 financial crisis to the recent COVID-19 pandemic crisis, the introduction of more rigid regulatory frameworks including stronger professional and ethical standards both in Malta and abroad have exacerbated the need for listed entities to exercise more transparency, effective internal controls, financial record accuracy, more attention towards compliance and improved communication with the various stakeholders. Ultimately, it is the role of CFOs to carry out most of these functions or, at least, to ensure that these are carried out well by their entities. Consequently, CFOs need to further support the Board in maintaining the trust and confidence of the various stakeholders, monitors and controllers in such oversight responsibilities and particularly in their entities' published set of financial statements.

Past related studies have mostly dealt with the changing role of the CFO (Buttigieg 2013), as well as with Board composition and mix (Nawaz 2022, Geddes, Vinod 2002, Caruana 2023). However, to the knowledge of the author, the role/s that the Maltese CFOs play in their Boards and their CG implications have not as yet been dealt with in any detail. Therefore, given the increased worldwide focus on the CFO's role in Boards of listed entities (IFAC 2013), this study intends to meet such a local literature gap. This will hopefully be helpful for MLEs in their dealings with their CFOs and particularly in deciding how their CFOs are best to participate in their Boards.

1.4 Research Objectives

The objectives of the study are three fold as follows:

1. To ascertain how, if in any way, MLEs require CFOs to participate
   - as BMs; or
   - as regular Board participants; or
   - as not regular but specially invited participants;

   or not inviting them to participate at all on their Boards.
   This includes ascertaining the MLEs' rationale for such participation or lack thereof.

2. To evaluate the pros and cons of the preferred type of participation from the perspectives of both the CFOs themselves and other BMs.

3. To analyse the wider positive and/or negative CG implications of CFO Board presence upon the Board directors, managers and shareholders of MLEs.

1.5 Scope and Limitations

While CFO Board participation is relevant to every entity, this study focuses on such participation in MLEs. This study excludes those activities that MLE CFOs may be undertaking beyond those related to their respective Boards except wherever such activities are considered to be relevant. Additionally, it reflects any major Maltese and international developments up to 31st March 2024 which relate to the role of such CFOs within their Boards.

1.6 Overview of the Study

Chapter 1 gives a detailed background to this study and explains the need for the study and the research objectives that are the basis of this study.

Chapter 2 elaborates on both international and Maltese literature about the role of the CFO on the Boards of listed entities.

Chapter 3 focuses on the research methodology chosen for this dissertation study.

Chapter 4 unveils the research findings obtained from the conducted semi-structured interviews.

Chapter 5 discusses the research findings outlined in Chapter 4, and compares with the literature presented in Chapter 2.

Ultimately, **Chapter 6** concludes the study by presenting a summary of the key findings, while recommending and proposing areas vital for future research. Figure 1.4 below presents the sequence of the study as discussed.

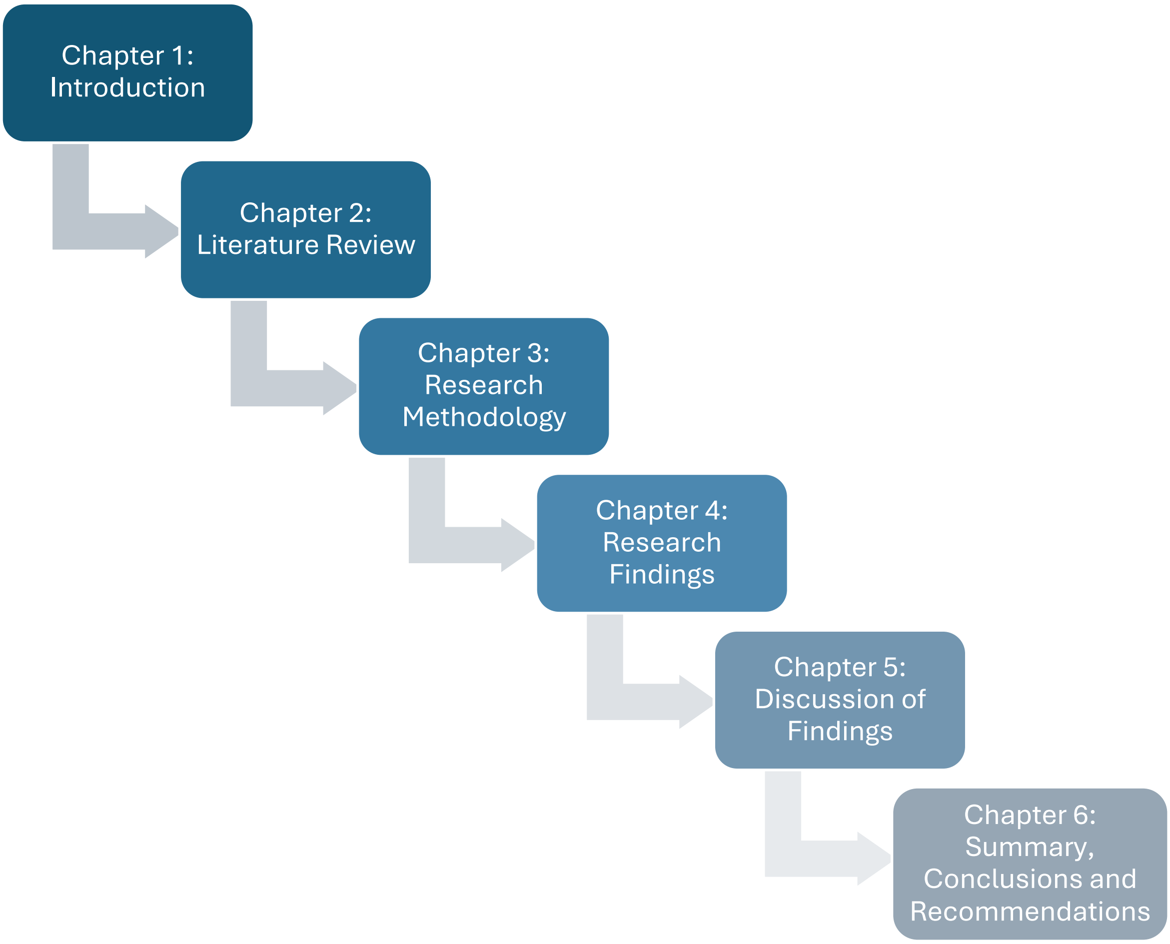

Figure 1.4: Overview of the Study in Sequential Order

Chapter 2
Literature Review

2.1 Introduction

In this Chapter, an examination of both domestic and international literature pertaining to the research area is presented. Figure 2.1 illustrates the structure of this Chapter. Section 2.2 explores the CFOs' type of participation on entity Boards and its rationale, and the pros and cons of such participation are then discussed in Section 2.3. Subsequently, Section 2.4 offers insights into the wider positive and/or negative CG implications of the different types of CFO Board presence on the directors, managers and shareholders of listed companies. Section 2.5 concludes this Chapter.

Figure 2.1: Outline of Chapter 2

2.2 The CFOs' Types of Participation on Entity Boards and Their Rationale

Reading through the 2018 UK Corporate Governance Framework, one might conclude that CFOs, as well as other executives, are present in their Board meetings as passive participants to be supervised rather than for them to contribute meaningfully to such meetings (Copnell 2019). With respect to this, Langevoort (2006) also point out that one must be wary of the presence of CFOs in Board meetings as this could lead to financial or undesirable social ties between the CFOs and the other BMs. Alternatively, Copnell (2019) argues that such ties are in fact needed for the transmission of relevant management information and effective communication between the management and the Boards. The dilemma is not only restricted as to whether or not the CFO should be present in Board meetings but is also extended to the type of presence.

Hualun and Tao (2006) state that the size of entities, whether or not the CFOs are shareholders in their entity and the age of the CFOs all act as primary factors in determining the CFO eligibility for CFO Board presence and its kind, in particular as to whether such presence should be extended to Board membership. This suggests that the position of the CFO in CG is primarily influenced by their seniority or rank, rather than the actual role and responsibilities that a CFO should undertake. Ernst & Young (EY) (2012) add that an additional primary factor determining such eligibility is the level of financial expertise otherwise present in the respective Boards. When Boards lack financial expertise, the presence of CFOs in Board meetings becomes necessary.

Nevertheless, for CFOs to participate as BMs is probably becoming more difficult in a changing context wherein there is also an increasing need for other expertise – such as in Cybersecurity and Environmental Social Governance (ESG)– with the result that the available Board space is becoming increasingly limited (Trentmann 2022, SpencerStuart 2023). Perhaps one alternative solution to this dilemma is for the Boards to require a CFO Board presence as specially invited but non-BMs (Low 2017). Another alternative could be to require such CFO presence to be regular in all Board meetings so as to facilitate Board proceedings during the setting up of entity financial policies (Mobbs 2018).

Reflecting today's general worldwide trend towards greater Board independence (Mobbs 2018), the number of CFOs who also act as directors of their own firms is in decline (Gould 2014). Murphy (2012, p.1), a former reporter of the Wall Street Journal (WSJ), comments that:

"Chief financial officers serving as directors in their own companies are a dying breed, thanks to a push for greater board independence".

This fact is further supported by the recently published survey conducted by SpencerStuart (2023) highlighting that more companies forming part of the S&P500 are appointing independent CFOs/financial executives on their corporate Boards. In addition to this, for the most part, entities already have CEOs on their Boards representing management. By appointing their CFOs on their Boards, entities might end up weakening their Board independence and might not allow the audit committee to function independently as it should (Low 2017). Thus, another related issue is the kind of CFO to be potentially invited for Board meetings. Khan and Mauldin (2020) state that normally these would be CFOs engaged in other similar entities while Low (2017) refers to ex-CFOs. In this context, one may need to decide whether 2 or more CFOs may be appropriate for participation in the same Board meetings.

A substantial number of CFOs near retirement from public entities are being offered opportunities to join corporate Boards. Upon stepping down from their CFO positions, they may engage in multiple Board roles, enabling them to contribute and staying professionally engaged without the pressures and responsibilities of the CFO position (SpencerStuart 2023). Outside directorships provide CFOs with the ability to learn from other directors and executives, with the ultimate intention of improving the current practices in their home entity (Khan, Mauldin 2020). Moreover, entities are showing a growing interest in having CFOs taking on roles as outside directors, primarily within the audit committee (EY

2012) as this offers enhanced learning prospects, especially in the case of CFOs lacking accounting background (Cunningham, Myers et al. 2023).

The relationships between the CFO and the CEO and the Boards are crucial. Whether appointed on the Board or otherwise, the CFO primarily interacts on a day-to-day basis with the CEO (Karaian 2014), who is most often referred to as the CFO’s business partner and is normally more present in Board meetings (McCann 2008, IFAC 2013). Together, they help to shape and execute the entity’s strategy (Buerkle 2003). Hence, given also the fact that nowadays CFOs are involved in risk management (Uhde, Klarner et al. 2016), setting the entity’s strategy (Meyer-Doyle 2012, Kisgen 2013, ICAEW 2013, Mbatha 2017), ensuring good CG (Sfeir 2019) and being also involved in developing sustainability practices (Connell 2021), renders CFOs ideal for replacing departing CEOs (Konstans 2013), hence increasing their presence during Board meetings.

2.3 The Pros and Cons of CFO Board Participation

CFOs are spending a substantial part of their working time in their Board meetings, familiarising BMs on the business' unique financial aspects (Cunningham 2006) and creating value for entities (Zorn 2004, Higgins, Gulati 2006, Lees 2014). Consequently, this might lead Boards to decide to appoint their CFOs as additional BMs. According to Low (2017) two of the resulting benefits of such appointment include potential greater financial flexibility, and stronger financial oversight. Mobbs (2018), refers to an additional benefit, which is that of reducing the CEO's influence over the entity's financial decisions (Mobbs 2018). Furthermore, membership of a CFO on the Board is often linked to enhanced performance in Board monitoring. This is attributable to higher internal control quality within the firm and a reduction in audit risk (Liu 2017).

The Canadian Institute of Chartered Accountants emphasises the importance of CFO participation on the Boards of listed entities (Lindsay 2015). Copnell (2019) explains that Boards require their CFOs to act as independent and informed contributors to the Board on most key areas on the Board agenda. The CFOs' vital financial expertise and knowledge can help Boards in devising and evaluating strategic plans (Uhde, Klarner et al. 2016). Moreover, they possess skills which are necessary in effective Board decision making (Copnell 2019). This is also acknowledged by Geiger and North (2008) and Mian (2001). The CFOs' broad knowledge of their entities contribute to the critical assessment of the viability and quality of these strategic plans (Lindsay 2015). Furthermore, by participating on corporate Boards, CFOs tend to gain insights into directing an entity, whilst also enjoying exposure to other entities or industries (Hagel 2013), rendering them more dynamic and up-to-date with recent developments in the market (Trentmann 2022). Lastly, when CFOs are around the leadership table and are the trusted advisors of the Boards, they may question the existing structure and present data which support their arguments (Dennis 2023).

Entities are threatened by risks surrounding their business objectives. As a result, once again, CFOs play a critical role in determining the entity’s financial tenacity to be able to deal with such risks, especially financial ones (Uhde, Klarner et al. 2016). Therefore, Lindsay (2015) recommends that CFOs are to be present on the Boards when strategic plans are being reviewed and approved so that they can provide answers to possible queries that may arise during such a process. Copnell (2019) emphasis that CFOs are to possess good communication skills which are specified by IFAC (2013) as being the effective reporting of risks and other significant matters in a timely manner to the Boards when these arise. Regardless of their volume, all information and analyses only hold value when they can be communicated effectively in such a way that they create a meaningful impact (Lees 2014). Effective communication is crucial, especially when CFOs are addressing performance concerns. It is essential for CFOs to acknowledge and commend high performance consistently so as to maintain staff motivation. Conversely, when facing subpar performance, CFOs should offer constructive feedback to foster improvement (Buttigieg 2013).

In addition, Muttakin, Khan et al. (2019) argue that CFO Board membership can help increase the timely reporting of negative news to other BMs. CFOs can also establish strong connections with fellow BMs and align their individual goals with those of the Board (Hillman, Dalziel 2003, Adams, Ferreira 2007). Information, especially numbers, could lead to different interpretations and wrong decisions might be taken. By including CFOs as part of the Board meetings or as BMs, all BMs would be better able to understand the numbers placed on the table and avoid any misunderstandings. This makes the role of CFOs crucial in the development of a governance framework and the formulation of strategy (Favaro 2001, Zorn 2004, Indjejikian, Matejka 2009, Huang, Kisgen 2013, Meyer-Doyle 2012, Mbatha 2017), thus ultimately ensuring entity success (Sfeir 2019). Despite this, CFOs might then become entrenched in their position - taking advantage of their insider position where they have access to more entity information - to protect themselves from being sacked (Muttakin, Khan et al. 2019). In the case of Board membership, Duong, Evans et al. (2020) state that having CFOs on

Boards impacts negatively on their companies' performance and earnings quality and that such impact is consistent with the agency theory.

Moreover, Buttigieg (2013), states that Maltese CFOs were generally asked to participate more actively in Board meetings, with such participation taking up a substantial part of their time. CFOs are thus required to dedicate more time towards giving their services to their Boards. They would also become legally and ethically obliged to fulfil all their directors' duties, after they accept a Board post as EDs (Deloitte 2014). The Maltese Companies Act, Chapter 386 of the Laws of Malta describes in detail the powers and duties of directors. The most important include that the directors are required to act in good faith and in their entity's best interests. In addition to this, they are required to exercise the degree of care, diligence and skill that are reasonably expected to be exercised by a diligent individual occupying the same position and carrying out the same functions. These legal provisions are established in the laws of Malta, with the aim of protecting shareholders' interests. This shows the increased level of scrutiny that CFOs are subjected to when becoming BMs rather than merely being Boards participants.

