BOARD DIVERSITY IN SELECTED LARGE MALTESE FAMILY-CONTROLLED COMPANIES AND ITS CORPORATE GOVERNANCE IMPLICATIONS

BY

BRITNEY PISANI

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FACULTY/INSTITUTE/CENTRE/SCHOOL Faculty of Economics, Management & Accountancy

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Abstract

TITLE: Board Diversity in Selected Large Maltese Family-Controlled Companies and its Corporate Governance Implications.

PURPOSE: The objectives of this study are twofold. First, to establish the extent of Board diversity in both its major surface-level (*i.e. age*, *gender*, *nationality and tenure diversity*) and deep-level aspects (*i.e. industry-specific*, *financial*, *legal and IT expertise*) in selected Maltese LFBs, and to establish whether any inherent characteristics of such entities are perceived as influencing the extent of such diversity. Secondly, to assess the influences of such diversity aspects on the major CG factors. This also involves ascertaining the extent to which such influences, if existent, are perceived as advantageous or disadvantageous, as well as exploring any further considerations of diversity in the LFB boardroom.

DESIGN: A mixed-methods research approach was adopted. Semi-structured interviews were carried out with twenty-six interviewees, consisting of eleven directors, three company secretaries, a CEO, four CFOs, an Institute of Directors representative, four advisory partners, an audit manager and an audit director.

FINDINGS: LFB Boards are mostly composed of family members, are mostly long-tenured and have a lack of diversity of expertise. Moreover, the LFB inherent characteristics, particularly strong emotional ties, may reduce the likelihood of a LFB Board being diverse. Furthermore, tenure and age diversity are the diversity aspects most influential on CG, particularly on attaining effective succession planning. In addition, although the eight diversity aspects do not influence the CG factors *pari passu*, they generally influence various CG factors advantageously. In addition, Board diversity most influences the CG factors of quality of decision-making and conduct of the advisory function. Finally, there seems to be a controversy on how Board diversity should be promoted, although it is clear that setting regulatory quotas would in itself fail to solve the issue.

CONCLUSIONS: The study concludes that LFBs should consider Board participation rather than Board membership for most family members in order to allow enough space for the involvement of externals as Board members. Moreover, LFBs should set up a plan to manage the negative influences of their inherent characteristics on Board diversity. LFBs should also opt for various aspects of Board diversity, yet prioritise tenure and age diversity. In this regard, the introduction of fiscal incentives by public authorities may be an appropriate step in this direction.

IMPLICATIONS: This study attempts to raise more awareness on the relevance and implications of Board diversity in LFBs. The proposed recommendations may therefore guide such businesses to further improve their CG, and possibly encourage the competent authorities to provide more guidance in this regard.

KEYWORDS: Board Diversity, Corporate Governance, Board of Directors, Maltese Large Family-Controlled Companies

Dedication

To my aunt Rita, in loving memory

Acknowledgements

I would like to take this opportunity to express my sincere thanks to all those who supported and encouraged me throughout the course of this study.

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List of Abbreviations

Board(s)	Board(s) of Directors
CA	Companies Act
CG	Corporate Governance
CGE(s)	Corporate Governance Expert(s)
Code	Code of Principles of Good Corporate Governance
EC	European Commission
External(s)	A person(s) external or from outside the family business
EU	European Union
F	Figure
FB(s)	Family Business(es)
Frep(s)	Family Representative(s)
IT	Information Technology
Guidelines	Corporate Governance Guidelines for Public Interest Companies
LFB(s)	Large Family Business(es)
MBR	Malta Business Registry
MFSA	Malta Financial Services Authority
MLC(s)	Maltese Equity-Listed Company(ies)
NFB(s)	Non-Family Business(es)
NFrep(s)	Non-Family Representative(s)
OECD	Organisation for Economic Co-operation and Development
S	Section
T	Table

Chapter 1: Introduction

1.1 Introduction

This chapter sets the foundation for the dissertation. As illustrated in Figure 1.1 (F1.1), Section 1.2 (S1.2) presents relevant background information on the research topic, while S1.3 establishes the purpose of the study. Thereafter, S1.4 defines the research objectives, and S1.5 highlights the scope and limitations of the dissertation. Finally, S1.6 provides a summary and a representation of the structure of the dissertation.

1.1 Introduction

1.2 Background to the Study
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- 1.2.2 The Board of Directors
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- 1.2.4 Corporate Governance and its Sources

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F1.1: Outline of Chapter 1

1.2 Background to the Study

1.2.1 The Large Family Business

The Family Business (FB)

Most researchers similarly identify the FB as a business that is "*controlled and usually managed by multiple family members, sometimes from multiple generations*" (Kraiczy 2013). Furthermore, Hnilica and Maechek (2015) identify three dimensions which are intrinsic in each definition of a FB: *ownership* which refers to the proportion of ownership held by one family, *management* which refers to the extent to which family members hold top management positions and *board-membership* which refers to the degree to which family members are engaged in the Board of Directors (Board). In the case where the family holds the majority voting rights, considerable control in the decision-making process of the organisation is exerted (ibid.). Contrastingly, where the family holds a minority portion of voting rights, family members tend to exercise their influence by electing a Board that favours their own interests (Tagiuri, Davis 1996).

Some researchers also consider the distinction between family-influenced and family-controlled companies. A family-influenced company is one where the family and two or more family directors own less than 25% of the share capital (Baldacchino, Gauci et al. 2019). Conversely, a family-controlled company is one where the founder or family members own more than 25% of the business' share capital (European Commission [EC] 2009).

Defining Large Family Businesses (LFBs)

In accordance with the thresholds stated in the Companies Act (CA) (1995), FBs are also LFBs if they engage 250 or more employees. However, the working definition of LFBs for this study is that of those FBs which have both the stated number of employees and are also family-controlled and not just family-infuenced.

1.2.2 The Board of Directors

The Board is the supreme authority in an organisation that is responsible for the company's performance, governance and overall functioning as well as for the protection of shareholders' interests (Lahlou 2018, Lipton, Lorsch 1992). Thus, it is critical for the Board to exercise good corporate governance (CG) (Kemp 2006). However, as verified by recent global corporate scandals, directors do not strictly act in shareholders' best interests (Agrawal, Chadha 2005).

This projects the need for directors to be "*effective*"[1] within the business (Malta Financial Services Authority [MFSA] 2011). In order to maintain this active role, directors must comply with their legal duties, comprising the duty of care, skills and other fiduciary duties (Gerner-Beuerle, Schuster 2014). Directors also hold

[1] Vide Principle 1 of the Code

specific overlapping roles to maintain good CG. Zahra and Pearce (1989) suggest that these comprise maintaining strategy, exercising control, and providing service, which also includes the provision of access to resources.

1.2.3 Defining Board Diversity

'Diversity' broadly refers to *"any attribute people use to tell themselves that another person is different"* (Williams, O'Reilly III 1998, p.81). Consequently, Board diversity refers to the distribution of various characteristics amongst directors, which influence their attitudes and opinions (Ararat, Aksu et al. 2010). Therefore, this impacts how such members engage and integrate with one another (Jackson 1992).

A predominant issue compromising good CG within corporations is the lack of Board diversification (Conger, Lawler et al. 2001). The Code of Principles of Good Corporate Governance (Code) indeed reflects the criticality of Boards encompassing individuals having a *"diversity of knowledge, judgement and experience to properly complete their tasks"* (MFSA 2011, p.4). However, the instance where directorships are not awarded on the basis of merit, will actually impede the entity's CG (Mishra, Jhunjhunwala 2013). Therefore, diversity can be a *"double-edged sword"* (Milliken, Martins 1996, p.403), having both positive and negative consequences.

1.2.4 Corporate Governance and its Sources

Defining CG

The notion of CG initially arose with the inception of limited companies (Stout 2012). However, this concept was dismissed for a number of years and only gained importance once various business failures rose to the surface (Cheffins 2013), where it was realised that good CG indeed prevents corporate scandals, mismanagement, fraud, and hidden liabilities of entities (Lipman, Lipman 2006).

The literature mainly refers to the definition of CG established in the Cadbury Report of 1992, defining CG as "*the system by which companies are directed and* *controlled*" (Cadbury 1992, p.15). This indicates that CG is keener on providing direction than on managing organisations (Dibra 2016). CG encompasses the relationship between an organisation's management, directors, and its shareholders (Tricker 1984). Particularly, CG alleviates conflicts of interest and mitigates agency problems (Cadbury 1992) by providing a framework that advocates accountability (Spira 2001), transparency (Rezaee, Olibe et al. 2003), and integrity (Grant 2003).

Sources of CG

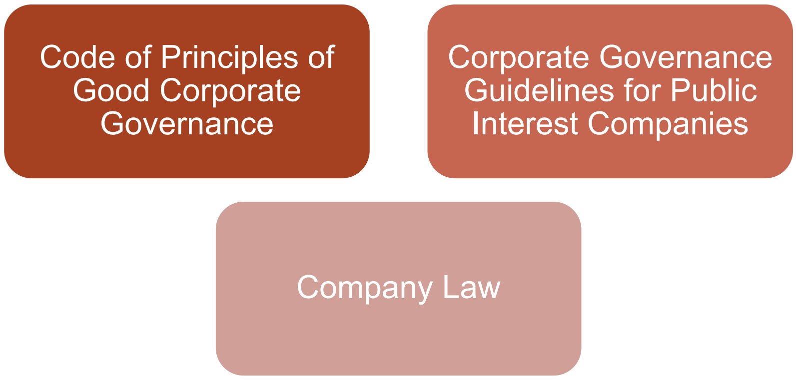
A sound CG framework necessitates a reliable regulatory framework which includes laws and regulations, effective self-regulatory systems, voluntary commitments and business practices, amongst others (Organisation for Economic Co-operation and Development [OECD] 2022). The OECD Principles of CG (2015) and the emergence of CG in the United Kingdom prompted the advancement of CG in Malta (Baldacchino 2017).

The CA (1995) and the Code (MFSA 2011) are the two primary sources of CG in Malta. The CA encloses lawful provisions for companies to maintain a balance between restricting the likelihood of impropriety through a system of checks and balances, while still authorising the Board to manage the company to contribute to good decision-making (CA 1995).

The Code was initially introduced for listed entities in 2001, but was then revised in 2005 and 2011 (Azzopardi 2012). The Code is established on a comply-or-explain principle, whereby should listed entities not respect such provisions, justification for such non-compliance should be provided in the Statement of Compliance, which is then subjected to scrutiny by the auditors (Baldacchino 2007). Despite the Code being annexed to the Listing Rules (Listing Authority – Malta 2021), the principles outlined are still pertinent for non-listed entities (Baldacchino 2017).

In addition, the MFSA published one further variation, the Corporate Governance Guidelines for Public Interest Companies (Guidelines) (MFSA 2006).

F1.2 depicts the three authoritative sources that configure the CG Framework in Malta.



F1.2: Sources of CG in Malta

1.3 Rationale for the Study

Board diversity is a crucial measure which determines whether, and to what extent the Board functions effectively (Booth-Bell 2018). So far, Baldacchino et al. (2021) studied a mix of readily detectable and underlying aspects of Board diversity in Maltese equity-listed companies (MLCs). Even though Baldacchino et al. (2021) note that each diversity aspect taken into account has a positive impact on many CG factors, with any negative influences being minimal, Centeno-Caffarena and Bocatto (2006) remark that FBs tend to restrict themselves in appointing Board members that are family members. This suggests that the current study may identify distinguishing results than those obtained by Baldacchino et al. (2021). Thus, to the knowledge of the author, little is as yet known as to whether such Maltese FBs are undertaking appropriate diversity initiatives. Moreover, this study focuses on LFBs since they are the most economically significant firms, reflecting the need for greater professional expertise and more robust CG mechanisms as businesses mature.

Given that Maltese FBs are responsible for around 80% of Malta-related jobs, they are thought of as the backbone of the Maltese society (PWC 2016), thereby making it crucial to investigate whether FBs are indeed supporting appropriate diversity practices. Additionally, FBs exhibit both family and business welfares, suggesting that the CG prerequisites of such entities are distinct from those of NFBs (García-Ramos, Díaz-Díaz et al. 2017). Hence, it is possible that the current CG regulations and guidelines adopt a one-size-fits-all approach that overlooks the peculiar requirements of LFBs.

Furthermore, most international studies focusing on Board diversity practices in FBs either focus on a single aspect of diversity, principally gender diversity (Meng Yun, Habiba et al. 2021, Amin, Ali et al. 2022), or else focus on exploring the impact that Board diversity in FBs has on firm performance (Metto 2018, Jorissen, Deman et al. 2017, Menozzi, Fraquelli et al. 2015). Moreover, in 2003 the EC determined that each member state is to consider CG issues nationally. Thus, it is critical that such national studies are undertaken (Baldacchino 2017). This is particularly the case, given the paucity of CG research coming from small state nations (ibid.).

Thus, a study examining several aspects of Board diversity in LFBs may prove worthwhile since it may guide such entities to increase their potential to thrive from one generation to another. This may also shed light on the need to set official regulations or guidelines to stimulate diversity practices in LFBs.

1.4 Research Objectives

In the light of this, this study aims to accomplish the following two objectives:

1. To establish the extent of Board diversity in both its major surface-level *(A below)* and deep-level aspects *(B overleaf)* in selected Maltese LFBs, and also to establish whether any inherent characteristics of such entities are perceived as influencing the extent of such diversity.