With regards to the CFO/CEO interactions with their Boards, Sher (2013) states that the CFO's scepticism regarding new ideas helps to counterbalance the CEO's optimism and enthusiasm for growth. It is thus suggested that the CFO ought to participate in at least a few Board meetings alongside the CEO to achieve such a balance (Gould 2014). However, since both the CFO and the CEO can develop or have social ties with BMs, they could exploit these informal friendship ties with specific directors to *"capture''* the Board or undermine CG and Board oversight (Krishnan, Raman et al. 2011). Indeed, prior studies (Westphal 1999, Fracassi, Tate 2012, Schmidt 2009, Hwang, Kim 2009, Dey, Liu 2010, Westphal, Graebner 2010) indicate that the existence of these social ties can noticeably diminish the effectiveness of CG, even in cases where the BMs hold formal independence. This demonstrates how wisely entities need to choose the type of participation they require out of their CFOs on their Boards.

Outside directorships are said to help CFOs in transferring the knowledge acquired to improve the current practices at their home entity (Khan, Mauldin 2020). However, the concept of agency theory introduces a conflicting aspect to such knowledge transfer. This is due to the fact that external director roles may further burden CFOs who are already quite occupied, all the while boosting their compensation and additional personal advantages. As a result, CFOs might prioritize their personal gains from external directorships over the transfer of knowledge to their primary entity (Perry, Peyer 2005, Boivie, Graffin et al. 2016).

2.4 The Wider CG Implications on Directors, Managers and Shareholders

The International Federation of Accountants (IFAC) (2020), argues that, in order for entities to have good CG in place, the CFO should be responsible for ethical financial management and reporting, and for the productive and efficient use of the entity's resources. CFO knowledge and experience help in uniting a technical and ethical mindset with business acumen especially in the development of a sustainable business model. Moreover, it is important to emphasise that CFOs are not the sole actors in their business entities (De Lange-Snijders, McNaughton et al. 2023). They are part of a chain of actors, which includes the Boards, the auditors, the CEOs, and the audit committees. These are together responsible for ensuring that businesses report faithful, relevant and comparable information with respect to the financial performance and position of entities.

As already stated, a Board seat gives the power to its members to vote on important entity matters (Mobbs 2011). Furthermore, the fact that as a director the CFO also needs also to adhere to legal requirements relating to Board duties and responsibilities and accountability towards shareholders (Gould 2014), means that a level of protection is provided for the entity's shareholders and that the creation of sustainable value is ensured (Zorn 2004, Higgins, Gulati 2006) for all stakeholders (Gould 2014). Additionally, as a result of Board membership of CFOs, these may act as a medium to voice better management concerns (Kim, Nofsinger et al. 2010). This will boost management morale as their inquiries would be recognized and addressed.

Apart from this, CFOs also have a role to play in managing the control environment of their entities. Roland Sfeir *(Board Member CFO)* (2019), speaks of the CFO's involvement in the control environment of entities. Processes and controls are key determinants of an entity's success or failure, and the ability of the entity to outperform its competitors. Moreover, CFOs nowadays have to make strategic financial decisions in a constantly changing environment and they are able to achieve optimal results by balancing the Culture-Strategy-Control triangle through custom fitting the control environment (Buttigieg 2013, Mbatha 2017). Besides this, CFOs are also expected to challenge the *status quo* by using their cross-industry experience and knowledge to understand the situation from different angles (Copnell 2019). Lastly, the proactive controls which may be developed by the CFO can help in the avoidance of fraud thus ensuring good CG.

Furthermore, the inclusion of a CFO on the Board can enhance the quality of financial reporting by promoting greater adherence to conservative accounting practices within organisations. This was found to be advantageous to both investors and shareholders (Muttakin, Khan et al. 2019). Besides this, Liu (2017) suggests that CFO Board membership could ultimately enhance both the advice and monitoring relating to performance. In fact, IFAC (2020) adds that CFOs will be enhancing value by supporting both senior management and governing Bodies in making decisions, especially investment ones. Additionally, CFOs will also make it easier for them to understand how the various organisational departments are performing (IFAC 2020).

Some shareholders tend to prefer investing in companies whose CFO is present on their Boards. In fact, shareholders generally tend to react negatively to the news of CFOs departing from Boards, particularly if the CFOs remains within the entity (Mobbs 2018). This request for financial expertise on Boards has been urged many times by investors. In addition to this, Cunningham, Myers et al. (2023) explain that parties such as investors who use financial statements as their basis for deciding whether to contract with a particular entity or otherwise should look positively at CFOs holding external Board membership, especially when it provides CFOs with learning opportunities. However, CFOs holding too many Board seats may be voted off by investors. This may occur if investors believe that the CFO is stretching themselves too thin and thus being unable to effectively perform their duties (Raval 2023). Similarly, EY (2012) state that, most often than not, time constraints result in CFOs being overstretched. Furthermore, conflicts of interest relating to competition matters or schedule clashes add to other disadvantages of CFOs also holding non-executive roles (EY 2012). However, Khan and Mauldin (2020) disagree, arguing that, in reality a robust and positive correlation exists between CFO external directorships and improved strategic investments, efficient capital management, and enhanced long-term performance.

When a Board consists of a higher number of non-insiders, it is said to be more effective at monitoring management. However, when CFOs are appointed as BMs, their Boards are less likely to fire them if their performance deteriorates. This is why, in general, regulators and shareholders prefer outside directors, since these tend to remain objective at evaluating management (Kim, Nofsinger et al. 2010). Thus, it is recommended that, if a CFO is offered a Board seat, there should still be at least another director who is enough financially literate to be able to challenge and evaluate the information brought forward by the CFO (Kim, Nofsinger et al. 2010).

CFOs are widely recognised as primary advocates of shareholder interests (Zorn 2004, Mian 2001). This is particularly true given that the CFO's role is not just limited to financial responsibilities but also extends to overseeing investor relations (Mercer/Russell Reynolds Associates 2006, Deloitte Consulting 2003) and communicating with the audit committee or supervisory Board (IFAC 2013).

Furthermore, the critical role of the CFO in managing the financial system (Mian 2001) grants them authority over policies that have a substantial impact on employees, such as decisions related to cost-cutting (Bremer, Lüdtke et al. 2009). In addition to this, CFOs directly oversee decisions that can have a significant effect on employee welfare, such as those determining staff expenditures and workforce reduction (Baxter, Chua 2008). As a result, CFOs must take into account the interests of various stakeholder groups when establishing priorities and goals for their entity. In order to maintain their position, alongside with other top-level executives, CFOs need to strike a balance among the interests and objectives of numerous parties including those of employees and shareholders (Bremer, Lüdtke et al. 2009).

According to agency theory, the presence of a CFO on the Board can potentially lead to an excessive concentration of power. Fama and Jensen (1983) contend that segregating top executives, including CFOs, from the Board's decision-making process helps in the safeguarding of the interests of shareholders. Moreover, an entrenched CFO serving on a corporate Board, will be more inclined to prioritize his/her self-interest, including factors such as salary, bonuses, and stock incentives. This situation may permit them to exert influence over the selection of accounting methods for income recognition. Thus, a potential is created for them to utilise accounting information as a means of pursuing personal interests to the detriment of shareholders (Muttakin, Khan et al. 2019).

Consequently, irrespective of the mode of participation of CFOs on their Boards, they need to remain vigilant in their traditional gatekeeper role, thus serving as a voice of caution against unsound investment strategies and short-term business decisions that could harm long-term shareholder value (Lyon, Lawson 2012). Operating a business in the present-day entails considering a diverse array of stakeholder concerns and various elements that will, immediately or in the long-run, affect financial outcomes and shareholder value. Achieving success involves generating and showcasing value for every stakeholder, including society, and not just for shareholders (IFAC 2020).

Therefore, despite the fact that in the past CFOs have only been viewed as bean counters, nowadays their role has changed dramatically so that the focus has moved beyond financial matters. In fact, the CEO of Coca-Cola, Roberto Goizueta (1981-1997) once remarked on the role of the CFO that, *“the secret isn’t counting the beans but it’s growing more beans”* (Favaro 2001, p.4). This statement implies that CFOs should help top executives to grow the business rather than to be content with the status quo. Perhaps the most important role of CFOs is the contribution they can provide to the Boards in strategy formulation (Lupi 2013) to the ultimate benefit of the stakeholders of the entity. McCann (2008, p.1) claims that a proficient CFO may now take the lead in guiding Board discussions, serving as a *“moral compass or mentor within the boardroom”,* and guaranteeing thorough oversight, along with “*responsibility*” for each decision. Ultimately, CFOs have to be efficient communicators both as accountants and strategists (Couto 2005) as well as to internal and external stakeholders (Mbatha 2017).

2.5 Conclusion

This Chapter provided an overview of the literature relating to the manner entities expect CFOs to engage in their Boards, along with the associated advantages and disadvantages from the perspective of CFOs and other BMs. Moreover, it has analysed the broader implications on CG - both positive and negative - resulting from various forms of CFO involvement in the Board. The following Chapter outlines the research methodology employed in this study.

Chapter 3
Research Methodology

3.1 Introduction

This Chapter explains the methodology employed in this study as outlined in Figure 3.1. The secondary research conducted at the beginning of the study is detailed in Section 3.2. Following this, Sections 3.3, 3.4, and 3.5 outline the research framework and design, research tool, and research participants, respectively. Section 3.6 subsequently elucidates the data collection process, while Section 3.7 explores the methods used for data analysis. The limitations of the research are addressed in Section 3.8, while Section 3.9 concludes the Chapter.

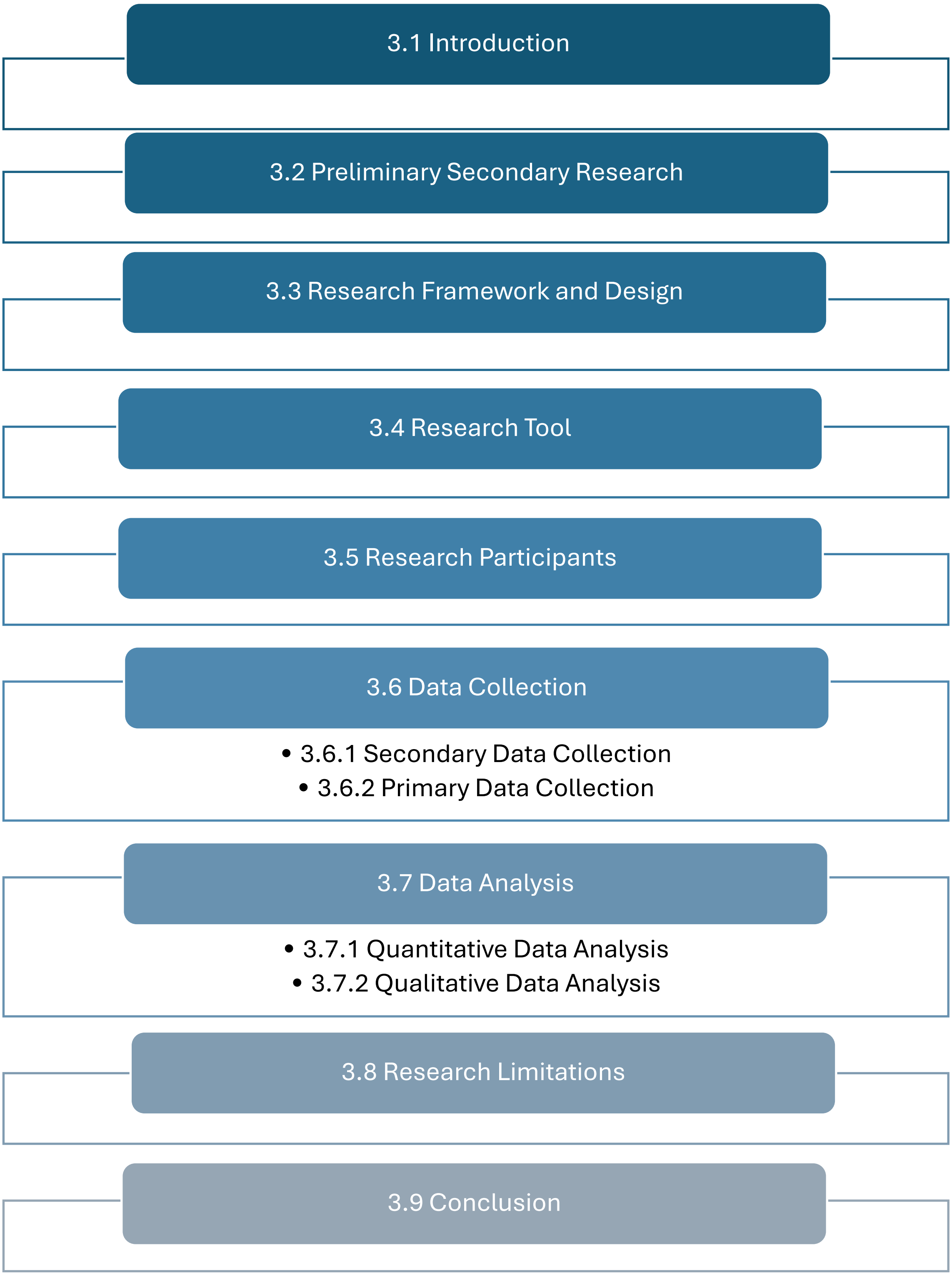

Figure 3.1: Overview of Chapter 3

3.2 Preliminary Secondary Research

At the outset of this study, familiarity with the selected research domain was acquired through an analysis of existing literature sources both within the national and international domains. These sources included dissertations, reports, journal articles and books. Notably, emphasis was placed on national research to investigate the Maltese context in conjunction with the Maltese regulatory framework.

3.3 Theoretical Framework and Research Design

The theoretical framework of this work is the stewardship theory. This theory suggests that managers act as stewards, working in the best interests of shareholders and the entity as a whole. In the context of this study, the participation of CFOs on Boards is analysed in terms of how it enhances stewardship behaviour and accountability, as well as how it impacts the decision-making process and the alignment of interests among directors, managers and shareholders.

Primary research designs may encompass quantitative, qualitative, and mixed methods. The selection of a specific research design is contingent upon the research purpose and defined objectives (Wahyuni 2012). Quantitative research generates numerical data, which is then analysed using statistical methods. Conversely, qualitative research produces non-numeric data that provides insight into respondent's interpretations (Yilmaz 2013, Saunders, Lewis et al. 2016). In quantitative research, data is gathered using predetermined response categories, while in qualitative research, respondents are given the freedom to articulate their viewpoints or establish their own categories (Hirose, Creswell 2023). Quantitative research findings can be generalised to broader populations yet may lack insights into respondents' sentiments or viewpoints. Conversely, qualitative research enables the comprehension of the viewpoints of respondents. However, these results may not be extrapolated to larger populations (Yilmaz 2013, Creswell

2015). A mixed methodology combines both research approaches (Saunders, Lewis et al. 2016), addressing the limitations of using either approach in isolation.

For the purpose of this study, a mixed methodology, integrating both qualitative and quantitative research approaches was employed to capitalise on their respective strengths and overcome individual limitations (Saunders, Lewis et al. 2016). This approach facilitated the researcher to obtain an extensive understanding of the research problem (Johnson, Onwuegbuzie et al. 2007).

3.4 Research Tool

Owing to its adaptability in gathering trustworthy and legitimate data to meet the study aims, semi-structured interviews—which include both closed-ended and open-ended questions—were deemed to be the best research approach (Saunders, Lewis et al. 2016). A meticulous plan was adhered to during these interviews to guarantee uniformity and methodical inquiry, hence promoting comparable and statistically assessable data gathering (McIntosh, Morse 2015). However, in answering open-ended questions, participants were given latitude to express their opinions. In order to encourage participants to elaborate on their initial answers or clarify topics brought up during the interview process, probes and follow-up questions were used (Wahyuni 2012).

The interview schedule developed for this study was appropriate for both BMs and CFOs. As depicted in Table 3.1, this comprised of an introductory section dealing with the respondent characteristics followed by three main sections - Sections 1, 2 and 3 - each corresponding to a research objective. Additionally, three supplementary sections were integrated: Section A1, which defined the abbreviations, Section A2, outlined the key terms and finally Section A3, specified the Likert Scale for the closed-ended questions.