   A. Surface-level aspects
      I. Age Diversity
      II. Gender Diversity
      III. Nationality Diversity
      IV. Tenure Diversity

B. Deep-level aspects

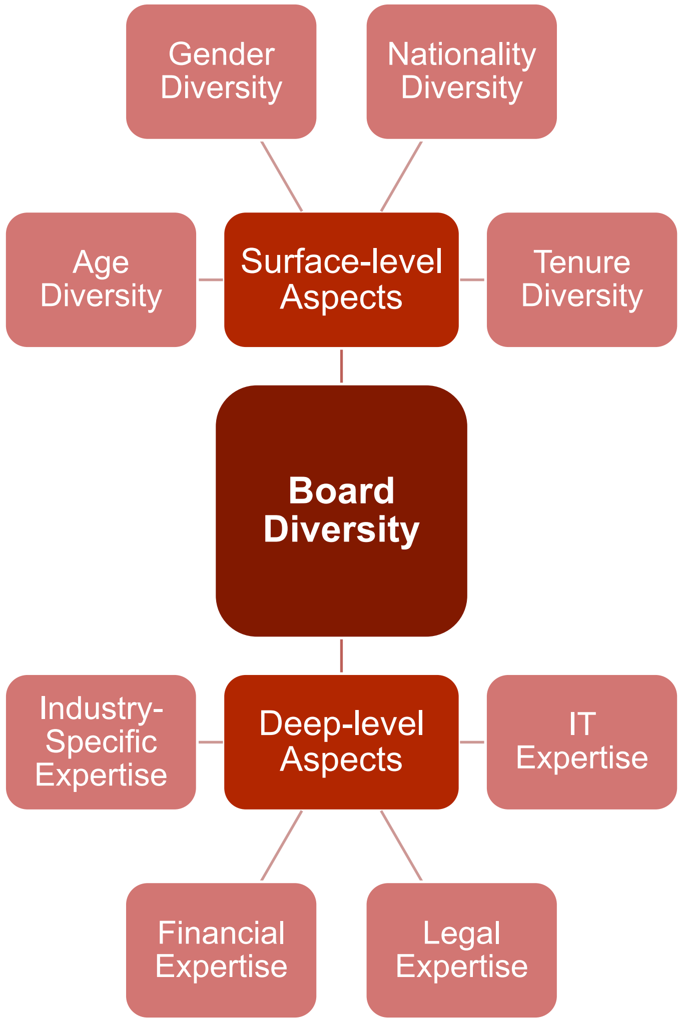
I. Industry-Specific Expertise

II. Financial Expertise

III. Legal Expertise

IV. Information Technology (IT) Expertise.

2. To assess, in the same entities, the influences of such diversity aspects as referred to in Objective 1, and as represented in F1.3, on the major CG factors. This will include ascertaining the extent to which such influences, if existent, are perceived as advantageous or disadvantageous, and will also explore any further considerations of diversity in the LFB boardroom.



F1.3: Aspects of Board Diversity

1.5 Scope and Limitations

Even though this research study addresses eight aspects of Board diversity that are particularly prevalent in the literature, it is critical to point out that there are other aspects which may be considered, including racial diversity or HR expertise. Thus, the list of aspects considered in this dissertation cannot be taken as complete.

Additionally, this study is confined to the CG implications of Board diversity in Maltese LFBs, and therefore excludes all other FBs which are not also LFBs from any specific considerations.

Finally, this dissertation covers related developments up to 31st March 2023.

1.6 Overview of the Study

Chapter 1 introduces the study by exploring key areas concerning the research topic. This preliminary chapter further sets forth the rationale, research objectives and scope and limitations of the study.

Chapter 2 reviews existing local and foreign literature in relation to Board diversity. This chapter also analyses the inherent characteristics of LFBs in view of the research topic.

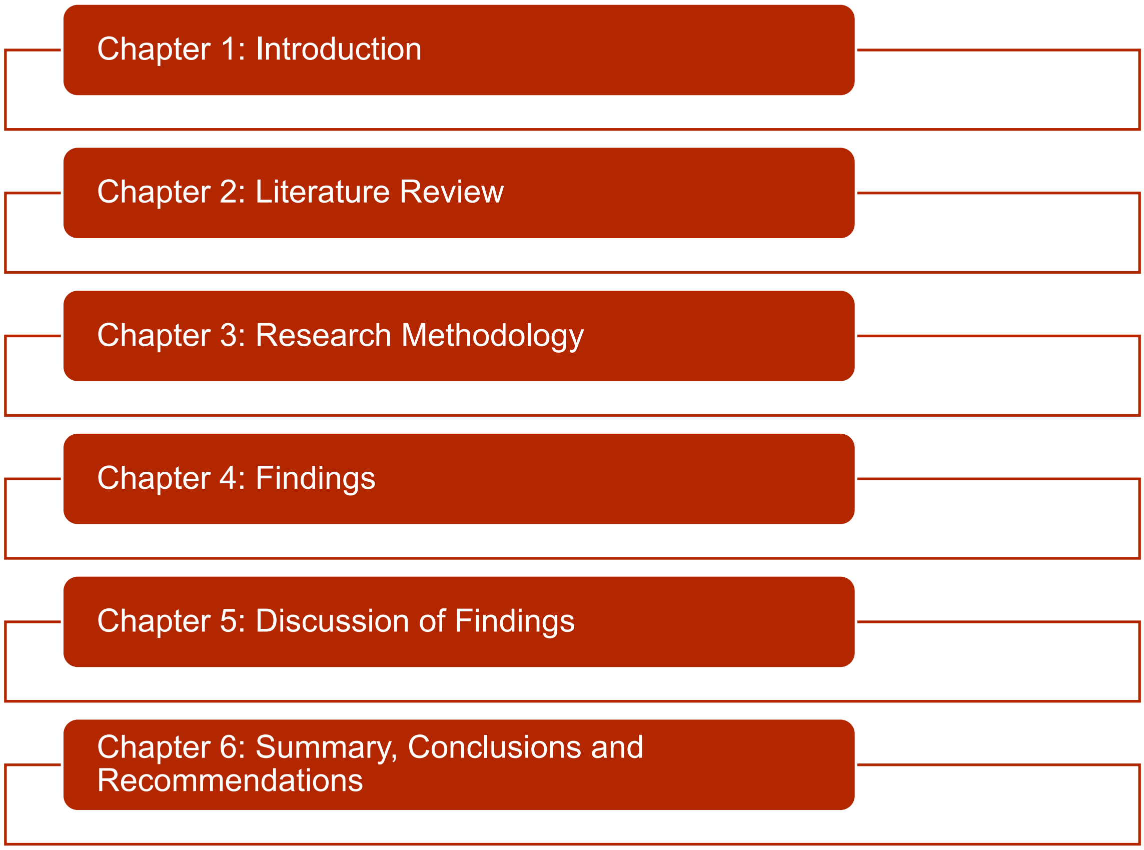
Chapter 3 describes the research methodology adopted to reach the research objectives of this study.

Chapter 4 lays out the findings resulting from the semi-structured interviews.

Chapter 5 thoroughly evaluates and discusses the research findings documented in Chapter Four, in light of the literature reviewed in Chapter Two.

Chapter 6 summarises this study and presents conclusions, practical recommendations and areas for further research.

F1.4 illustrates the structure of the study.



F1.4: Structure of the Study

Chapter 2:

Literature Review

2.1 Introduction

This chapter reviews and evaluates literature on the research area in depth. As outlined in F2.1, S2.2 expounds upon the inherent characteristics ingrained in LFBs. Thereafter, S2.3 and S2.4 investigate the surface-level and deep-level aspects of Board diversity, respectively. Finally, S2.5 concludes the chapter.

2.1 Introduction

2.2 The Influences of Inherent Characteristics of LFBs on Board Diversity

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2.5 Conclusion

F2.1: Outline of Chapter 2

2.2 The Influences of Inherent Characteristics of LFBs on Board Diversity

According to Cadbury (2000), the CG of any FB is more intricate than the CG of NFBs owing to the inherent characteristics of the former. In effect, the inherent characteristics of FBs may drive them to deal with diversity differently than NFBs would (Singal, Gerde 2015). Indeed, in contrast to NFBs, FBs may perceive Board diversity as a danger to their existence (Mubarka, Kammerlander 2022) and may therefore rather appoint directors from a less diverse pool of family members (Jorissen, Deman et al. 2017). This section thereby reviews the inherent characteristics of FBs including LFBs.

2.2.1 Strong Emotional Ties

FBs typically exhibit strong emotional ties due to the common history and perceptions held between the family members in the business (Tagiuri, Davis 1996). This blood-relation and emotional adhesion induces shared goal-directed behaviour, which creates unity, solidarity, lowers agency costs, and safeguards the survival and continuity of FBs (Nicholson 2013, Steier 2001, Melin, Nordqvist et al. 2013). Additionally, this emotional attachment typically fosters a culture of trust within a FB (Howorth, Rose et al. 2010).

However, these emotional ties may impair trust relations with non-family employees (Pearson, Marler 2010, Chrisman, Chua et al. 2005). Moreover, the reluctance of entrusting diverse persons external or from outside the FB (externals) may lead in trusting family-managerial personnel blindly, whereby trust obviates control (Kidwell et al. 2012). This may ultimately dilute an entity's performance (ibid.).

2.2.2 Permanent Posts

Family member involvement in FBs is rarely changed, and this enables FBs to accumulate tacit knowledge and to preserve the qualities inherent in the family (Amit, Villalonga 2014, Melin, Nordqvist et al. 2013). Indeed, family members who have been involved in the business operations for years tend to become highly equipped with organisation-specific and industry-specific knowledge (Wallevik 2009), thereby enabling the business to make informed decision-making and to develop thought-out strategies (Athwal 2017).

Nonetheless, Baldacchino et al. (2019) raise concerns on whether individuals in permanent posts are indeed competent to execute professional decision-making and to provide meaningful advice. Additionally, having top posts held permanently may easily result in a culture of resistance to change (ibid.). Furthermore, Le Breton-Miller and Miller (2009) argue that family and non-family executives having a long-term association with the family are more likely to lean towards the family goals, and this may occasionally conflict with the organisation's mission. In this regard, Baldacchino et al. (2019) remark that *"the periodic injection of new blood in the boardroom is more important within a FB scenario"* (p.90). Indeed, as stated by Rosenblum and Nili (2019), the imposition of Board term limits may increase Board turnover, this being accompanied by a higher extent of Board diversity.

2.2.3 Socioemotional Wealth

FBs are not solely focused on maximising their financial performance and shareholders' wealth (Shukla, Carney et al. 2012, Camilleri 2020), despite this being the presumed ultimate goal of each and every entity (Pike, Neale 2009). Indeed, many literature sources indicate that FBs generally pursue non-economic goals which are based on the family's socioemotional wealth, including the protection of the family's legacy (Amit, Villalonga 2014), the continuity of family harmony (Daspit, Chrisman et al. 2017), the maintenance of benevolent relationships amongst stakeholders (Cruz, Gómez-Mejia et al. 2010), and the protection of their good reputation (Le Breton-Miller, Miller 2009).

Moreover, FBs often secure job prospects for family members to safeguard their socioemotional wealth (Baldacchino, Gauci et al. 2019). This may ultimately encourage FBs to avoid employing an external diverse workforce (Snellman 2016). Mussolino and Calabrò (2014) further state that FBs are often hesitant to engage non-family management to guarantee that the following generation of family successors inherits it.

In this regard, the creation of a family council may help the family communicate on common priorities and objectives (Gersick, Feliu 2013). Additionally, this allows for coordination between the Board and the family council, ensuring that Board decisions are in line with the family's values and non-economic objectives (Lansberg 1988). Moreover, Eckrich and McClure (2012) remark that an external professional facilitator should be appointed in order to lead the family council, foster orderly communication amongst the family members, and maintain an impartial attitude toward each family member's views. Furthermore, establishing an external advisory board allows a FB to gain insight of professional expertise without having to sacrifice its socioemotional wealth, mainly owing to the advisory board members having close relationships to the family (Gómez-Mejia, Cruz et al. 2011). In addition, establishing a family charter may clarify the family's non-economic goals and ensure that family representatives in the council satisfy certain criteria in order to participate, such as having sufficient business acumen (Eckrich, McClure 2012, Deloitte 2015).

2.2.4 Illiquidity of Shares

Mustakallio (2002) denotes that shares in private FBs are generally illiquid, where share transfers are limited solely between the family members. Indeed, share transfers in FBs are only brought about by extraordinary circumstances, such as a capital injection, an inheritance, or a family dispute (ibid.). Economic efficiency is typically exhibited in FBs through their risk aversion and their preference on relying on their own capital to mitigate the possibility of losing family control, even if at the detriment of the FB (Naldi, Nordqvist et al. 2007, Jain, Shao 2015).

However, aside from serving the family's interests, listed FBs that liquidated their shares are typically faced with other public pressures (Cabrera-Suárez, Martín-Santana 2015). Indeed, listed FBs generally have non-family shareholders who are keen to actively participate in the governance of such FBs, and who are even likely to impose further criteria, including the appointment of externals (ibid.). This may be most relevant in cases where no family members want to succeed the preceding generation (Jovenitti 1998). Moreover, Jaafar (2016) remarks that family member executives have less influence and authority when diverse directors, including externals, are appointed in order to satisfy the Board requirements of listed companies.

2.2.5 Family Member Involvement in Management

Greater family involvement in management encourages family members to develop a strong commitment towards the company because they consider the FB as a family asset (Zhou 2014, Berrone, Cruz et al. 2012). This may encourage family managers to align their own interests with those of the business, thus lowering the agency costs (Jensen, Meckling 1976). However, families tend to act more like agents than stewards when there are more family members participating in management (Tosi, Brownlee et al. 2003). This may prompt family members to prioritise control-oriented gains and self-interest over company growth (Schulze, Lubatkin et al. 2003), which leads to the FB's investment vision being short-sighted (Su, Lee 2013).

Yet, given that non-family executives' interactions with the FB tend to be on a more intimate level than would be the case in a NFB, the FB is more likely to consider appointing such affiliate directors (Jones, Makri et al. 2008). This suggests the increased likelihood of the FB Board being more diverse when having non-family members in management (ibid.).

2.3 The Influences of Surface-Level Diversity Aspects on CG

Surface-level diversity is defined as differences in the members' demographic traits, that are easily discoverable after meeting an individual (Lambert, Bell 2013).

2.3.1 The Influences of Age Diversity

In ascertaining the degree of age diversity, Galia and Zenou (2012) categorise directors within five age groups, that is, younger than forty years old, between forty and forty-nine years old, between fifty and fifty-nine years old, between sixty and sixty-nine years old, and seventy years old or older.