Section Heading	Question Number
Respondent Characteristics	/
Section 1: CFO Board Participation and its Type	1 - 5
Section 2: The Pros and Cons of CFO Board Participation	6 - 10
Section 3: The Wider CG Implications of the Different Types of CFO Board Presence on Other Stakeholders	11 - 14
Section A1: Abbreviations	/
Section A2: Definitions	/
Section A3: Likert Scale	/

Table 3.1: Structure of Interview Schedule

The interview questions were designed in a combination of closed-ended and open-ended formats, as illustrated in Table 3.2. Tables 3.3 and 3.4 present the five-point Likert Scale utilised for the closed-ended questions.

Question Type	Question Number
Closed-ended	1, 6, 8
Open-ended	2 – 5, 7, 9 - 14

Table 3.2: Configuration of Closed-ended and Open-ended Questions

Response	Not Important at All	Somewhat Unimportant	Neutral	Somewhat Important	Very Important
Scale	1	2	3	4	5

Table 3.3: Likert Scale for Question 1

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Scale	1	2	3	4	5

Table 3.4: Likert Scale for Questions 6 and 8

3.5 Research Participants and Their Characteristics

The list of MLEs was extracted from the MSE website. Each MLE's website was then visited to identify the BMs and CFO. Alternatively, this information was sought on the Malta Business Registry (MBR) website. Contact was established with each MLE either through email or LinkedIn to request the relevant email address. The email sent to potential interviewees included a Letter of Introduction and an Invitation to Participate in the Research to promote its authenticity. In cases where no response was received in one or two weeks, a gentle reminder was sent. Five individuals accepted to answer the interview questions and sent their written replies via email. Some did not respond, while others declined participation in the study.

Overall, 26 interviews were conducted while five written answers were received via email. Table 3.5 below indicates that 13 of the research participants featured BMs, while the remaining 18 involved participants who held the role of CFO. Since some of the participants served on more than one Board, the engagements covered a total of 27 MLEs. The study population consisted of directors, company secretaries, CFOs, and CEOs as a result of their knowledge and experience with CFO Board participation.

Research Participants	Representing
13 Board Members 18 CFOs	27 MLEs
31 Participants	**27 MLEs**

Table 3.5: Composition of the Research Participants

Table 3.6 below lays out (i) the minimum, maximum and mean member sizes of the MLE Boards of the respondents as well as (ii) their minimum, maximum and mean ED/NED/INED Board mix. Moreover, it shows the standard deviation of the Board sizes and of each type of director. This indicates an average Board size of around 8 with around half *(4)* being INEDs, 3 being NEDs and 1 being ED.

	Minimum	Maximum	Mean	Std. Dev
Board Size	5	12	8.13	1.586
Number of EDs	0	3	1.29	1.039
Number of NEDs	0	7	2.52	2.127
Number of INEDs	0	9	4.32	2.441
Number of respondents(N) = 31				

Table 3.6: The Board Size and Board Mix of Respondents

3.6 Data Collection

According to Saunders, Lewis et al. (2016), data collection is the process of obtaining information, which is chosen based on the study's research objectives. For this study, data from secondary and primary sources were gathered.

3.6.1 Secondary Data Collection

Secondary data was collected from various literature sources as detailed in Chapter 2 of this study, forming the foundation for developing an extensive interview schedule. One BM and one CFO participated in a pilot interview to verify the validity and dependability of this research instrument. The interview questions were then modified as needed to comply with the suggestions that were made.

3.6.2 Primary Data Collection

The research participants were given preference in terms of the time and date of the interviews, which took place between November 1st and December 22nd, 2023. Depending on the respondent's preference, these interviews were conducted electronically via Microsoft Teams or Zoom, or in-person at the respondent's workplace. Nonetheless, most of the participants favoured in-person interviews.

One to two weeks before the interview, all research participants received the interview questions so they would have time to review them. The questions were distributed to the interviewees either in hard copy or through screen sharing, depending on whether the interview was conducted in person or electronically.

Every participant was asked to place his/her signature on the Interviewee Consent Form before the interview commenced. Participants signed the form physically during in-person interviews, electronically for virtual interviews. Furthermore, the majority of respondents gave their express approval for the interviews to be audio recorded in order to facilitate data analysis. During the interviews where this permission was declined, thorough notes were taken.

3.7 Data Analysis

Prompt transcription was undertaken on the audio-recorded interviews. The data analysis procedure was improved by these transcripts as well as the important notes taken during the interviews.

3.7.1 Quantitative Data Analysis

Quantitative data was obtained from the closed-ended questions and analysed using IBM SPSS Statistics.

The Mann Whitney test[2] was used to compare mean rating scores provided to a number of statements, between two groups of participants, clustered by positioning in entity *(Board Members and CFOs).*

The Kruskal Wallis test[3] was used to compare mean rating scores concerning Board size and the number of EDs, NEDs, and INEDs on MLE Boards across various types of CFO Board participation selected by MLEs including that of the CFO being a 'Board Member', or a 'Regular participant but not a Board member', or a 'Specially invited but not a Board member'.

The results of both tests will be specifically referred to in the Research Findings *(Chapter 4)* where the level of significance was found to be significant or marginally so.

[2] Vide Appendix 2.2 pp. A2.2-1
[3] Vide Appendix 2.3 pp. A2.3-1

3.7.2 Qualitative Data Analysis

The open-ended questions and the remarks made by certain respondents regarding their ratings on the Likert Scale offered qualitative data. A spreadsheet was used to organise and condense the transcripts, facilitating the comparison of different responses and the identification of emerging themes. The term ‘thematic analysis’ is frequently used to describe this kind of analysis (Wahyuni 2012).

3.8 Research Limitations

The first study constraint that came to light throughout the research process was that, despite the author's repeated attempts to reach potential interviewees via email or on LinkedIn, a few MLE BMs and CFOs did not reply to the author’s request for an interview. Furthermore, despite repeated reminders, a small number of people who had previously agreed to take part in the study did not reply when prompted to schedule an interview time and date. However, by the time that the number of interview respondents reached the final number of 31, the researcher was satisfied that a sufficiently adequate level of saturation had been attained.

Secondly, due to unforeseen circumstances, two research participants chose not to participate in the interview and instead provided their responses via email. This method was also preferred by three other research participants. Consequently, this led to a hazy interpretation of a few of the responses and a missed opportunity for explanation.

Furthermore, it was unavoidable for the participant responses to carry some subjectivity. Finally, several discrepancies were found in the evaluations for the open-ended and Likert Scale questions.

3.9 Conclusion

This Chapter elucidated the research methodology employed in this study. The following Chapter outlines the research findings derived from the interviews.

Chapter 4
Research Findings

4.1 Introduction

This Chapter presents the findings derived from the semi-structured interviews. As depicted in Figure 4.1, Section 4.2 delineates the CFO Board participation and its type. Subsequently, Section 4.3 explains the pros and cons of CFO Board participation. Section 4.4 describes the wider CG Implications of the different types of CFO Board presence on other stakeholders. Finally, Section 4.5 concludes the Chapter.

4.1 Introduction

4.2 CFO Board Participation and its Type

- 4.2.1 The Importance of CFO Board Participation
- 4.2.2 Skills, Qualifications and Other Factors Influencing CFO Participation in Board Meetings
- 4.2.3 The Evolving Trends in CFO Board Membership
- 4.2.4 Current and Ex-CFOs on the Board
- 4.2.5 Variations in CFO Participation Based on Board Composition

4.3 The Pros and Cons of CFO Board Participation

- 4.3.1 The Pros of CFO Board Membership and Other Types of Participation
- 4.3.2 The Cons of CFO Board Membership and Other Types of Participation
- 4.3.3 Exploring Variances: Pros and Cons Based on CFO Participation Level

4.4 The Wider CG Implications of the Different Types of CFO Board Presence on Other Stakeholders

- 4.4.1 Assessing the Impact of CFO Board Participation on Stakeholder Needs
- 4.4.2 Shareholder Perceptions of the Various Types of CFO Board Participation Options
- 4.4.3 CFO Board Participation and its Effectiveness on the Boards' Monitoring Management
- 4.4.4 The Likelihood of More CFO Influence Resulting From Board Participation

4.5 Conclusion

Figure 4.1: Outline of Chapter 4

4.2 CFO Board Participation and its Type

Section 1 of the interview schedule consisted of five questions *(Q.1-5)* relating to CFO Board participation and the type of such participation for an MLE.

4.2.1 The Importance of CFO Board Participation

In Question 1[4], respondents were presented with four different CFO Board participation types for an MLE, for each of which they had to rate the level of importance they would attribute. They were also asked to add any relevant comments. Table 4.1 exhibits the results in descending mean rating order. The mean rating scores provided to the statements varied marginally$_{(p>0.05)}$[5].

		Mean	Std. Dev
b.	**Regular participant but not a Board member**	**4.45**	**1.060**
a.	Board Member	2.87	1.408
c.	Specially invited but not a Board member	2.58	1.311
d.	**Not invited**	**1.00**	**0.000**
	Scale from 1 (Not Important at all) to 5 (Very Important) *Number of respondents (N) = 31*		

Table 4.1: The Importance of CFO Board Participation

As evident from the Table, the type of CFO Board participation considered as highly important$_{(\bar{x}=4.45)}$ [5] by both CFOs and BMs was that of the CFO being a

[4] Q.1 pp. A2.1-2

[5] Vide Appendix 2.2 pp. A2.2-1

regular participant but not a Board member. Some respondents$_{(3/31)}$ commented that the overriding importance of such a type of participation was that it enabled the Board to take due note of any financial implications while such a Board retained control to independently *"challenge management"*, such as by asking the CFO to leave the meeting when necessary.

Respondents were neutral$_{(\bar{x}=2.87)}$[5] about the importance of the CFO being a Board member. In this regard, one CFO commented that the advantage for an entity in adopting this type of participation rather than any of the other types was that, as long as the CFO was mature enough, s/he could positively influence the decision-making process particularly with respect to the measurement of the entity's financial performance and any changes in IFRSs. Thus, it would be ensured that the CFO was *"much more than a mere executioner of Board directions".* However, a few other respondents$_{(3/18\ CFOs,\ 1/13\ BMs)}$ emphasised that they were overall neutral about this type because, while it had its advantages such as the one just mentioned, such a type involving Board membership "*could augment much more"* than participation without Board membership the *"probability of conflicts of interest"* arising in Board discussions. Furthermore, CFO Board membership might also result in another ED – whose presence could be more relevant to the Board - being left out.

The other type of which the importance was considered as neutral$_{(\bar{x}=2.58)}$[5] by respondents was for the CFO to be a specially invited but not a Board member. A few respondents$_{(3/18\ CFOs,\ 1/13\ BMs)}$ added that they were neutral about this because while it was more important than the type relating to the CFO not being invited, they felt that it was still less important than the other types of the CFO participating regularly with/without being a Board member.

Finally, respondents considered the option of the CFO not being invited as being not important at all$_{(\bar{x}=1.00)}$[5]. A few$_{(2/31)}$ emphasised that some minimum form of interaction between the CFO and the Board was normally required especially in cases where the BMs lacked financial expertise.

4.2.2 Skills, Qualifications and Other Factors Influencing CFO Participation in Board Meetings

Respondents were then asked[6] to point out the major personal skills/characteristics that they thought are necessary for a CFO to participate in Board meetings. Most respondents*(22/31)* seemed to agree on the required ability of the CFO to be *"a dynamic problem-solver"*, thinking strategically and not remaining solely focused on the financial side of entity matters. This entails a thorough knowledge of the market and business of the entity. Moreover, most respondents*(18/31)* stated that a CFO should have "*the financial skills* and professional *qualifications"* required for a CFO role. The CFOs of MLEs should also have "*good communication, public speaking and social skills"(16/31).* This is consistent with Copnell (2019)[7] and IFAC (2013)[7]. Another skill/characteristic required by some respondents*(12/31)* for CFO Board participation was "*experience"*. Others *(12/31)* pointed out that CFOs should remain "*updated"* with recent amendments to laws and regulations especially the Capital Markets Rules in order to remain competent. Moreover, a CFO should have the ability to *"understand the characters"* of BMs*(1/31)*, and remain "*humble", "accountable"(1/31)* and "*be of good repute"(1/31)*.

In addition to this, 24 respondents*(13 BMs, 11 CFOs)* stated that good *"presentation skills"* and the ability to communicate key financial aspects in *"layman terms"* to BMs are essential for CFO Board participation. This aligns with Lees (2014)[7]. Furthermore, a CFO should be *"convincing and confident"* in his/her presentations*(8/31)*. This requires thorough research and preparation. A few respondents*(8/31)* explained that *"integrity and transparency"* are fundamental traits that a CFO must possess, in order to foster trust within the organization and the Board. Others claimed that the CFO must also maintain a demeanour of *"calmness and composure"*, particularly when faced with criticism or challenging questions from BMs*(8/31)*. Some other respondents*(1/18 CFOs, 3/13 BMs)* argued that CFOs must possess strong *"teamwork"* abilities and active listening skills, as this

[6] Q.2a pp. A2.1-2
[7] Vide S.2.3 pp.20

enables effective collaboration with all stakeholders. Two respondents emphasised*(2/31)* that the CFO needs good stakeholder relations as a soft skill. Moreover, a CFO should demonstrate *"assertiveness"(2/31)*, with the capability of challenging BMs constructively to drive strategic decision-making. Being a strong leader*(1/31)* is another important skill required of the CFO role, particularly with regards to negotiation and persuasion skills*(1/31)*, the latter skill being particularly relevant when the CFO needs to convey the significance and intricacies of the increasing Environment, Social, and Governance (ESG) requirements. One interviewee*(1/31)* highlighted that "*maintaining confidentiality"* is paramount for a good CFO, ensuring any sensitive information remains confidential. Finally, another respondent*(1/31)* explained that a CFO should be *"quick-witted".* However, contrary to what Hualun and Tao (2006)[8] state, some respondents*(6/31)* believed that age is not necessarily a deciding factor when considering the skills and characteristics required for a CFO's participation on a Board.

Subsequently, respondents were asked[9] about any specific MLE-related factors, if any, which may also be relevant in an entity considering CFO Board participation. Many respondents*(29/31)* referred to a number of positively influencing factors, including: (i) if the CFO is a *"substantial shareholder in the entity"(13/29)*; (ii) if there are any *"financially illiterate"* Board directors*(12/29)*; (iii) if an entity is *"large and complex"(7/29)*; (iv) if an entity is *"family owned"(1/29)*; (v) if the entity is *"a group with a separate finance entity"(1/29)*; and (vi) if there is *"no financial stability"* in the entity or any of its associate entities*(1/29).*

[8] Vide S.2.2 pp.16
[9] Q.2b pp. A2.1-2

4.2.3 The Evolving Trends in CFO Board Membership

Subsequently, respondents were asked[10] to comment on a statement claiming that CFOs serving as directors in their own companies are a dying breed, thanks to a push for greater Board independence. Such a statement was quoted from the literature[11]. Almost half the respondents$_{(14/31)}$ concurred with such a quote. Comments added by some of these respondents relating to their concurrence included that this is mostly the case where the entity is either (i) a listed one$_{(5/14)}$, this being in line with SpencerStuart (2023)[11] and Mobbs (2018)[11] or (ii) a foreign-owned one$_{(1/14)}$ as in such a case the need for independent directors rather than EDs is found to be more acute. Two respondents added$_{(2/14)}$ that their concurrence to such a statement included wherever a Board feels that the presence of a CFO renders it more difficult for the Board to *"independently challenge management" and* to *"grill"* the CFO appropriately. This is consistent with Low (2017)[11]. One respondent$_{(1/14)}$ explained his concurrence with the statement was the result that by also being an ED, the CFO's responsibilities may become *"unacceptably blurred"*.

Contrastingly, twelve respondents$_{(12/31)}$ did not concur with the statement. Some of these respondents$_{(3/12)}$ emphasised that a high executive such as the CFO needs to be appointed as an ED since s/he is typically *"very well-informed"* about the entity and is therefore *"valuable at Board level"*. Another two respondents$_{(2/12)}$ explained that *"CFO Board membership"* was often considered as *sine qua non* for the CFO to be *"sufficiently responsibilised"*. Finally, another two respondents$_{(2/12)}$ pointed out that the Board membership of a CFO is not necessarily detrimental to independence as long as the Board is adequately mixed through INEDs/NEDs and EDs. This is in contrast with Low (2017)[11].

A few other respondents$_{(5/31)}$ were neutral about the statement. One respondent$_{(1/5)}$ explained his hesitance by stating that it should not make any

[10] Q.3 pp. A2.1-2
[11] Vide S.2.2 pp.17

material difference whether the CFO is a BM or not as long as s/he participates as needed in Board meetings.

4.2.4 Current and Ex-CFOs on the Board

The next question was divided into five parts[12] and asked respondents whether it is appropriate or otherwise for one or two CFOs or ex-CFOs to participate on Boards in different ways.

The first part[13] asked respondents whether, in their opinion, it is appropriate for a CFO who is currently engaged in an MLE to sit on the Board of another MLE. Most respondents$_{(20/31)}$ agreed that this is normally appropriate, provided that the other MLE is not a direct competitor$_{(17/20)}$. However, the remaining respondents$_{(11/31)}$ disagreed, adding that time constraints could render such an engagement inappropriate$_{(3/11)}$ or even more importantly, that such an engagement may result in a conflict of interest$_{(3/11)}$.

The second part[14] required respondents to give their opinion on whether it is appropriate for an ex-CFO formerly engaged in an MLE to sit on the Board of the same MLE after their retirement. Nearly all respondents$_{(29/31)}$ saw this as being appropriate because the entity would be retaining important expertise given that the ex-CFO would have *"a very good idea of the inner workings of the entity"*. This was consistent with SpencerStuart (2023)[15]. However, others opined that a cooling-off period of one to three years should still be imposed by the entity for this to be appropriate$_{(14/29)}$ and for the CFO to be perceived as a real INED$_{(1/14)}$.

The third part[16] of the question queried respondents about the appropriateness of a CFO who was previously involved in an MLE to serve on the Board of another

[12] Q.4a-e pp. A2.1-3
[13] Q.4a pp. A2.1-3
[14] Q.4b pp. A2.1-3
[15] Vide S.2.2 pp.17
[16] Q.4c pp. A2.1-3

MLE. Respondents*(31/31)* indicated that this is appropriate as long as a cooling-off period is also applied in such a case*(7/31)*.

The fourth part[17] of the question, asked respondents whether it is better for an MLE to have its ex-CFO than its current CFO on its Board. The response to this part was controversial. Almost half the respondents*(14/31)* opined that having an ex-CFO is often better than having the current CFO on an MLE Board as the former typically has more experience and expertise relating to the entity's operations*(2/14)*, and the Board might more easily be perceived as being independent of management*(2/14)*. This is in line with Low (2017)[18] and Mobbs (2018)[18]. On the contrary, a number of respondents*(9/31)* argued that it is better to have the current CFO rather than the ex-CFO on an MLE Board as a consequence of the dynamic environment companies operate in*(1/9))*. There were others*(5/31)* who explained that it all depends on various factors such as the relative capabilities of both the current and ex-CFO including their respective competence, character, knowledge, and experience*(4/5)*. One repondent*(1/5)* added that, if the current CFO is too involved in the day-to-day operations, then the Board engagement of an ex-CFO might be a positive step in support of the current one. Three respondents argued*(3/31)* that this does not really make any difference as long as the Board is able to carry out proper oversight to challenge management and each member is skilled and experienced enough for Board participation.

Finally, interviewees were asked[19] to comment about the appropriateness or otherwise of having two CFOs/ex-CFOs or a mixture of the two, serving on the same MLE Board. Most CFOs*(10/18)* concurred that it is suitable to have this kind of setup for an MLE Board. However, some added*(4/10)* that this is only appropriate if the ex-CFO acts as an INED rather than an NED. Others*(8/18)* considered this option as inappropriate because it may lead to unnecessary clashes between the

[17] Q.4d pp. A2.1-3
[18] Vide S.2.2 pp.17
[19] Q.4e pp. A2.1-3

two CFOs$_{(4/5)}$. Most BMs$_{(7/13)}$ also considered this as inappropriate because of possible clashes and unnecessary discussions$_{(4/7)}$ resulting in a negative impact on the Board$_{(1/7)}$. Contrastingly, a few BMs$_{(4/13)}$ considered this as appropriate while the remaining two$_{(2/13)}$ remained neutral, the latter pointing out that the appropriateness or otherwise of this varies with whether the two CFOs are compatible.

4.2.5 Variations in CFO Participation Based on Board Composition

Respondents were also queried about whether the participation of the CFO varied in any way with whether there is also (a) the CEO on the Board[20] and (b) the number of EDs on the Board[21].

For Question.5a[20], most respondents$_{(17/31)}$ stated that the participation of the CFO does not vary in any way with whether there is also the CEO on the Board. This contrasts greatly with what Low (2017)[18] discovered. Both the CFO and the CEO should work close to each other$_{(3/17)}$ and if something is inappropriate, CFOs should not be afraid to speak up$_{(2/17)}$. Moreover, others added$_{(3/17)}$ that both should be key members on the Board but this depends on their characters$_{(2/17)}$ and the Board size$_{(1/17)}$. However, seven interviewees$_{(7/31)}$ were neutral in this regard. Three of these argued$_{(3/7)}$ that such CFO participation on the Board could help to control the CEO's over-ambitious attitude in the undertaking of projects. However, this may vary with their *"character compatability"*$_{(5/7)}$, and with the extent of the *"CEO's financial literacy"*$_{(1/7)}$. One respondent$_{(1/7)}$ expressed the view that the entity needs to be particularly cautious so that such interaction between the two EDs would not lead to executive collusion against the rest of the Board. This is in line with Krishnan, Raman et al. (2011)[22]. Lastly, seven respondents$_{(7/31)}$ argued that such interaction could influence whether the CFO should participate at all in Board proceedings. Two of these respondents$_{(2/7)}$ explained that, if both

[20] Q.5a pp. A2.1-3
[21] Q.5b pp. A2.1-3
[22] Vide S.2.3 pp.21

EDs participate on the Board and collaborate closely, they could be more efficient and effective in their work, and impact positively on Board proceedings. A number of respondents remarked*(21/31)* that one way in which CFO participation may vary is when a CEO departs from the company and the CFO has sufficient knowledge of the entity. In this case it is common that a non-Board participating CFO is promoted to a Board participating CEO or acting-CEO. This is in line with Konstans (2013)[23].

With respect to Question.5b[21], most interviewees*(20/31)* stated that CFO Board participation does not normally vary with the number of EDs on the Board provided that the Board composition is adequately mixed as to INEDs, NEDs and EDs. However, some added*(3/31)* that if the Board mix is not adequate for the specific entity, the CFO may need to stay completely out or even be crowded out of the Board, this being typically the case where there are relatively too many EDs. Contrastingly, some others*(8/31)* added that, if the Board mix is tilted towards having too many NEDs/INEDs, the presence of the CFO might become increasingly relevant. This is evidenced in Table A2.4[24] whereby MLEs with a significant presence of INEDs on their Boards chose to have their CFOs participate as regular Board participants without holding Board membership.

[23] Vide S.2.2 pp.18
[24] Vide Appendix 2.3 pp.A2.3-1

4.3 The Pros and Cons of CFO Board Participation

Section 2 of the interview schedule consisted of five questions *(Q.6-10)* relating to the pros and cons of CFO Board participation for an MLE.

4.3.1 The Pros of CFO Board Membership and Other Types of Participation

Participants were given nine statements[25] relating to possible advantages of CFO Board participation for them to assess their level of agreement therewith and provide comments, if any. The mean rating scores, arranged in descending order of agreement, are presented in Table 4.2. These mean rating scores varied marginally$_{(p>0.05)}$[26].

[25] Q.6 pp. A2.1-4

[26] Vide Appendix 2.2 pp. A2.2-2

		Mean	Std. Dev
h.	**CFO Board Participation: CFOs should be present on their Boards when strategic plans are being reviewed and approved to explain the numbers put forward on the table.**	**4.94**	**0.250**
i.	**Outside Board Directorships:** Outside Board Directorships provide CFOs with essential knowledge to improve current practices in their own MLE.	3.61	0.955
a.	**Social ties:** Social ties resulting from Board membership between the CFO and Board members help to ease the transmission of information to all Board members.	3.45	1.091
g.	**CFO Board membership:** CFO Board membership is only advantageous if it is balanced by CEO Board membership.	3.13	1.056
d.	**CFO Board membership:** With CFOs serving on their Boards, the Boards may usually manage to exercise more oversight.	2.97	0.983
e.	**CFO Board membership:** CFOs' membership on Boards renders CFOs more dynamic and up-to-date with recent developments in the market.	2.94	1.209
b.	**Quality and impact of financial reporting:** CFO Board membership generally improves the quality and impact of financial reporting.	2.61	1.230
c.	**Timely reporting:** CFO Board membership rather than mere participation better ensures the timely reporting of information.	2.42	1.177
f.	**CFO Board membership:** CFO Board membership, rather than mere Board participation, renders CFOs more efficient and effective in their work	2.35	1.050
Scale from 1 (Strongly Disagree) to 5 (Strongly Agree) *Number of respondents (N) = 31*			

Table 4.2: The Pros of CFO Board Participation

Research participants were presented with the statement which implied that CFOs should be present on their Boards when strategic plans are being reviewed and approved to explain the numbers put forward on the table. Respondents strongly agreed$_{(\bar{x}=4.94)}$ with this statement, this being in line with Uhde, Klarner et al. (2016)[27] and Lindsay (2015)[27]. Two respondents$_{(2/31)}$ added that the CFO as a C-suite executive needs to be given a space in Board meeting proceedings.

The research participants were given a statement which stated that outside Board directorships provide CFOs with essential knowledge to improve current practices in their own MLE. Respondents agreed$_{(\bar{x}=3.61)}$ with this statement. A few respondents$_{(6/31)}$ added that unless a restriction to such Board directorships is exercised by the CFO's entity, if these are permitted, the CFO may indeed gain valuable insights by interacting with the BMs of other entities. However, three emphasised$_{(3/6)}$ that caution needs to be exercised so that such Board directorships do not lead to conflicts of interest or involve too much time consumption by being too many. The response to this statement aligns with Hagel (2013)[27].

Another statement was about whether social ties that result from Board membership between the CFO and Board members truly help to ease the transmission of information to all Board members. Overall, respondents were neutral$_{(\bar{x}=3.45)}$ about this statement. On the one hand, about half the respondents$_{(16/31)}$ opined that indeed such social ties may be fruitful but this result only occurs as long as such ties do not render the CFO too close to other BMs. On the other hand, the other respondents$_{(15/31)}$ emphasised that such social ties are not necessary as it is enough for the CFO to adopt a professional attitude$_{(7/15)}$ and to have good communication skills$_{(8/15)}$.

Respondents were presented with another statement stating that CFO Board membership is only advantageous if it is balanced by CEO Board membership. Respondents were also neutral$_{(\bar{x}=3.13)}$ about this statement. A few

[27] Vide S.2.3 pp.19

respondents*(15/31)* commented that an entity would indeed function badly if the CFO is on the Board while the CEO is not, agreeing with Gould (2014)[28]. Contrarily, some other respondents disagreed with this statement*(7/31)* as they did not make such a connection whilst another nine respondents*(9/31)* remained neutral.

Research Participants were provided with an additional statement stating that an advantage of having CFOs serving on MLE Boards is that it will usually lead to the Boards managing and exercising more oversight. Overall, respondents were also neutral$_{(\bar{x}=2.97)}$ about this statement. Some agreed*(11/31),* arguing that with CFOs on the Board, all BMs would have a better understanding of how an entity is functioning. On the other hand, others disagreed*(11/31)* opining that irrespective of direct Board participation, the CFO role is there to help the Board to carry out sufficient oversight. Such an argument contrasts with Liu's (2017)[29] findings. The other respondents*(9/31)* remained neutral, adding that the influence of the CFO presence on the Board varies according to the financial expertise of the other directors and the oversight exercised by the audit committee.

Respondents were also presented with the statement stating that CFOs membership on Boards renders CFOs more dynamic and up-to-date with recent developments in the market. Overall, respondents remained neutral$_{(\bar{x}=2.94)}$ about this statement with most respondents*(22/31)* adding that this may not always be true for CFOs as being "*dynamic", "upskilled"* and "*up-to-date"* does not necessarily entail Board membership. However, a few*(9/31)* were clearly in agreement with the statement on the basis that Board membership enables CFOs "*to see issues from different perspectives"* taking into account the opinions of a diverse Board. This aligns with Hagel (2013)[27] and Trentmann (2022)[27].

Another statement with which respondents were presented was that CFO Board membership generally improves the quality and impact of financial reporting.

[28] Vide S.2.3 pp.21
[29] Vide S.2.4 pp.23

Overall, respondents were also neutral$_{(\bar{x}=2.61)}$ about this statement. While some respondents$_{(5/31)}$ added that by being a BM, the CFO may present their work in a way that is most amenable to the other BMs, others emphasised$_{(16/31)}$ that there is no correlation between CFO Board membership and the quality and impact of financial reporting. The latter perspective contrasts with Muttakin, Khan et al. (2019)[29].

Respondents disagreed with the other two statements presented to them. These stated that CFO Board membership rather than mere participation better ensures the timely reporting of information$_{(\bar{x}=2.42)}$ and CFO Board membership, rather than mere Board participation, renders CFOs more efficient and effective in their work$_{(\bar{x}=2.35)}$. Respondents considered both statements as typically being untrue as both timely reporting and CFO efficiency and effectiveness are not normally related to Board membership. One respondent$_{(1/31)}$ added that, on the contrary, distance from the Board may push the CFO to be more efficient and effective. To conclude, CFOs showed a higher level of disagreement with the statement concerning the efficiency and effectiveness of CFOs when compared to BMs. However, the difference between the mean rating scores of CFOs and BMs for such a statement is considerable but not significant[30]. It was noted that the overall respondent stance on the non-influence of CFO Board membership on timely reporting goes against Muttakin, Khan et al. (2019)[31].

Thereafter, the interviewees were asked to provide[32], those additional major advantages, if any, of having CFOs participating on the Boards of MLEs in addition to those referred to in Question 6 for the Board itself[33] and for the CFO[34]. A few respondents$_{(5/31)}$ stated that the CFO can give a better explanation of the current economic situation of the entity in *"layman terms"* to *"strategically direct"* the entity in the right direction. This is consistent with IFAC (2013)[31]. Another

[30] Vide Appendix 2.2 pp.A2.2-2
[31] Vide S.2.3 pp.20
[32] Q.7 pp A2.1-6
[33] Q.7a pp A2.1-6
[34] Q.7b pp A2.1-6

respondent*(1/4)* argued that this also results in a *"robust corporate governance"*. One respondent added*(1/4)* that with such participation, CFOs can also touch upon employee issues besides the financials giving the Board a greater understanding of employees' well-being. Thus, the CFOs' ability to *"build bridges"* with the other BMs is key in the transmission of relevant entity information*(1/31)*. Finally, the CFO needs to be given sufficient space to interact with the Board whilst the BMs are allowed the necessary time to discuss and challenge the CFO*(1/31)*.