Baldacchino et al. (2021) remark that age-diverse Boards in MLCs provide a variation of skills which enhance problem-solving. This generational shift also reduces the likelihood of experiencing complacency (Mahadeo, Soobaroyen al. 2012) and groupthink in the boardroom (Ararat, Aksu et al. 2015). Furthermore, age-diverse Boards improve Board meeting attendance (Masulis, Wang et al. 2020). Moreover, an age-diverse Board indirectly addresses issues with top management succession planning because older members provide invaluable experience and access to their network, the middle-aged members hold responsibility for the main executive roles, and the younger members develop their knowledge and understanding of the business on the job (Houle 1990). This is crucial to consider as succession planning is a predominant challenge encountered by several local FBs (Casha 2015).

However, an age-heterogenous Board may engender intra-group disagreements (Talavera, Yin et al. 2018). In this context, the Chairman’s skills and capacity are pivotal when there is demographic diversity including age diversity, on the Board, since he/she may promote a collaborative Board environment that facilitates efficient discussion (Northcott, Smith 2015).

2.3.2 The Influences of Gender Diversity

Notwithstanding the fact that solely 15.5% of MLC directors are women (European Institute for Gender Equality 2022), change is expected in this regard as a result of the recently approved Directive 2022/2381. Indeed, this Directive requires the Boards of listed companies within the European Union (EU) to have at least 40% of the underrepresented sex among non-executive directors, or else 33% of the underrepresented sex among all directors by 30 June 2026 (EU 2022).

Board gender diversity improves the quality of decision-making (Bianchi, Iatridis 2014, Dezsö, Ross 2012), since females are more sceptic and more likely to instigate debates (Fama, Jensen 1983). Moreover, Dezsö and Ross (2012) contend that this is also due to females and males holding varying perspectives. In addition, female directors’ meeting absenteeism rate is even lower than that of male directors (Adams, Ferreira 2009). This also lowers the likelihood that male directors would miss Board meetings (ibid.). Moreover, female members prove beneficial in strategy development (Francoeur, Labelle et al. 2008). Kim and Starks (2016) further remark that female directors improve the efficacy of the Board’s advisory role. Baldacchino et al. (2021) also denote that gender diversity in MLCs improves the problem-solving skills in the boardroom.

However, Baldacchino et al. (2021) remark that a person’s competences, not their gender, ultimately determines whether or not they are suitable for the Board. Moreover, gender quotas may lead companies to bypass them (Campbell, Bohdanowicz 2018). This indicates that a one-size-fits-all approach may not necessarily be the best course of action (ibid.). Hence, rather than establishing hard quotas, it may be more effective to increase awareness by considering teleworking and other sorts of technology (Baldacchino, Abela et al. 2021) or else soft law development (Kang, Ashton et al. 2023).

2.3.3 The Influences of Nationality Diversity

Lau et al. (2016) and Singh (2007) remark that foreign directors may expand a firm’s network internationally. Additionally, the distinctive backgrounds stemming from different nationalities contribute to enhanced problem-solving skills (Baldacchino, Abela et al. 2021, Mishra, Jhunjhunwala 2013) and effective decision-making (Baldacchino, Abela et al. 2021, Estélyi, Nisar 2016). Foreign members also improve Board meeting attendance (Estélyi, Nisar 2016).

Despite this, Masulis et al. (2012) denote that foreign directors not residing in the company’s country of operation, may indeed contribute to poor Board meeting attendance. Moreover, nationality diversity impairs social cohesiveness within the Board, ultimately slowing down the problem-solving process (García-Meca, García-Sánchez et al. 2015). Additionally, foreign directors have limited influence on the Board’s advisory role, particularly in the case of cross-border acquisitions (Masulis, Wang et al. 2012).

Ultimately, *“it all boils down to the competencies and experiences of the foreign directors rather than their nationality”* (Baldacchino, Abela et al. 2021, p.46). Moreover, not many FBs choose to appoint foreign directors, owing to FBs generally appointing family members, who are thereby generally also resident in the same country (Jorissen, Deman et al. 2017).

2.3.4 The Influences of Tenure Diversity

Long-tenured directors, particularly the founders of FBs, may ensure proper monitoring on management owing to their substantial knowledge of the company’s operations (Cheng 2014). Tenure may also provide proper experience in undertaking strategic actions (Castro, De la Concha et al. 2009). Ben-Amar et al. (2013) further remark that directors with long tenure may be better able to contribute to the business strategy. Furthermore, Kamardin et al. (2014) denote that long-term directors are more likely to attend Board meetings.

However, placing too much value on extended tenure may result in the continuous application of existing practices without the consideration of strategic changes (Golden, Zajac 2001). Moreover, long-tenured Boards may experience weaker monitoring on management because increased tenure leads to familiarity between the Board and executives (Vafeas 2003, Ji, Peng et al. 2021).

In this regard, Baldacchino et al. (2021) suggests that a tenure-diverse Board should be adopted in order to lessen complacency, but still prevent the loss of invaluable expertise. This also proves favourable for the succession planning of the Board, mainly owing to the fresh perspectives introduced to the boardroom table (ibid.). Moreover, tenure diversity also enhances problem-solving skills in the boardroom (ibid.). Furthermore, tenure-diverse Boards may more diligently monitor management on account of their increased independence (Li, Wahid 2018).

Nonetheless, tenure-diverse Boards may experience internal conflict since directors with varied tenures have diverse knowledge and perspectives (Simons, Peterson 2000).

2.4 The Influences of Deep-Level Diversity Aspects on CG

Deep-level diversity refers to characteristics that are not easily perceived by simply encountering an individual (Milliken, Martins 1996).

2.4.1 The Influences of Industry-Specific Expertise

Directors with industry-specific expertise enhance the quality of decision-making in the boardroom (Bugeja, Matolcsy et al. 2017). Moreover, Faleye et al. (2018) contend that industry experts extend the possible information channels for the business. This ensures that knowledgeable and effective decisions are taken (ibid.). This is even more relevant for FBs, whereby external directors with proper industry expertise may increase the value of the FB (Huse 2005). Furthermore, industry-specific experts may provide strategic advice, counsel and a source of information (Ward, Handy 1988, Drobetz, Von Meyerinck et al. 2018). Indeed, industry-expert directors enhance the conduct of the Board's advisory role and the implementation of the corporate strategies adopted (Baldacchino, Abela et al. 2021). Furthermore, Faleye et al. (2018) suggest that Boards with industry expertise can increase the CEO's willingness to pursue Board insights, thereby catering for more effective strategies to be implemented. Moreover, the appointment of Board members with industry expertise reduces management risk aversion in investments (Kothari, Laguerre et al. 2002, Guldiken, Darendeli 2016). In addition, Baldacchino et al. (2021) remark that industry-expert directors are better able to manage risks.

However, extensive industry expertise on the Board may restrict the recognition and evaluation of new opportunities, owing to such directors being complacent and firmly rooted in the specific sector's conventions (Ellis, Fee et al. 2018, Faleye, Hoitash et al. 2018). Additionally, industry expertise on the Board may lead to background similarity between individuals at Board and at management level (Faleye, Hoitash et al. 2018). This may ultimately lead to groupthink (Janis 1972, McCauley 1989, Baldacchino, Abela et al. 2021). In effect, Baldacchino et al. (2021) suggest that the number of such directors may have to be restricted.