With regards to the additional advantages for CFOs, some respondents added that by being offered the position of a director, the CFO will feel more "*valued"* and "*trusted"(6/31)* within the entity. On the contrary, others*(4/31)* opined that status does not give CFOs respect but it is the way they operate, work, interact with others and act professionally in their role that encourages respect. Additionally, CFO Board participation enables them to *enhance their "understanding of the entity's strategy"* and acquire a *"comprehensive perspective of the entity"(3/31)*. Besides this, CFOs would also be *"expanding their knowledge"* through interactions with fellow directors facilitating skill development, enhancing the CFO's effectiveness as a director or as a participant and be able to take a wider range of factors into account in decision-making processes*(4/31)*. Furthermore, serving as a director grants CFOs the opportunity to cast votes on significant entity issues and thus engaging more actively in crucial entity matters thus yielding greater influence on Board decisions*(5/31)*.

4.3.2 The Cons of CFO Board Membership and Other Types of Participation

Participants were then given a series of statements[35] revolving around the cons of CFO Board membership in order to assess their level of agreement and provide comments, if applicable. The mean rating scores, arranged in descending order of agreement, are presented in Table 4.3. The mean rating scores provided to the statements varied marginally$_{(p>0.05)}$[36].

		Mean	Std. Dev
b.	**CFO Influence:** If CFOs are appointed on their Boards, they may become too influential on Board proceedings.	**2.71**	**1.160**
a.	**Social ties:** Social ties between the Board members and CFOs on the Board hinder the effectiveness of corporate governance.	2.68	0.979
e.	**Legal Obligations:** The additional legal obligations of Board membership that CFOs need to abide with deter them from accepting Board membership.	2.58	0.992
d.	**CFO Board membership:** CFO Board membership often results in a less independent Board	2.58	1.311
c.	**Director background diversity:** Appointing CFOs on Boards may be a hindrance towards more Board diversity.	2.32	1.107
Scale from 1 (Strongly Disagree) to 5 (Strongly Agree) Number of respondents(N) = 31			

Table 4.3: The Cons of CFO Board Participation

[35] Q.8 pp.A2.1-6
[36] Vide Appendix 2.2 pp.A2.2-3

Participants were given the statement, implying that if CFOs are appointed on their Boards, they may become too influential on Board proceedings. Overall, respondents were neutral$_{(\bar{x}=2.71)}$ regarding this statement. On the one hand, most respondents$_{(24/31)}$ argued that it is not the case and pointed out that this influence depends on factors such as the integrity of the respective Board, the Board governance, the character of BMs and that of the CFOs themselves. This stance contrasts with Muttakin, Khan et al. (2019)[37]. They also pointed out that, in the case of a large Board, such an influence, if any, will be further reduced$_{(3/24)}$. On the other hand, a large minority$_{(7/31)}$ stressed that CFOs would be too influential in the case of small Boards and/or in Boards that consist mainly of EDs. Notably, CFOs showed a considerable although not significantly higher[38], disagreement with the statement than BMs.

Respondents were also presented with the statement that social ties between BMs and CFOs on the Board hinder the effectiveness of CG. Overall, respondents were also neutral$_{(\bar{x}=2.68)}$ about this statement. A minority of respondents$_{(13/31)}$ commented that BMs are expected to have a high level of integrity and to distinguish between their social and working lives. However, others$_{(7/31)}$ argued that such a distinction varies with the characters of both the CFOs and the BMs, with one$_{(1/31)}$ emphasising that such a distinction may therefore not be taken for granted. This aligns with Dey and Liu (2010)[39] and Westphal and Graebner (2010)[39].

Research participants were also presented with the statement that the additional legal obligations of Board membership that CFOs need to abide with when becoming BMs deter them from accepting Board membership. Overall, participants were neutral$_{(\bar{x}=2.58)}$ about this statement. On the one hand, some$_{(13/31)}$ argued this would not be the case as CFOs already have various legal obligations to abide with. On the contrary, others$_{(7/31)}$ stated that this could be the case

[37] Vide S.2.4 pp.25
[38] Vide Appendix 2.2 pp.A2.2-3
[39] Vide S.2.3 pp.21

particularly within the banking industry where the laws and regulations are constantly increasing.

Another statement with which respondents were presented was that CFO Board membership often results in a less independent Board. Again, overall respondents were neutral$_{(\bar{x}=2.58)}$ regarding this. Most$_{(21/31)}$ commented on their hesitation in taking a definite position, indicating that, as long as there is an appropriate mix of knowledge and expertise on the Board, this might not be the case. One$_{(1/31)}$ also pointed out that the impact of CFO Board membership on independence varies on whether the respective CFO would be replacing an INED or merely another ED.

The last statement presented to respondents stated that appointing CFOs on Boards may be a hindrance towards more Board diversity. Overall$_{(\bar{x}=2.32)}$, respondents disagreed with this. Some$_{(13/31)}$ added that this is not the case as often the lack of such an appointment would result in a deficiency of financial expertise on the Board. Contrastingly, two respondents who agreed with the statement pointed out that such a hindrance towards more Board diversity commonly occurs wherever the Board size is small and is not subject to periodic revision$_{(2/31)}$.

Interviewees were also asked[40] to mention any additional major disadvantages of having CFOs participating on MLE Boards besides those already referred to, for (a) the Board itself[41] and (b) the CFOs[42]. A few respondents$_{(2/31)}$ stated that with CFOs participating on the Boards, it is more difficult for BMs to discuss and challenge the work carried out by the CFO and management. Moreover, in such a case, a stubborn CFO may influence the other BMs more when compared to the other forms of participation. Lastly, conflicts may arise in the case where the

[40] Q.9 pp A2.1-7
[41] Q.9a pp A2.1-7
[42] Q.9b pp A2.1-7

CFO participates on a Board where there is an ED who is also financially literate$_{(1/31)}$.

With regards to any additional major disadvantages for CFOs, four respondents$_{(4/31)}$ referred to the time-consuming nature of Board membership as this typically requires extensive preparation and review of materials. This aligns with Buttigieg (2013)[43]. One respondent$_{(1/31)}$ added that a major disadvantage of CFOs becoming EDs is that the situation of having to direct and simultaneously being directed may easily cause them to face a number of conflicts of interest. The respondent gave the example of the conflicts of interest and challenges of presenting information to the Board that is not biased in the interest of management.

4.3.3 Exploring Variances: Pros and Cons Based on CFO Participation Level

Finally, the last question for this section[44] consisted of two sub-questions: Q.10a and Q.10b. Question 10a enquired of respondents whether their replies to Questions 6(a)-(f) and 8(a)-(d) would differ if the CFO is a *regular participant* rather than a BM. Almost all respondents$_{(30/31)}$ stated that the same replies would generally apply. However, one respondent$_{(1/31)}$ pointed out that the major advantage of regular participation instead of Board membership was that the CFO would be less able to exercise undue influence on other BMs. With respect to Question 10b, which enquired of respondents whether their replies to Questions 6(a)-(f) and 8(a)-(d) would differ if the CFO is a *specially invited participant* rather than a BM, most respondents$_{(26/31)}$ *again* opined that the same replies would generally apply. Despite this, some respondents$_{(6/31)}$ noted potential drawbacks, such as the CFO *"losing touch with the non-financial discussions"*$_{(3/6)}$ taking place at Board level. In addition to this, the CFO would not be able to develop the kind of working relationship which would help ease the transmission

[43] Vide S.2.3 pp.21
[44] Q.10 pp.A2.1-7

of information to the other BMs*(2/31)*. Contrastingly, a clearly different advantage of this type of participation was that it could foster more Board independence*(1/31)* and diversity*(1/31)*. Furthermore, another respondent*(1/31)* pointed out the stronger possibility of increased pressures on the CFO from BMs for timely financial reporting in such a type of CFO Board participation.

4.4 The Wider CG Implications of the Different Types of CFO Board Presence on Other Stakeholders

Section 3 of the interview schedule consisted of another five questions *(Q.11-14)* relating to the wider CG implications of the different types of CFO Board presence on directors, managers and shareholders.

4.4.1 Assessing the Impact of CFO Board Participation on Stakeholder Needs

The first question[45] asked respondents whether in their opinion, CFO Board participation helps to ensure that the needs of (a) directors[46], (b) managers[47], and (c) shareholders[48] are satisfied.

In the case of directors, respondents*(31/31)* answered that any CFO Board participation did indeed satisfy their needs. Most*(19/31)* added that with such participation, directors are helped in setting strategies*(17/19)* and systems of internal controls*(17/19)*, setting budgets and approving financial results*(2/19)*, and setting the appropriate corporate culture*(17/19)*. This is in line with several authors (McCann 2008[49], Lupi 2013[49], Buttigieg 2013[50], Mbatha 2017[50], Sfeir 2019[50]).

[45] Q.11 pp.A2.1-8
[46] Q.11a pp.A2.1-8
[47] Q.11b pp.A2.1-8
[48] Q.11c pp.A2.1-8
[49] Vide S.2.4 pp.26
[50] Vide S.2.4 pp.23

In the case of managers, most respondents$_{(29/31)}$ answered that any CFO Board participation would also contribute towards satisfying their needs but this was limited with respect to management-related strategic decisions that necessitated Board discussions provided that such CFO contributions are made in conjunction with those of the CEO$_{(2/31)}$.

In the case of shareholders, most respondents$_{(28/31)}$ answered that any CFO Board participation would also contribute towards satisfying their needs. Such a contribution$_{(7/28)}$ increased the assurance and confidence in the financial statements ultimately to be presented to shareholders and helped to ensure that entities maintained dividend policy stability. This is in line with Muttakin, Khan et al. (2019)[50].

4.4.2 Shareholder Perceptions of the Various Types of CFO Board Participation Options

Respondents were also asked[51] whether shareholders tended to react positively or negatively to each of the four types of possible Board participation. Almost half$_{(14/31)}$ opined that most small Maltese shareholders were "*not sufficiently financially literate"* and thus were not at all actually concerned with either the specific type of CFO Board participation or indeed any CFO Board participation. A few others$_{(5/31)}$ added that shareholders, particularly large and institutional ones, generally preferred CFOs to be either BMs or regular Board participants as it puts shareholders' mind *"more at rest"*. However, others$_{(3/31)}$ stated that shareholders tended to react negatively when CFOs are appointed as BMs as such CFOs would not be *"challenged"* enough with regards to their financial reporting. This aligns with Kim, Nofsinger et al. (2010)[52].

[51] Q.12 pp.A2.1-8
[52] Vide S.2.4 pp.24

4.4.3 CFO Board Participation and its Effectiveness on the Boards' Monitoring Management

Respondents were also asked[53] whether any type of CFO Board participation impacts on the effectiveness of the Board in monitoring management. Most respondents$_{(23/31)}$ stated that the Boards' monitoring effectiveness is not impacted by any type of CFO Board participation. A few$_{(9/23)}$ added the proviso that this was only applicable provided that there was an adequate mix of EDs, NEDs and INEDs on the Board. This contrasts with Kim, Nofsinger et al. (2010)[52]. Contrarily, some$_{(8/31)}$ opined that, if a CFO is a BM, s/he can unduly conceal/defend management's negative actions and thus reducing the Board's monitoring effectiveness of management. This contrasts with Liu (2017)[54].

4.4.4 The Likelihood of More CFO Influence Resulting From Board Participation

Respondents were also provided with a question[55] as to how likely it was for CFOs to have more influence with any of the four types of Board participation. A number of respondents$_{(12/31)}$ argued that CFO Board membership rendered CFOs as more influential on Board proceedings in view of their eligibility to vote on important company matters. This aligns with Mobbs (2011)[56]. As for the situation with CFOs being only regular or specially invited participants, such a situation would not be likely to render them more influential. Others$_{(8/31)}$ opined that the issue of CFO influence revolved on other factors such as the integrity of the other directors$_{(8/8)}$, the Board size$_{(4/8)}$, the standards set by the Chairman$_{(1/8)}$ and the character of the CFO$_{(1/8)}$ including, his/her persuasion abilities and overall attitude.

[53] Q.13 pp.A2.1-8
[54] Vide S.2.4 pp.23
[55] Q.14 pp.A2.1-8
[56] Vide S.2.4 pp.22

4.5 Conclusion

This Chapter outlined the information gleaned from the interviews, while the following Chapter presents an in-depth analysis of these findings.

Chapter 5
Discussion of Findings

5.1 Introduction

This Chapter evaluates the research findings of Chapter 4 within the context of the literature reviewed in Chapter 2. As illustrated in Figure 5.1, Section 5.2 discusses the preferred CFO Board participation option. Section 5.3 focuses on the pros and cons of such CFO Board participation and Section 5.4 discusses the wider CG implications of the different types of CFO Board presence on other stakeholders. Section 5.5 concludes the Chapter.

In the dynamic and often turbulent waters of the business world, MLEs set sail like ships, each with its own destination of success and prosperity on the horizon. Much like the captain relies on a skilled navigator to chart a course through unpredictable seas, MLEs depend on their CFOs to guide them through the complexities of financial management and decision-making.

Just as a navigator's position on the ship's deck influences the vessel's course and efficiency, the role of CFOs within MLE Boards varies, impacting the entity's financial journey in diverse ways. This discussion aims to delve into the multifaceted role of CFOs within MLEs, employing the analogy of the CFOs as navigators to explore their participation on Boards, the effectiveness of their involvement, and the broader implications for CG. Let the journey into the depths of CFO involvement within MLEs begin.

5.1 Introduction

5.2 The Optimal Navigator Role: The Preferred CFO Board Participation Option

- 5.2.1 Why is CFO Regular Participation but non-Board Membership the Preferred Participation Type in Most MLEs?
- 5.2.2 What Major CFO Skills and Characteristics Justify the CFO Role as That of a Regular but not a Board Member Participant?
- 5.2.3 Does the Board Presence of the CEO or That of Other Executives Impact on CFO Board Participation and Potential?
- 5.2.4 Does ex-CFO Board Participation Impact on the Participation of the Current CFO ?

5.3 The Success or Otherwise of the Chosen Navigator Role: An Evaluation of Such CFO Board Participation

- 5.3.1 Do the Pros of Engaging a CFO as a Regular Participant but not a Board Member Outweigh the Cons?

5.4 The Impact of the Navigator's Decisions on the Crew and Passengers: The Wider CG Implications of the Different Types of CFO Board Presence on Other Stakeholders

- 5.4.1 Can CFO Board Participation Help to Satisfy Stakeholders' Needs Particularly Those of Directors, Managers and Shareholders?
- 5.4.2 Do Shareholders Take Note of the CFOs' Contributions on MLE Boards?
- 5.4.3 Does CFO Board Presence Impact on the Effectiveness of MLE Board Monitoring?
- 5.4.4 Does CFO Board Participation Result in CFOs Exerting More Influence?

5.5 Conclusion

Figure 5.1: Outline of Chapter 5

5.2 The Optimal Navigator Role: The Preferred CFO Board Participation Option

5.2.1 Why is CFO Regular Participation But non-Board Membership the Preferred Participation Type in Most MLEs?

As illustrated in Figure 5.2, the indications[57] are that the preferred CFO Board participation type is that of regular participation but not a Board member. This is similar to what was previously noted in the literature[58]. The primary rationale behind this preferred option is to allow the Board to appropriately consider the financial implications of their decisions, while still maintaining the capability to independently challenge management. For example, this could mean the Board having the freedom to require the CFO to step out of any meeting when necessary. Furthermore, having such a type of participation rather than that of the CFO being a BM reduces the possibility of conflicts of interest arising at Board level between CFOs and BMs. This was also pointed out by Mobbs (2018)[59]. Additionally, this type does not necessitate the occupation of a Board seat which may otherwise be held more successfully by another ED whose Board presence can be even more relevant in the Board's deliberations. This is also in line with Trentmann (2022)[60], and SpencerStuart (2023)[60]. However, such argumentation favouring this type does not necessarily apply to non-listed entities and further studies may help to clarify this.