2.4.2 The Influences of Financial Expertise

Directors with financial expertise are better equipped to comprehend and control the risks associated with financial transactions (Huang, Jiang et al. 2014). Furthermore, directors with such expertise may allow the business to take on proper risk-shifting opportunities that will increase the shareholders' value (Minton, Taillard et al. 2014). Financial directors also serve as important advisors to management (De Andres, Vallelado 2008). Bugeja (2020) further remarks that financial expertise permits top executives to make good decisions about borrowing, saving, and investing. Additionally, banker-directors offer connections to the bank debt market (Booth, Deli 1999). Baldacchino et al. (2021) further contend that financial expertise is crucial because it enhances the overall quality of expertise in the boardroom.

Nevertheless, Güner et al. (2008) remark that banker-directors generally encourage extra bank funding in companies with strong credit, few financial limitations, and few investment options. Hence, banker-directors may represent more the interests of the financial institution they are associated with rather than the interests of the shareholders of the firm they sit on the Board of (ibid.). Similar conclusions were drawn by Morck and Nakamura (1999) and Mitchell and Walker (2008).

Yet, family members in FBs are generally not well versed with the very basics of financial knowledge (Bugeja 2020, Dickins, Gibson et al. 2016). Similarly, Lakew and Rao (2009) denote that FB Boards frequently lack expertise on how to utilise financial management effectively, thereby leading them to make inefficient financial decisions.

2.4.3 The Influences of Legal Expertise

Directors with legal expertise are invaluable today given the increased regulation on businesses (Litov, Sepe et al. 2014). Furthermore, the risk-averse approach generally adopted by lawyer-directors may improve firm value and performance (ibid.). Moreover, De Villiers et al. (2011) claim that lawyer-directors' professional standing also guarantees that they provide access to more prestigious social networks and greater intellectual circles. In addition, Osborne (1991) states that directors with legal expertise are crucial to succession planning given their legal know-how, especially in the case of FBs going onto their second generation.

Nonetheless, lawyers-directors may experience conflicts of interest (Cummins, Kelly 1996, Loughrey 2011). Loughrey (2011) further remarks that this is more likely when having lawyer-directors being appointed on the Boards of their client firms. Indeed, in such circumstances, even though such lawyer-directors also serve as company lawyers, they are unable to provide unbiased legal counsel in the event that shareholders or other third parties contest a Board decision in which such directors took part (ibid.). Furthermore, in the case of lawyer-directors generally adopting a risk-averse perspective, the result would be the deterioration of the company's performance due to the increased likelihood of missing out on the possibility of maximising shareholders' wealth (Liu, Sun 2021, Mehran, Morrison et al. 2011, Pathan 2009).

2.4.4 The Influences of IT Expertise

Appointing directors with IT expertise on the Board mitigates the possibility of having managerial employees misappropriating the firm's resources for their own advantage (Valentine 2013). Moreover, having IT expertise on the Board is crucial to understanding the management's actions and decisions, and to challenge them (Sartawi 2020). Therefore, Boards with no IT exposure generally compromise management oversight (Cohn, Robson 2011). Furthermore, appointing IT experts as directors enables the Board to make better decisions, specifically when faced with cyber-threats or security challenges (Sartawi 2020). Moreover, Somjai and Rungsawanpho (2019) remark that directors with IT expertise may guarantee that effective controlling measures are in place in order to reduce the risk associated with IT investments. In addition, Boards with IT expertise are able to manage risk and take advantage of opportunities through new technologies (Noor, Kamardin et al. 2016). Additionally, independent directors with IT expertise are crucial for businesses since they generally have strong relationships with external stakeholders who may provide them with specialised technological information (Liu, Wu et al. 2021, Ramón-Llorens, García-Meca et al. 2019).

Nonetheless, Parent and Reich (2007) remark that Boards generally lack IT expertise either due to a fear of technology, or alternatively owing to a simple *"if it isn't broke, don't fix it"* mentality upheld at the Board level (p.2).

2.5 Conclusion

This chapter provided a thorough review of literature on the inherent characteristics of LFBs and on the surface and deep-level aspects of Board diversity. The next chapter details the research methodology applied for data collection in this research.

Chapter 3: Research Methodology

3.1 Introduction

This chapter provides insight into the research methodolology adopted in this study. As illustrated in F3.1, S3.2 describes the preliminary secondary research undertaken. S3.3 and S3.4 discuss the research design and research tools respectively. Thereafter, S3.5 outlines the rational for the selection of participants, whilst S3.6 and S3.7 explain the data collection and analysis respectively. Lastly, S3.8 highlights the research limitations encountered, and S3.9 concludes the chapter.

3.1 Introduction
3.2 Preliminary Secondary Research
3.3 Research Design
3.4 Research Tool
3.5 Research Participants
3.6 Data Collection
3.7 Data Analysis
- 3.7.1 Qualitative Data Analysis
- 3.7.2 Quantitative Data Analysis

3.8 Research Limitations
3.9 Conclusion

F3.1: Outline of Chapter 3

3.2 Preliminary Secondary Research

Existing literature was extensively scrutinised to comprehend the research area in the early stages of the study. Principally, literature sources comprised of peer-reviewed academic journals, books and reports published by international institutions. Furthermore, substantial attention was given to research, albeit limited, conducted in the local context. Its purpose was to gain an understanding of the present situation in Malta with regards Board diversity and the inherent characteristics of LFBs. This resulted in the selection of the diversity aspects most frequently mentioned in the literature, and of the primary CG factors referred to in the literature as being influenced by such diversity aspects.

Moreover, for the purpose of identifying which FBs are family-controlled and have an average number of employees greater than 250 employees, public company information was thoroughly examined. This mainly included information published in Annual Reports, company websites and the Malta Business Registry (MBR) website.

3.3 Research Design

The three research design methodologies include quantitative, qualitative, and mixed methods. The decision to select the most effective research methodology is made after taking into account the researcher's personal experiences, the study's objectives, the research strategy, the methodology adopted to collect and examine data, and the study's target audience (Creswell, Creswell 2018).

Qualitative research evaluates the phenomena through non-numeric and descriptive data, whereas quantitative research evaluates the phenomena through numerical data (Graff 2016, Saunders, Lewis et al. 2019). However, by solely employing quantitative methodologies, the researcher is restricted to interpret data through a sequence of box-ticking, thereby limiting the potential to thoroughly address a problem by examining the respondent's insights (Saunders, Lewis et al. 2019). Nevertheless, qualitative methodologies frequently restrict the researcher's capacity to identify certain shared viewpoints and extrapolate such viewpoints from a representative sample to the larger population (Creswell 2015). Hence, there may be circumstances in which choosing either of these two methodologies would lead to failing to attain coherence with the study's research objectives (Creswell, Creswell 2018).

Indeed, in such cases, a mixed-method approach is considered most appropriate to adequately address the research topic (Creswell 2015). Consequently, upon conducting the study, the researcher benefits from the advantages of both the qualitative and quantitative approaches (Östlund, Kidd et al. 2011). Indeed, a mixed-method design enables the researcher to gain a thorough understanding of the research area from participants and also to corroborate such findings (Johnson, Onwuegbuzie et al. 2007).

3.4 Research Tool

The most suitable research tool for achieving the objectives of this study was considered to be semi-structured interviews. A semi-structured interview provides an in-depth analysis of the different perspectives gathered from respondents in response to open-ended and closed-ended inquiries (Creswell, Plano Clark 2017). In this way, the research questions are adequately addressed, and the participants are given the opportunity to provide their own views in greater depth (Galletta 2013). Moreover, given that the questions are standardised, the data gathered may be compared and statistically examined (McIntosh, Morse 2015).