[57] Vide S.4.2.1 pp.42
[58] Vide S.2.2 pp.16-18
[59] Vide S.2.2 pp.17
[60] Vide S.2.2 pp.16

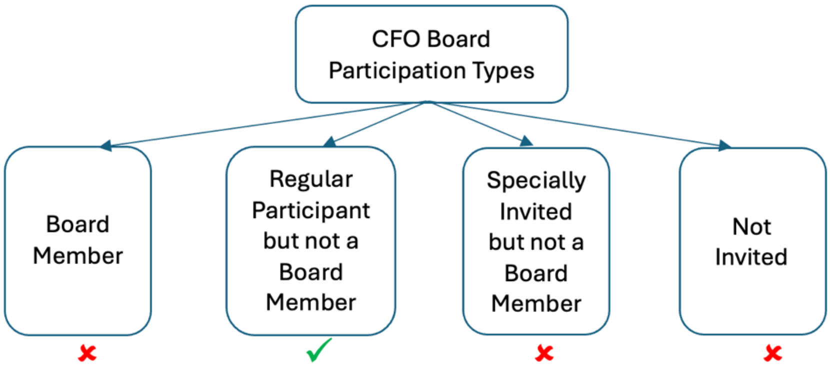

Figure 5.2: The Preferred CFO Board Participation Type by MLEs

Source: Author

5.2.2 What Major CFO Skills and Characteristics Justify the CFO Role as That of a Regular but not a Board Member Participant?

The findings[61] underscore a comprehensive range of skills and characteristics deemed indispensable for the CFO role and these are summarised in Table 5.1.

Skills	**Characteristics**
Problem-solving	Integrity
Strategic Thinking	Transparency
Market and Business Acumen	Humility
Financial Expertise	Accountability
Social Skills	Calmness and Composure
Presentation	Convincing and Confidence
Regulatory Knowledge	Preparation
Experience	Teamwork
Active Listening	Assertiveness
Leadership	Adaptability
Negotiation	Quick-wittedness
Persuasion	
Information Confidentiality	

Table 5.1: Summary of Skills and Characteristics Required of a CFO to Participate in Board Meetings

Source: Author

[61] Vide S.4.2.2 pp.44

Clearly, a plethora of skills and characteristics are needed. Above all, the CFO is expected to be a dynamic problem-solver, capable in strategic thinking beyond financial matters and also having a deep enough understanding of the entity's market and operations. Furthermore, the findings[61] indicate, in line with Copnell (2019)[62] and IFAC (2013)[62], that other highly needed skills include the combination of financial expertise with a display of effective communication and basic social skills and characteristics such as active listening, assertiveness, leadership, negotiation, and strong persuasion and teamwork abilities. Notably, other relevant factors for the CFO to ensure competent and effective interactions with BMs include sound CFO experiences at top level, remaining up-to-date on regulatory changes, as well as being reasonably skilled in the humble and confidential exercise of accountability.

In addition to the aforementioned skills and characteristics, it may be noted that, in line with what was earlier stated by Lees (2014)[62], the capacity to convey financial concepts to BMs in layman terms is also relevant. Furthermore, attitudes demonstrating confidence, thorough preparation, integrity, transparency, and composure under pressure further enhance Board trust in its interactions with the CFO. Yet, contrary to Hualun and Tao's (2006)[63] findings, age is not a determining factor for successful CFO Board participation.

[62] Vide S.2.3 pp.20
[63] Vide S.2.2 pp.16

5.2.3 Does the Board Presence of the CEO or That of Other Executives Impact on CFO Board Participation and Potential?

Both findings[64] and literature[65] present conflicting views on whether the CEO's membership on the Board influences the CFO's engagement on the Board. While, contrary to Low (2017)[65], most MLEs perceive it as having no impact on the CFO's participation, findings[64] suggest that both the CFO and CEO need to collaborate closely. A significant collaborative dynamic between the CFO and the CEO needs to prosper within the organizational framework. The relationship is to be a close working one, characterized by open communication and mutual respect. In such an environment, if CFOs perceive any actions or decisions on the part of their CEOs as being inappropriate or potentially detrimental to the entity, they should be assertive enough to voice their concerns without hesitation. In particular, a sound CFO/CEO relationship contributes to valid decision-making and substantial risk mitigation.

The findings[64] suggest that both the CFO and CEO should play integral roles as key members of the Board. However, the extent of their involvement may vary depending on their individual characteristics and the size of the Board itself. While larger Boards may necessitate a more distributed leadership structure characterised by diverse expertise and perspectives, smaller Boards may afford greater opportunities for direct engagement and influence from both the CFO and CEO. Overall, the findings underscore the importance of fostering such a collaborative and constructive CFO/CEO relationship, both within the boardroom and across organisational functions.

Despite this, the findings[66] indicate that one way in which CFO participation may vary is when a CEO departs from the entity and the CFO has sufficient knowledge of the entity as depicted in Figure 5.3. When the departing CEOs leave, if CFOs possess comprehensive understanding of the entity's operations, strategic

[64] Vide S.4.2.5 pp.49
[65] Vide S.2.2 pp.17
[66] Vide S.4.2.5 pp.50

initiatives, and industry landscape, they may emerge as a natural candidate for promotion to the CEO position. This decision is grounded in the belief that the CFOs' intimate knowledge of the entity's inner workings equips them with the insights and acumen necessary to effectively lead the entity through the transition period and beyond.

Moreover, promoting a CFO to the CEO role offers several advantages. Firstly, it ensures continuity in leadership, mitigating potential disruptions to ongoing initiatives and maintaining strategic momentum. Additionally, the transition from CFO to CEO may be facilitated by the CFO's existing relationships with key stakeholders and CFO familiarity with CG structures. In instances where the departing CEO's departure creates a leadership vacuum, the CFO may also step in as an acting CEO on an interim basis. This temporary leadership arrangement provides stability and reassurance for employees, investors, and other stakeholders while the entity navigates the search for a permanent CEO. Furthermore, this practice aligns with research insights from Konstans (2013)[67], who highlights the advantages of promoting internal candidates, particularly CFOs, to executive leadership positions during times of CEO turnover. This strategy reflects a strategic emphasis on leveraging internal talent and expertise to drive organisational success and underscores the critical role played by CFOs in shaping corporate strategy and leadership succession planning.

Similarly, the findings[66] show that the participation of the CFO does not vary with whether there are other EDs on the Board provided that there is an adequate mix of INEDs and NEDs as shown in Figure 5.3. This approach underscores the significance of Board diversity and independence in facilitating effective governance practices. In this context, the presence of other EDs on the Board does not inherently impact the CFO's level of participation. Instead, what matters most is the overall composition of the Board and the presence of sufficient independent voices to provide effective oversight and strategic guidance. As long as the Board maintains a balanced mix of directors, including a strong contingent

[67] Vide S.2.2 pp.18

of INEDs and NEDs, the CFO's role and involvement remain consistent, reflecting a commitment to robust governance principles and stakeholder interests.

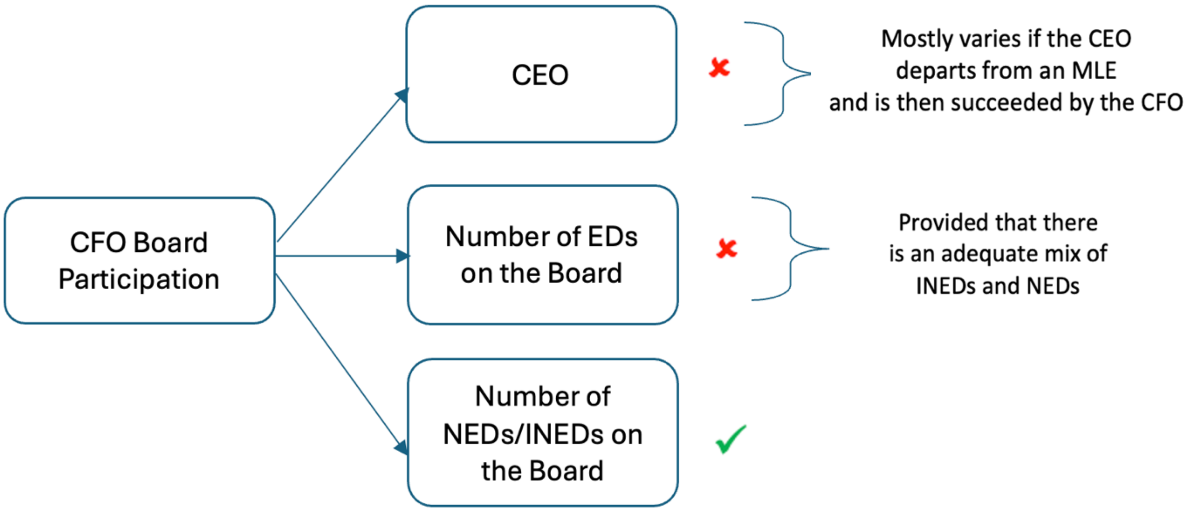

Figure 5.3: The Impact of the Board Participation of the CEO, Other EDs and NEDs/INEDs on CFO Board Participation

Source: Author

5.2.4 Does ex-CFO Board Participation Impact on the Participation of the Current CFO?

In the first instance, the findings[68] indicate that MLEs consider it appropriate for an ex-CFO formerly engaged in an MLE to sit on the Board of the same MLE after their retirement. The main reason given was that this ensures the preservation of valuable expertise, as these individuals possess a deep understanding of the entity's internal operations. This notion aligns with findings from SpencerStuart (2023)[69]. However, a cooling-off period of two to three years is generally considered as necessary in order for the CFO to appear to be a real INED.

Despite this, the findings[70] show that unnecessary clashes might arise between the current CFO and the ex-CFO on MLE Boards. This may be due to divergent perspectives, conflicts of interest, authority disputes, communication breakdowns, and role ambiguity. Tensions may arise owing to different perspectives on financial tactics and antiquated methods. Moreover, objectivity may be hampered by the possibility of both personal and professional conflicts of interest resulting from the CFO/ex-CFO relationships. Effective governance may also be hampered by disagreements about overlapping positions and decision-making authority. Thus, in order to reduce conflicts and promote cooperation for good decision-making in the boardroom, mutual trust and communications are essential.

[68] Vide S.4.2.4 pp.47
[69] Vide S.2.2 pp.17
[70] Vide S.4.2.4 pp.48

5.3 The Success or Otherwise of the Chosen Navigator Role: An Evaluation of Such CFO Board Participation

5.3.1 Do the Pros of Engaging a CFO as a Regular Participant but not a Board Member Outweigh the Cons?

Both findings[71] and literature[72] delineate numerous advantages and disadvantages of CFOs serving as regular participants without holding Board membership. Nonetheless, disparities persist between the pros and cons identified in the literature and their relevance to MLEs.

The findings[73] suggest that it is imperative for CFOs to be present during Board meetings, particularly when strategic plans are under review and approval. This presence allows the CFO to elucidate and contextualise the numerical data presented to other directors, facilitating a comprehensive understanding among all meeting participants. This is in line with the views of Uhde, Klarner et al. (2016)[74] and Lindsay (2015)[74]. Furthermore, CFOs can provide insightful justifications, interpretations, and assessments of the financial ramifications of suggested strategic initiatives by actively participating in these discussions. This improves the directors' comprehension of the financial components and promotes strategic alignment and well-informed decision-making throughout the Board. The CFO's attendance also guarantees that any queries about the financial components of the strategic plans are answered fully and immediately, thus enhancing the level of discussions and promoting more fruitful results. All things considered, the CFO's active participation in Board meetings during strategic plan reviews acts as a cornerstone for advancing solid financial stewardship.

[71] Vide S.4.3 pp.51-61
[72] Vide S.2.3 pp.19-22
[73] Vide S.4.3.1 pp.51-56
[74] Vide S.2.3 pp.19

In addition, the findings[75] indicate that, in the context of MLEs, social connections between CFOs and other BMs may yield benefits. However, this is provided that these relationships do not lead to excessive proximity between the CFO and other BMs. Although these social connections may improve cooperation and communication, it is important to strike a balance to keep the CFO from becoming too close to other BMs. Such a balance is necessary to reduce the possibility of conflicts of interest or biases resulting from unduly intimate connections in the boardroom. Therefore, while social connections may be beneficial, it is crucial to make sure they are handled carefully to maintain the objectivity and integrity of Board meetings.

Furthermore, the findings[73] indicate that regular CFO Board participation does not necessarily lead to Boards managing and exercising more oversight. In contrast, factors such as the extent of collective financial expertise of BMs and the effective role of the entity's audit committee are perceived to be more relevant in this regard.

Moreover, no discernible correlation was noted[76] between regular CFO Board participation and their capacity to enhance their skills, exhibit dynamism, and stay abreast of recent developments in the market. Such findings contradict the perspectives put forth by Hagel (2013)[77] and Trentmann (2022)[77], who suggest that such CFO involvement in Board activities inherently contributes to their professional development and knowledge acquisition. The absence of any clear link between CFO Board participation and skill enhancement implies that simply being a Board participant may not in itself translate into continuous learning and growth for CFOs. It also implies that CFO development may be much more clearly gained through active participation in annual general meetings (AGMs) and executive committee meetings. This underscores the significance of proactive self-improvement efforts and continuous professional development initiatives

[75] Vide S.4.3.1 pp.53
[76] Vide S.4.3.1 pp.54
[77] Vide S.2.3 pp.19

outside of boardroom engagements. Given the contradictory results of this study as compared with previous research, a potential future study could delve more deeply into the matter and also consider other ways of professional development for the CFO outside Board participation.

Similarly, the findings[76] indicate that there is little, if any link, between regular participation of the CFO in Board meetings and the quality and impact of financial reporting. This contrasts with Muttakin, Khan et al. (2019)[78] who claim that such reporting is positively impacted by the presence of the CFO. Such an impact seems to be more related to the challenges and questioning which BMs are ready to pose to the CFO irrespective of any CFO Board presence. Further study may be needed in this area.

However, a significant number of other advantages[79] seem to arise as a result of CFO regular Board participation but non-Board membership. Firstly, the CFO can offer a quicker and clearer explanation of the entity's current economic status in simple terms, thus enhancing the entity's strategic direction. Such practice aligns with IFAC's (2013)[80] guidelines and contributes to a more robust CG. This capability enables BMs to better comprehend the entity's financial position and performance and thus rendering them in a better position to decide in a way that best serves the entity. Secondly, CFOs can better address employee concerns beyond financial matters, further extending their contribution into areas such as employee welfare. Therefore, the CFO's Board presence not only promotes a culture of employee-centric decision-making but also underscores the CFO's multifaceted role as a strategic leader with a keen understanding of the interconnectedness between financial performance and organisational health.

With regards to the additional advantages for CFOs with respect to such CFO Board participation, it is clear[81] that such participation enables CFOs to gain a

[78] Vide S.2.3 pp.20
[79] Vide S.4.3.1 pp.55
[80] Vide S.2.3 pp.20
[81] Vide S.4.3.1 pp.56

comprehensive perspective of the entity. Consequently, financial strategies may be more easily aligned with broader entity goals, thus contributing to more effective strategic planning and execution. Finally, it is clear through networking with the other directors, CFOs might gain new insights and perspectives. As a result, CFO Board participation will clearly render the CFO in a position to understand the Board perspectives.

Nonetheless, the findings[82] indicate that various drawbacks may derive from such CFO Board participation. Firstly, friction may arise between a CFO and a financially-literate ED particularly regarding financial tactics, reporting guidelines and the allocation of resources. Such divergent opinions may arise owing to disparities in outlooks, priorities, and approaches towards the interpretation of financial information. Furthermore, such frictions may be tantamount to the perception that the respective ED is invading the territory of the CFO, with the latter perceiving that unfair challenges are being placed on their independence or power. Another notable disadvantage for the CFO is the extensive preparation generally required in view of CFO Board participation. This typically includes a more extensive review of the material to be presented by the CFO to the Board. This viewpoint aligns with the findings provided by Buttigieg (2013)[83].

However, as shown in Figure 5.4, the pros *(first column)* of engaging CFOs as regular Board participants but not Board members clearly outweigh the cons *(second column)*.

[82] Vide S.4.3.2 pp. 57-61
[83] Vide S.2.3 pp.20

Figure 5.4: The Pros and Cons of Regular CFO Board Participation but non-Board Membership

Source: Author

5.4 The Impact of the Navigator's Decisions on the Crew and Passengers: The Wider CG Implications of the Different Types of CFO Board Presence on Other Stakeholders

5.4.1 Can CFO Board Participation Help to Satisfy Stakeholders' Needs Particularly Those of Directors, Managers and Shareholders?

Both findings[84] and literature[85] confirm that CFO Board participation does indeed satisfy directors' needs by providing invaluable support in various crucial aspects of CG and strategic decision-making processes. With CFO involvement, directors benefit from expert guidance in setting strategic directions and establishing robust systems of internal controls to ensure the entity's financial integrity and compliance. Furthermore, by helping directors to set budgets, evaluate financial performance, and approve financial outcomes, CFO involvement promotes informed decision-making. The entity's resource allocation and fiscal discipline are also improved by the CFO's guidance and experience in setting reasonable and attainable financial goals. Furthermore, CFO engagement plays a pivotal role in shaping the appropriate corporate culture within the entity. By providing financial stewardship and promoting transparency, integrity, and accountability in financial matters, CFOs help foster a culture of responsibility and ethical behaviour throughout the entity. This reinforces directors' efforts to uphold high standards of CG and aligns organisational practices with ethical and regulatory requirements.

In the case of managers, the findings[86] indicate that their needs are partially fulfilled through CFO Board participation, particularly in relation to management-related strategic decisions discussed during Board meetings. However, this is contingent upon CFO contributions being aligned and coordinated with those of the CEO. CFO participation can enhance managers' understanding of financial

[84] Vide S.4.4.1 pp.61-62
[85] Vide S.2.4 pp.23-26 e.g. McCann (2008), Lupi (2013), Buttigieg (2013), Mbatha (2017) & Sfeir (2019)
[86] Vide S.4.4.1 pp.62

implications and risks associated with strategic initiatives, thus enabling them to make more informed and effective decisions in their respective areas of responsibility. CFOs' contributions to budgeting, financial forecasting, and performance monitoring processes also support managers in achieving organisational objectives and optimising resource utilisation. However, it is crucial that CFO contributions are coordinated with those of the CEO to ensure alignment with overall strategic objectives and organisational priorities. Effective collaborations between the CFOs and the CEOs ensure that financial considerations are integrated seamlessly into broader strategic decision-making processes, thus enhancing the relevance and impact of CFO contributions for managers and the entity as a whole.

Finally, with respect to shareholders, the findings[86] reveal that their needs are also satisfied. In fact, CFO Board participation plays a crucial role in enhancing shareholders' confidence and trust in the financial reporting and dividend policy stability of the entity. By actively engaging in Board discussions and decision-making processes, CFOs contribute to ensuring the accuracy, transparency, and reliability of financial statements to be presented to shareholders. This aligns with the findings of Muttakin, Khan et al. (2019)[87].

Therefore, as illustrated in Figure 5.5, CFO Board participation effectively helps to satisfy the varying needs of directors, managers, and shareholders.

[87] Vide S.2.4 pp.23

Figure 5.5: CFO Board Participation and the Satisfied Needs of Directors, Managers & Shareholders

Source: Author

5.4.2 Do Shareholders Take Note of the CFOs' Contributions on MLE Boards?

According to the findings[88], small Maltese shareholders often lack financial literacy and show little concern for the specifics of CFO Board participation. However, larger institutional shareholders prefer CFOs to be either BMs or at least regular participants to ensure greater confidence in financial matters. However, some shareholders particularly the large but non-institutional ones, seem to have their reservations when CFOs become BMs rather than being merely present at Board meetings. This is because they fear that fewer challenges are made on financial reporting on the part of the BMs when there are CFOs as BMs. This sentiment aligns with findings by Kim, Nofsinger et al. (2010)[89], and highlights in particular the significance for institutional shareholder confidence of having the presence of the CFO for the sake of effective financial oversight.

[88] Vide S.4.4.2 pp.62
[89] Vide S.2.4 pp.24

5.4.3 Does CFO Board Presence Impact on the Effectiveness of MLE Board Monitoring?

The findings[90] indicate that the Board monitoring effectiveness in MLEs remains generally unaffected by CFO Board presence as long as the Board mix of EDs, NEDs, and INEDs is well balanced. This is because such a balance in itself helps towards ensuring diversity in Board perspectives and robustness in oversight mechanisms. However, contrary to the conclusions of Liu (2017)[91], caution is often assumed by many Maltese BMs to be warranted when CFOs assume a Board membership role, in order to lessen any perceived risks of having such CFOs concealing or defending management's negative actions, with a potential detrimental effect on Board monitoring effectiveness.

5.4.4 Does CFO Board Participation Result in CFOs Exerting More Influence?

It is also evident from the findings[90] that CFO Board membership significantly increases the influence of CFOs on Board proceedings, because it enables them to vote on critical company decisions. This is in line with Mobbs (2011)[92]. In contrast, when CFOs serve only as regular or specially invited participants, their influence tends to be less pronounced. However, other factors may be relevant in this connection. These include the integrity and assertiveness of fellow directors, the size of the Boards, the conduct of proceedings by the chairpersons, and the personal characteristics of the CFOs, such as their persuasion skills and overall demeanour. Therefore, assessing the dynamics of these factors remains essential in understanding the extent of the influence of CFOs within the Boards.

[90] Vide S.4.4.3 pp.63
[91] Vide S.2.3 pp.19
[92] Vide S.2.4 pp.22

5.5 Conclusion

This Chapter has delved into an examination of the main research findings. Subsequently, the following Chapter will consolidate these discussions, drawing conclusions and offering a series of recommendations.

Chapter 6
Summary, Conclusions and Recommendations

6.1 Introduction

This Chapter concludes the dissertation. As illustrated in Figure 6.1, Section 6.2 summarises the findings of the study, and Section 6.3 outlines the conclusions drawn. Section 6.4 offers various recommendations, while Section 6.5 identifies potential areas for further research. Finally, Section 6.6 provides the concluding remarks.

Figure 6.1: Outline of Chapter 6

6.2 Summary

The objectives of the study were threefold: (i) to ascertain how, if in any way, MLEs require CFOs to participate as BMs, or as regular Board participants, or as not regular but specially invited participants on their Boards, or not inviting CFOs to participate at all on such Boards; (ii) to evaluate the pros and cons of the preferred type of participation from the perspectives of the CFOs themselves and of other BMs and (iii) to analyse the wider positive and/or negative CG implications of CFO Board presence upon the Board directors, managers and shareholders of MLEs.

In the achievement of these objectives, a mixed research methodology was employed. Semi-structured interviews were conducted with 10 BMs and 16 CFOs from MLEs. Additionally, written responses were obtained from three additional BMs and two CFOs, bringing the total number of participants to 31.

The findings highlighted MLE preference for CFOs to be regular participants but not BMs, in order to facilitate financial oversight while at the same time retain independent challenges to management. The rationale for such CFO Board participation included the Board acquisition of financial acumen and communication. Factors such as any CFO shareholding, Board financial literacy, and entity complexity influenced such participation. The Board presence of current CFOs sitting on other MLE Boards was found to be acceptable and the Board presence of any ex-CFO of the respective MLE was also acceptable subject to reasonable cooling-off periods. However, concerns were expressed relating to having the MLE CFO and any of its ex-CFOs simultaneously on MLE Boards owing to the increased possibility of clashes. The acceptability of CFO Board participation also remained constant irrespective of whether there was also the Board presence of the current CEO. However, CFO Board presence was particularly warranted with a balanced Board mix, particularly when the number of other EDs was not excessive.

CFO Board participation offered several advantages yet presented some challenges. CFOs played a crucial role in explaining financial data during strategic planning reviews and enhancing understanding among directors. Moreover, outside Board directorships provided valuable knowledge vis-a-vis improving practices in MLEs, although the exercise of caution was found necessary for the prevention of conflicts of interest and excessive time consumption. Coordination in the CFO and CEO contributions ensured strategic alignment, benefitting both the managers and the entity itself. Additionally, CFOs contributed towards increasing shareholder confidence in financial reporting accuracy, thus fostering trust and stability. However, the main challenges included potential friction with financially literate executives, extensive CFO preparation for Board meetings leading to increased stress, and the need to balance Board commitments with core financial duties. There were also increased risks of strained relationships and undue CFO influence on Board proceedings, particularly in smaller or executive-dominated Boards. Despite such challenges, CFO Board participation remained essential to strategic decision-making and improved financial stewardship within entities.

The findings also highlighted the mostly positive implications of CFO Board presence on directors, managers and shareholders. Such a presence was seen as helping to satisfy the needs of these three main CG stakeholders. Moreover, the findings indicated that small Maltese shareholders lacked financial literacy and generally showed little concern about CFO Board participation. Contrastingly, large institutional shareholders preferred CFOs as Board members or regular participants. However, the large but non-institutional shareholders believed that appointing CFOs as Board members could hinder financial reporting oversight. Most respondents agreed that CFO Board participation did not affect the Board's monitoring effectiveness, with the proviso that Board composition was appropriate. However, a few argued that CFOs acting as BMs might conceal management's negative actions. The influence of CFOs as BMs on proceedings was found to increase owing to their becoming eligible to vote, while regular or specially invited participation was not found to necessarily be so influential.

Overall, the Board influence of CFOs also varied with their character, the Board size, and the chairperson's procedural standards.

6.3 Conclusions

This study concludes that MLEs prefer that CFOs participate as regular members without Board membership, thus facilitating independent scrutiny of management while prioritising financial considerations. Moreover, this type of participation requires CFOs to possess various vital skills including those related to problem-solving, financial acumen, communication, regulatory awareness, integrity, and teamwork.

Moreover, this study underscores the significance of CFO participation in strategic planning, underscoring benefits such as enhanced communication and strategic acumen. Furthermore, CFOs play pivotal roles in elucidating economic scenarios and fortifying CG. Board roles confer value and trust upon CFOs thus enriching their strategic comprehension and expertise. However, such participation demands substantial time commitments. Indeed, despite the challenges posed by time commitments and potential conflicts of interest, it may be concluded that the advantages of regular CFO participation on Boards clearly outweigh the drawbacks.

Finally, this study also concludes that CFO Board participation satisfies directors' needs related to strategic planning, controls, and corporate culture and also satisfies the managers' needs especially in strategic Board discussions. Board participation was seen to benefit shareholders, enhancing trust in financial reporting and stability in dividend policy. Generally, shareholders react neutrally with respect to the different CFO Board participation options with the exception that large institutional investors prefer CFOs to be regular Board participants. However, accountability concerns may rise upon engaging CFOs as BMs although such engagement does not affect Board effectiveness in monitoring management. One may also conclude that CFOs become more influential when they become BMs and that their influence is clearly less with other forms of participation.

6.4 Recommendations

This study recommends that MLEs:

a) **establish a regular non-member Board participation role for their CFO** *(S.5.2.1)*

MLEs need to create a formalised role for the CFO to participate in Board meetings as a regular attendee without holding a Board seat. This permits the CFO to contribute financial expertise and insight without being unduly involved in the decision-making process.

b) **introduce Board-related professional development programmes for their CFOs** *(S.5.2.2)*

MLEs also need to implement tailored professional development programmes for CFOs aimed at enhancing Board-related skills such as strategic thinking capabilities, presentation skills, and the ability to communicate financial concepts in layman's terms. These programmes also need to address areas such as confidence building and achievement of thorough pre-Board preparation, transparency, and composure under pressure.

c) **foster more collaboration between their CFOs and CEOs** *(S.5.2.3)*

MLEs need to encourage a more collaborative dynamic between their CFOs and their CEOs, both within the boardroom itself and in other managerial functions. Moreover, such collaboration could involve more open communication including the voicing of mutual concerns when necessary.

d) **implement an appropriate cooling-off period for ex-CFOs intending to join the Boards as INEDs** *(S.5.2.4)*

MLEs need to establish a formal cooling-off period of say two-to-three years before a former CFO can join the Board of the same MLE. This period allows for a transition from the executive role to an INED role, thus diminishing the probability of any perceived conflicts of interest.

e) **encourage balanced CFO/other BMs social connections and networking** *(S.5.3.1)*

MLEs need to acknowledge the potential benefits of social connections and networking between CFOs and other BMs in improving cooperation and communication. However, they need to ensure that such interactions remain balanced and not conducive to excessive proximity that may compromise objectivity or integrity in Board meetings. Thus, guidelines may be established to maintain a professional distance while fostering collaboration and teamwork.

f) **communicate more appropriately with the different types of shareholders** *(S.5.4.2)*

MLEs need to communicate more appropriately with their shareholders. Such communication needs to take into account the specific needs of the different types of shareholders, such as the limited financial literacy of small shareholders and the different expectations and concerns of large institutional investors regarding CFO involvement in Board activities.

g) **exercise caution when granting Board membership roles to their CFOs** *(S.5.4.3)*

It is vital that MLEs exercise caution when considering granting CFOs Board membership roles, in view of the risks emerging from the study of such membership possibly undermining the effectiveness of Board monitoring.

h) **ensure no undue concentration of power in governance proceedings** *(S.5.4.4)*

The governance structures of MLEs needs to be continually overviewed in order to prevent the undue concentration of power being exercised by any individuals, including CFOs. Possibilities include the imposition of term limits, the rotation of Board positions, and the enhancement of oversight mechanisms to promote accountability.

6.5 Areas for Further Research

This study recommends the following areas for further research:

a) **The CFO Role in the Board of Directors of Non-Listed Entities: A Study *(S.5.2.1)***

Such a study would aim at exploring the extent to which the responsibilities of CFOs in non-listed entities mirror those in MLEs. Specifically, it will investigate whether the favoured type of CFO Board participation differs from that preferred by MLEs.

b) **The Interactions Between Ex-CFOs and Current CFOs on MLE Boards: Exploring the Dynamics *(S.5.2.4)***

Such a study would aim at exploring the interactions between ex-CFOs and current CFOs on MLE Boards, analysing the dynamics, influences, and their implications. This could contribute towards providing more insight into governance, succession planning, and leadership development strategies and also towards enhancing organisational effectiveness and resilience in the dynamic landscape of MLEs.

c) **The Factors Shaping CFOs' Professional Development Beyond Board Participation in Maltese Listed Entities: A Study *(S.5.3.1)***

Such a prospective study would be aimed at analysing the implications of any external influences on the professional growth of MLE CFOs beyond Board participation. Factors may be identified such as the need for professional CFO networks and for specific CFO educational programmes which could contribute to further CFO skill enhancement in MLEs.

d) **CFOs in Maltese Listed Entities and Their Enhancement of the Financial Reporting Quality *(S.5.3.1)***

Such a study would identify and assess how CFOs in MLEs may enhance the quality of financial reporting including its transparency and would identify any challenges currently being faced by them.

6.6 Concluding Remarks

This study has highlighted the increased strategic role that MLE CFOs may play when participating in Board meetings. By steering regularly through Board discussions, CFOs are becoming better able to provide many valuable insights for the benefit of Board members, thus enhancing the overall effectiveness in Board proceedings and helping to shape a brighter future for their MLEs. As one respondent pointed out *“the presence of CFOs in MLE Boards is becoming increasingly important inasmuch as that of a professional navigator on a ship at sea”.*

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Appendices

Appendix 1.1 Maltese Equity Listed Entities

This appendix documents the entities whose equity was listed on the Official List of the MSE as of 31st March 2024:

1. Bank of Valletta p.l.c.
2. HSBC Bank Malta p.l.c.
3. Lombard Bank Malta p.l.c.
4. Mapfre Middlesea p.l.c.
5. Simonds Farsons Cisk p.l.c.
6. GO p.l.c.
7. International Hotel Investments p.l.c.
8. Plaza Centres p.l.c.
9. Lifestar Holding p.l.c.
10. Lifestar Insurance p.l.c.
11. FIMBank p.l.c.
12. Malta International Airport p.l.c.
13. Santumas Shareholdings p.l.c.
14. Medserv Regis p.l.c.
15. Grand Harbour Marina p.l.c.
16. MaltaPost p.l.c.
17. RS2 Software p.l.c.
18. MIDI p.l.c.
19. Malita Investments p.l.c.
20. Tigne Mall p.l.c.
21. Hili Properties p.l.c.
22. Malta Properties Company p.l.c.
23. PG p.l.c.
24. Trident Estates p.l.c.
25. Main Street Complex p.l.c.