The interview schedule[2] developed for the intent of this study addressed representatives of LFBs and Corporate Governance Experts (CGEs) knowledgeable about the mechanisms of LFBs and their CG. As represented in Table 3.1 (T3.1) overleaf, the interview schedule comprised of four main sections. In particular, S2 of the interview schedule deals with the influences of the eight aspects of Board diversity considered in this study on the predominant CG factors highlighted in literature[3]. These CG factors are illustrated in T3.2 overleaf. In addition, SA1 and SA2 of the interview schedule enclosed the relevant working definitions, and the Likert scales employed for the closed-ended questions.

[2] Vide Appendix 3.2
[3] Vide S2.3 and S2.4

Section Reference	Section Heading	Question Number
S1:	Respondent Companies / Groups, their Inherent Characteristics and Influences on Diversity	1 – 2
S2:	Major Aspects of Board Diversity and their Influences on CG	3 – 4
S3:	Overall Remarks	5
S4:	General Remarks and Other Comments	6
SA1:	Working Definitions	-
SA2:	Scales corresponding to the Interview Questions	-

T3.1: Interview schedule structure

CG Factors
i. Quality of decision-making *(e.g. groupthink)*
ii. Board communications
iii. Problem-solving skills
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*
v. Conduct of the advisory function
vi. Access to network ties
vii. Board entrenchment
viii. Approach towards risk
ix. Quality of Board expertise
x. Quality of strategies implemented
xi. Conflicts of interest
xii. Board meeting attendance
xiii. Effective succession planning

T3.2: CG factors applicable to S2 of the interview schedule

It is crucial to highlight that although the vast majority of these questions applied to every respondent, one of the questions did not apply to CGEs. This is denoted in T3.3.

Respondent Categories	Applicable Question Number
LFBs representatives	1 – 6
CGEs	2 – 6

T3.3: Questions applicable to respondent categories

The interview schedule comprised a series of both open-ended and closed-ended questions. T3.4 differentiates between these two types of questions for each respective section of the interview schedule. Consequently, T3.5 overleaf depicts the three forms of five-point Likert scales employed for the close-ended questions, and T3.6 overleaf highlights the questions corresponding to each type of Likert scale adopted.

Question Type	Section	Question Number
Open-ended	1	2
Close-ended	1	1
	2	3a, 3b, 4a, 4b
	3	5
	4	6

T3.4: Distinction between open-ended and close-ended questions

Likert Scale Form 1	Likert Scale Form 2	Likert Scale Form 3	Scale
Not Influential at all	Highly Disadvantageous	Strongly Disagree	0
Not Influential	Disadvantageous	Disagree	1
Neutral	Neutral	Neutral	2
Influential	Advantageous	Agree	3
Highly Influential	Highly Advantageous	Strongly Agree	4

T3.5: Likert scale forms

Applicable Likert Scale	Close-ended Question Number
Likert Scale Form 1	3a, 4a, 5
Likert Scale Form 2	3b, 4b
Likert Scale Form 3	6

T3.6: Questions applicable to the three Likert scales

Moreover, although S2Qns.3 and 4 contained two parts each *(that is, S2Qn.3a and 3b, and S2Qn.4a and 4b, respectively)*, only those CG factors that received ratings of three or four in the first part of the question required participants to answer the second part of the same question[4].

3.5 Research Participants

The choice of the research population is critical to every research being conducted if a representative sample is to be attained (Martínez-Mesa, González-Chica et al. 2016). For the purpose of the study, the research participants are involved in the CG function of LFBs. Hence, each potentially relevant FB was initially scrutinised through the MBR website to verify whether it meets the thresholds of a family-controlled company, as defined by the EC (2009)[5]. If such thresholds were met, in order to eliminate small and medium-sized FBs, the last

[4] Vide Appendix 3.2
[5] Vide S1.2.1

available Annual Reports were accessed through the database of the MBR so as to verify whether they employed 250 or more employees. In this manner, the researcher was able to determine the LFBs to be included in the research[6].

Thereafter, the researcher was able to search each selected LFB on the MBR website to identify their company secretary and directors. Subsequently, the email addresses of potential interview participants were acquired from the LFBs' websites in order to contact them. Attached to the email inviting potential interviewees to participate in the study was the 'Letter of Introduction and Invitation to Participate'[7], which featured a brief explanation of the research study, and which was signed by the dissertation supervisor to enhance the email's credibility. Potential interviewees who failed to respond within two weeks were sent a reminder by email, and if still no response was obtained, another follow-up email was sent or an attempt was made to reach out to them by telephone. Notwithstanding, some individuals were unavailable to contribute to the research study.

As illustrated in T3.7 overleaf, a total of twenty-six interviews were conducted. From these, nineteen interviews were conducted with LFB representatives, representing nineteen LFBs. Directors, company secretaries and regular participants in Board meetings, mainly chief officers, were selected as research participants due to their practical experience in the CG of LFBs. These LFB representatives involved nine family representatives (Freps) and ten non-family representatives (NFreps). Furthermore, seven interviews were conducted with CGEs, since their experience was deemed to provide a further in-depth analysis of the research topic. CGEs encompassed an Institute of Directors representative, four advisory partners, an audit manager and an audit director.

[6] Vide Appendix 3.3
[7] Vide Appendix 3.1

Respondent Category	Research Participants			Representing
LFB Representatives		**Freps**	**Nfreps**	
	Directors	9	2	19 LFBs
	Company secretaries	-	3	
	CEOs	-	1	
	CFOs	-	4	
CGEs	Institute of Directors representative	1		N/A
	Advisory partners	4		
	Audit manager	1		
	Audit director	1		
Total	**26 participants**			**19 LFBs**

T3.7: Respondents participating in the research study

3.6 Data Collection

A suitable data collection method allows the researcher to obtain a research outcome which meets the objectives of the study (Sileyew 2020). Given that this method reflects the study's direction, the underlying decision must be carefully considered, justified, and consistent in order to achieve a coherent study that smoothly incorporates all research elements (Saunders, Lewis et al. 2019).

Secondary data gathered from various sources was thoroughly analysed and is presented in Chapter Two of this study. Such data served as the basis for drafting the interview schedule. Prior to the start of the actual primary data-gathering procedure, a pilot test was conducted with two randomly selected interviewees in order to obtain suggestions and to identify deficiencies and sections that need remediation (Majid, Othman et al. 2017). Consequently, the interview schedule was then revised and concluded.

The interviews took place between 1st November 2022 and 22nd February 2023 on a date, time and place most convenient for the interviewees. To facilitate data analysis, the interviewees gave their consent for the researcher to audio-record the interviews. Yet, one interviewee requested not be to recorded, and in this case, adequate notes were taken during the interview itself.

In addition, primary data was extracted from the MBR website[8] so as to substantiate the information provided throughout the interviews about the extent of age, gender and nationality diversity in LFB Boards.

3.7 Data Analysis

Audio recordings were transcribed promptly after each interview, in order to allow for the ongoing improvement in the quality of the interviews conducted. These transcripts, together with the notes written in the interviews, facilitated and improved the data analysis and interpretation.