26. BMIT Technologies p.l.c.
27. The Convenience Shop (Holding) p.l.c.
28. Harvest Technology p.l.c.
29. APS Bank p.l.c.
30. VBL p.l.c.
31. AX Real Estate p.l.c.
32. M&Z p.l.c.

Appendix 1.2 Maltese Bond Listed Entities

This appendix documents the entities whose bond(s) was/(were) listed on the Official List of the MSE as of 31st March 2024:

1. Bank of Valletta plc
2. Simonds Farsons Cisk plc
3. AX Investments plc
4. GO plc
5. CPHCL Finance plc
6. International Hotel Investments plc
7. Plaza Centres plc
8. Eden Finance plc
9. Mizzi Organisation Finance plc
10. Tumas Investments plc
11. Mariner Finance plc
12. MedservRegis plc
13. Grand Harbour Marina plc
14. 6PM Holdings plc
15. Mediterranean Investments Holding plc
16. MIDI plc
17. Premier Capital plc
18. Izola Bank plc
19. MeDirect Bank (Malta) plc
20. Hal Mann Vella Group plc
21. 1923 Investments plc
22. Central Business Centres plc
23. Multitude Bank plc
24. Hili Properties plc
25. Malta Properties Company plc

26. Dizz Finance plc
27. GAP Group plc
28. Mediterranean Maritime Hub Finance plc
29. Von der Heyden Group Finance plc
30. SD Finance plc
31. Camilleri Finance plc
32. Virtu Finance plc
33. Stivala Group Finance plc
34. Bortex Group Finance plc
35. AST Group plc
36. Hudson Malta plc
37. JD Capital plc
38. Hili Finance Company plc
39. Exalco Finance plc
40. Pharmacare Finance plc
41. Melite Finance plc
42. Phoenicia Finance Company plc
43. Best Deal Properties Holding plc
44. Endo Finance plc
45. SP Finance plc
46. Mercury Projects Finance plc
47. Smartcare Finance plc
48. Together Gaming Solutions plc
49. TUM Finance plc
50. Merkanti Holding plc
51. Shoreline Mall plc
52. AX Group plc
53. Cablenet Communication Systems plc
54. APS Bank plc
55. Browns Pharma Holdings plc

56. LifeStar Insurance plc
57. Dino Fino Finance plc
58. AX Real Estate plc
59. BNF Bank plc
60. St Anthony Co plc
61. IZI Finance plc
62. G3 Finance plc
63. The Ona plc
64. CF Estates Finance plc
65. Qawra Palace plc
66. Bonnici Bros Properties plc
67. GPH Malta Finance plc
68. Juel Group plc
69. Plan Group plc
70. Agora Estates plc

Appendix 2.1 Interview Schedule

This appendix contains the interview schedule that was used for all the interviews in this dissertation. Bold and italicised answers to the Likert scale questions are shown here.

Section: Respondent Characteristics

Kindly provide the following details.

a) Entity's industry: _______

b) Position in company: _______

c) Board size *(see def 1)*: _______

d) Board mix *(see def 2)*: EDs ☐ NEDs ☐ INEDs ☐

e) CFO's tenure: < 5 years ☐ 5 – 12 years ☐ > 12 years ☐

f) CFO Board Participation Type:

Member ☐ Regular participant but not a Board member ☐

Specially invited participant but not a Board member ☐ Not invited ☐

g) Are there any members on the Board other than the CFO who are financially literate?

Yes ☐ No ☐

Section 1: CFO Board Participation and its Type

Question 1

In your opinion, please rate the following four different CFO Board participation options *(a-d)* relating to the importance of CFO Board Participation for an MLE:

	Number of participants = 31				
	Not Important at all	**Somewhat Unimportant**	**Neutral**	**Somewhat Important**	**Very Important**
a) Board Member	***7***	***6***	***7***	***6***	***5***
b) Regular participant but a non-Board member	***2***	***0***	***1***	***7***	***21***
c) Specially invited not a Board member	***9***	***6***	***7***	***7***	***2***
d) Not invited	***31***	***0***	***0***	***0***	***0***

Comment/s *(if any).*

Question 2

a) What major personal **skills/characteristics** do you think are necessary for a CFO to participate in Board meetings?

b) What **specific MLE-related factors**, if any, may also be relevant in considering CFO Board participation?

Question 3:

"CFOs serving as directors in their own companies are a dying breed, thanks to a push for greater Board independence". Please comment.

Question 4

In your view:

a) is it appropriate for a CFO currently engaged in an MLE to sit on the Board of another MLE?

b) is it appropriate for an ex-CFO formerly engaged in an MLE to sit on the Board of the same MLE after their retirement?

c) is it appropriate for a CFO formerly engaged in an MLE to sit on the Board of another MLE?

d) is having an ex-CFO better than having the current CFO on an MLE Board?

e) how appropriate is it to have two CFOs/ex-CFOs serving on the same Board?

Question 5

Does the participation of the CFO vary in any way with:

a) whether there is also the CEO on the Board

b) whether there are other EDs on the Board

Section 2: The Pros and Cons of CFO Board Participation

Question 6

To what extent do you agree with the following statements? *Kindly rate from 1 to 5 (with 1 being Strongly Disagree and 5 being Strongly Agree) adding any comments, you feel are necessary.*

	Number of participants = 31				
	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
a) **Social ties** *(see def 3)*: Social ties resulting from Board membership between the CFO and Board members help to ease the transmission of information to all Board members.	***1***	***6***	***7***	***12***	***5***
b) **Quality and impact of financial reporting:** CFO Board membership generally improves the quality and impact of financial reporting	***6***	***9***	***11***	***1***	***4***
c) **Timely reporting:** CFO Board membership rather than mere participation better ensures the timely reporting of information	***8***	***9***	***9***	***3***	***2***
d) CFO Board membership: With CFOs serving on their Boards, the Boards may usually	***2***	***8***	***11***	***9***	***1***

manage to exercise more oversight.					
e) **CFO Board membership:** CFOs membership on Boards renders CFOs more dynamic and up-to-date with recent developments in the market.	***4***	***8***	***8***	***8***	***3***
f) **CFO Board membership:** CFO Board membership, rather than mere Board participation, renders CFOs more efficient and effective in their work	***7***	***11***	***9***	***3***	***1***
g) **CFO Board membership:** CFO Board membership is only advantageous if it is balanced by CEO Board membership.	***2***	***6***	***12***	***8***	***3***
h) **CFO Board Participation:** CFOs should be present on their Boards when strategic plans are being reviewed and approved to explain the numbers put forward on the table.	***0***	***0***	***0***	***2***	***29***
i) **Outside Board Directorships** *(see def 4)***:** Outside Board Directorships provide CFOs with essential knowledge to improve current	***1***	***2***	***10***	***13***	***5***

practices in their own MLE.					

Question 7

In your opinion, are there any other major <u>advantages</u> of having a CFO participating on the Board of an MLE in addition to those referred to in Question 6:

a) for the Board of the MLE itself?
b) for the CFO him/herself?

Question 8

To what extent do you agree with the following statements? *Kindly rate from 1 to 5 (with 1 being Strongly Disagree and 5 being Strongly Agree) adding any comments, you feel are necessary.*

	Number of participants = 31				
	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
a) **Social ties:** Social ties between the Board members and CFOs on the Board hinder the effectiveness of corporate governance.	***4***	***9***	***11***	***7***	***0***
b) **CFO Influence:** If CFOs are appointed on their Boards, they may become too influential on Board proceedings.	***4***	***11***	***9***	***4***	***3***
c) **Director background diversity:** Appointing CFOs on Boards may be a hindrance	***8***	***12***	***4***	***7***	***0***

towards more Board diversity.					
d) **CFO Board membership:** CFO Board membership often results in a less independent Board.	***8***	***9***	***4***	***8***	***2***
e) **Legal Obligations:** The additional legal obligations of Board membership that CFOs need to abide with, deter them from accepting Board membership.	***5***	***9***	***11***	***6***	***0***

Question 9

In your opinion, are there any other major disadvantages of having a CFO participating on the Board of an MLE in addition to those referred to in Question 8:

a) for the Board of the MLE itself?
b) for the CFO him/herself?

Question 10:

In your view, would your reply to Questions 6(a)-(f) and 8(a)-(d) differ:

a) if the CFO is a regular participant rather than a Board member?
b) if the CFO is a specially invited participant rather than a Board member?

Comment/s *(if any).*

Section 3: The Wider CG Implications of the Different Types of CFO Board Presence on Other Stakeholders

Question 11

In your opinion, does CFO Board participation help to ensure that the needs of the following stakeholders are satisfied:

a) Directors?
b) Managers?
c) Shareholders?

Question 12

In your opinion, do shareholders tend to react positively or negatively to each of the four types of possible Board participation?

Question 13

Do you believe that any type of CFO Board participation typically impacts on the effectiveness of the Board in monitoring management?

Question 14

How likely do you think it is for a CFO to have more influence on Board proceedings as a result of any of the four types of Board participation?

Other remarks *(if any).*

Section A1: Abbreviations

Board – Board of Directors

CFO – Chief Financial Officer

CEO – Chief Executive Officer

CG – Corporate Governance

EDs – Executive Directors

INEDs – Independent Non-Executive Directors

MLE – Maltese Listed Entity

NEDs – Non-Executive Directors

Section A2: Definitions

1. **Board size:** The overall count of directors on the Board, encompassing Executive Directors (EDs), Independent Non-Executive Directors (INEDs), and Non-Executive Directors (NEDs) (Shakir 2008). A Board is categorised as small if it consists of 5 directors or fewer, and as large if it comprises more than 5 directors.

2. **Board Mix:** The combination of Executive Directors (EDs), Non-Executive Directors (NEDs), and Independent Non-Executive Directors (INEDs).

3. **Social ties:** Interactions between CFOs and Boards members utilised for exchanging information, knowledge, emotions, and personal encounters.

4. **Outside Board Directorship:** CFOs currently engaged in an MLE who sit on the Board of another MLE.

Section A3 – Likert Scale

Importance scale to be used for Question 1

1	**2**	**3**	**4**	**5**
Not Important at all	Somewhat Unimportant	Neutral	Somewhat Important	Very Important

Agreement scale to be used for Questions 6 and 8

1	**2**	**3**	**4**	**5**
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Appendix 2.2 Statistical Data Analysis Using the Mann Whitney Test

The Mann Whitney test was used to compare mean rating scores provided to a number of statements, between two groups of participants, clustered by positioning in company *(BM or CFO)*. These mean rating scores range from 1 to 5, where 1 represents ‘Not Important at All’ and 5 represents ‘Very Important’ for Question 1 while the mean rating scores for Questions 6 and 8 range from 1 to 5, where 1 represents ‘Strongly Disagree’ and 5 ‘Strongly Agree’. The null hypothesis (H_0) specifies that the mean rating scores provided to the statements vary marginally between the two groups and is accepted if the p-value exceeds the 0.05 level of significance. The alternative hypothesis (H_1) specifies that the mean rating scores provided to the statements vary significantly between the two groups and is accepted if the p-value is less than the 0.05 criterion.

Statement	Positioning in company	N	Mean	Std. Dev	P-value
Board member	Board member	13	2.77	1.536	0.737
	CFO	18	2.94	1.349	
Regular participant but not a Board member	Board member	13	4.08	1.441	0.242
	CFO	18	4.72	0.575	
Specially invited but not a Board member	Board member	13	2.38	1.261	0.514
	CFO	18	2.72	1.364	
Not invited	Board member	13	1.00	0.000	1.000
	CFO	18	1.00	0.000	

Table A2.1: The Importance of CFO Board Participation for MLEs (Q.1)

Statement	Positioning in company	N	Mean	Std. Dev	P-value
Social ties resulting from Board membership between the CFO and Board members help to ease the transmission of information to all Board members	Board member	13	3.15	1.345	0.275
	CFO	18	3.67	0.840	
CFO Board membership generally improves the quality and impact of financial reporting	Board member	13	2.92	1.188	0.226
	CFO	18	2.39	1.243	
CFO Board membership rather than mere participation better ensures the timely reporting of information	Board member	13	2.77	1.092	0.157
	CFO	18	2.17	1.200	
With CFOs serving on their Boards, the Boards may usually manage to exercise more oversight	Board member	13	3.00	0.816	0.953
	CFO	18	2.94	1.110	
CFOs' membership on Boards renders CFOs more dynamic and up-to-date with recent developments in the market	Board member	13	3.08	1.188	0.650
	CFO	18	2.83	1.249	
CFO Board membership, rather than their mere Board participation, renders CFOs more efficient and effective in their work	Board member	13	2.77	1.166	0.089
	CFO	18	2.06	0.873	
CFO Board membership is only advantageous if it is balanced by CEO Board membership	Board member	13	2.77	0.927	0.125
	CFO	18	3.39	1.092	
CFOs should be present on their Boards when strategic plans are being reviewed and approved to explain the numbers put forward on the table	Board member	13	4.92	0.277	0.921
	CFO	18	4.94	0.236	
Outside Board Directorships provide CFOs with essential knowledge to improve current practices in their own MLE	Board member	13	3.62	1.044	0.859
	CFO	18	3.61	0.916	

Table A2.2: MLEs' Level of Agreement with the Pros of CFO Board Participation (Q.6)

Statement	Positioning in company	N	Mean	Std. Dev	P-value
Social ties between the Board members and CFOs on the Board hinder the effectiveness of corporate governance	Board member	13	3.00	1.000	0.135
	CFO	18	2.44	0.922	
If CFOs are appointed on their Boards, they may become too influential on Board proceedings	Board member	13	3.15	1.068	0.075
	CFO	18	2.39	1.145	
Appointing CFOs on Boards may be a hindrance towards more Board diversity	Board member	13	2.31	1.109	0.984
	CFO	18	2.33	1.138	
CFO Board membership often results in a less independent Board	Board member	13	2.38	1.261	0.514
	CFO	18	2.72	1.364	
The additional legal obligations of Board membership that CFOs need to abide with deter them from accepting Board membership.	Board member	13	2.46	1.050	0.650
	CFO	18	2.67	0.970	

Table A2.3: MLEs' Level of Agreement with the Cons of CFO Board Participation (Q.8)

Appendix 2.3 Statistical Data Analysis Using the Kruskal Wallis Test

The Kruskal-Wallis test was employed to assess the mean rating scores concerning Board size and the number of EDs, NEDs, and INEDs on MLE Boards across various types of CFO Board participation selected by MLEs. The null hypothesis (H_0) specifies that the mean rating scores provided to the statement vary marginally between the groups and is accepted if the p-value exceeds the 0.05 level of significance. The alternative hypothesis (H_1) specifies that the mean rating scores provided to the statement vary significantly between the groups and is accepted if the p-value is less than the 0.05 criterion.

		N	Mean	Std. Dev	P-value
Board size	Board Member	2	6.50	0.707	0.213
	Regular participant but not a Board member	26	8.31	1.517	
	Specially invited but not a Board member	3	7.67	2.309	
Number of Executive Directors	Board Member	2	2.50	0.707	0.068
	Regular participant but not a Board member	26	1.31	1.011	
	Specially invited but not a Board member	3	0.33	0.577	
Number of Non-Executive Directors	Board Member	2	3.50	2.121	0.200
	Regular participant but not a Board member	26	2.19	1.919	
	Specially invited but not a Board member	3	4.67	3.215	
Number of Independent Non-Executive Directors	Board Member	2	0.50	0.707	**0.017**
	Regular participant but not a Board member	26	4.81	2.315	
	Specially invited but not a Board member	3	2.67	0.577	

Table A2.4: MLE CFO Board Participation Types Compared With the Board Size, Number of EDs, NEDs, and INEDs (Respondent Characteristics)