3.7.1 Qualitative Data Analysis

The sources of qualitative data included the open-ended questions part of the interview schedule and any further remarks that respondents made after providing their Likert scale ratings. In order to evaluate such qualitative data, the transcripts were summarised to ease the recognition of similarities and disparities in the participants' responses. Additionally, the supplementary comments following the participants' Likert scale ratings were analysed, mainly concentrating on the most influenced CG factors and the most influential diversity aspects[9].

3.7.2 Quantitative Data Analysis

The quantitative data obtained by the close-ended questions in the interview schedule was analysed by the use of IBM SPSS Statistics.

[8] Vide Appendix 3.4
[9] Vide Appendix 3.5

The Friedman Test[10] was employed to compare the mean rating scores assigned to the CG factors or diversity aspects denoted in the 'Likert scale form 1' questions *(see T3.6)*, and ascertain whether such scores differ significantly or not. Given that only those respondents who had given a Likert scale rating of three or four in two of the 'Likert scale form 1' questions *(S2Qns.3a and 4a)* were required to respond to the 'Likert scale form 2' questions *(see T3.6)*, the Friedman test could not be employed for the latter. In effect, for these specific closed-ended questions, Frequency Statistics Tables were utilised.

The Frequency Statistics Table was used to compare the mean rating scores given to the CG factors considered in the 'Likert scale form 2' questions. Nevertheless, by employing this quantitative data analysis, neither error bar graphs nor significant changes in the mean rating scores can be identified. Therefore, no graphical representation of the Frequency Statistics Tables was provided in the Appendix.

The Spearman Test[11] was used to assess the degree of correlation between the average mean rating scores for the influence of each diversity aspect on the thirteen CG factors *(S2Qns.3a and 4a)* and the mean rating scores for the overall influence of each diversity aspect on CG *(S3Qn.5)*.

The Kruskal Wallis Test[12] was applied to compare the mean rating scores provided to the 'Likert scale form 1' and 'Likert scale form 3' questions *(see T3.6)* among three groups of respondents, comprising of CGEs, Nfreps and Freps. This test was performed to assess whether there are any significant differences between the groups' mean rating scores.

3.8 Research Limitations

The first limitation of this study is that, despite the researcher's best efforts to interview at least one representative from each LFB identified, some LFBs declined to take part in the study. The researcher speculates that this might have

[10] Vide Appendix 3.6
[11] Vide Appendix 3.7
[12] Vide Appendix 3.8

been triggered by the respondents' time pressures or lack of knowledge of the topic.

Secondly, another drawback was the inevitable subjectivity that permeated respondents' comments. Additionally, some inconsistencies were noted between the Likert scale question ratings and the corresponding comments provided.

Lastly, the researcher's inability to ensure that the interviewees provided truthful answers to the questions is a significant constraint. The respondent had the option of simply providing information that the researcher wanted to hear (Newton 2010) and that was ideal to the entity they are speaking on behalf of.

3.9 Conclusion

The research methodology employed in this study was thoroughly explained in this chapter. The following chapter presents, in detail, the research findings compiled from the data collected in the interviews.

Chapter 4: Research Findings

4.1 Introduction

This chapter presents the findings resulting from the interviews. As illustrated in F4.1, S4.2 deals with the extent of diversity in the Boards of LFBs, while S4.3 delves into the influences of the inherent characteristics of LFBs on such extent of diversity. Thereafter, S4.4 and S4.5 delve into the influences of surface and deep-level diversity aspects on CG respectively, whereas S4.6 summarises the overall influence of diversity on CG. S4.7 then explores further considerations about diversity in the LFB boardroom. Finally, S4.8 concludes this chapter.

4.1 Introduction

4.2 The Extent of Diversity on the Boards of LFBs *(S1Qn.1)*

4.3 The Influences of Inherent Characteristics of LFBs on Board Diversity *(S1Qn.2)*

- 4.3.1 Strong Emotional Ties
- 4.3.2 Illiquidity of Shares
- 4.3.3 Permanent Posts
- 4.3.4 Family Member Involvement in Management
- 4.3.5 Socioemotional Wealth

4.4 The Influences of Surface-Level Diversity Aspects on CG *(S2Qn.3)*

- 4.4.1 The Influences of Age Diversity
- 4.4.2 The Influences of Gender Diversity
- 4.4.3 The Influences of Nationality Diversity
- 4.4.4 The Influences of Tenure Diversity

4.5 The Influences of Deep-Level Diversity Aspects on CG *(S2Qn.4)*

- 4.5.1 The Influences of Industry-Specific Expertise
- 4.5.2 The Influences of Financial Expertise
- 4.5.3 The Influences of Legal Expertise
- 4.5.4 The Influences of IT Expertise

4.6 The Overall Influence of Board Diversity on CG in LFBs *(S3Qn.5)*

4.7 Further Considerations *(S4Qn.6)*

- 4.7.1 Board Diversity Relevance in LFBs
- 4.7.2 Board Diversity in LFBs vis-à-vis NFBs
- 4.7.3 Formulation of a Board Diversity Policy
- 4.7.4 Development of Regulation on Board Diversity

4.8 Conclusion

F4.1: Outline of Chapter 4

4.2 The Extent of Diversity on the Boards of LFBs *(S1Qn.1)*

The first question[13] of the interview schedule enquired LFB representatives to classify their Board members in terms of the surface and deep-level diversity aspects, and also to highlight the family representatives on the Board. As shown in T4.1, 74% of the directors of the LFBs interviewed were family members.

The family relations of the directors of the LFB Boards	Number of LFBs (N) = 19	
	Number of Directors	% of Total Directors
a. Family members	78	74%
b. Non-family members	27	26%
	105	

T4.1: Family and non-family directors on LFB Boards (S1Qn.1a-1b)

Furthermore, T4.2 overleaf indicates the surface-level aspects of diversity in the selected LFB Boards. As outlined, a LFB Board is generally composed of an average of five directors, with one director being less than forty years old$_{(\bar{x}=1.05)}$, one director being between forty to forty-nine years old$_{(\bar{x}=0.68)}$, one director being between fifty to fifty-nine years old$_{(\bar{x}=1.42)}$, one director being between sixty to sixty-nine years old$_{(\bar{x}=1.26)}$, and one director being seventy years old or older$_{(\bar{x}=1.11)}$. Moreover, four directors are males$_{(\bar{x}=4.05)}$ and one director is female$_{(\bar{x}=1.47)}$; all five directors are Maltese$_{(\bar{x}=5.21)}$, whereas the tenure of two directors is less than twelve years$_{(\bar{x}=2.21)}$ and the tenure of three directors is more than twelve years$_{(\bar{x}=3.32)}$.

[13] Vide S1Qn.1 p.A3.2-2

Surface-Level Diversity Aspects	Categories	Number of LFBs (N) = 19			
		Mean per LFB (x̄)	Median per LFB (x̃)	Number of Directors out of 105	% of Total Directors
Age Diversity	c. Less than 40 years	1.05	1	**20**	***19%***
	d. Between 40 to 49 years	0.68	0	**13**	***12%***
	e. Between 50 to 59 years	1.42	1	**27**	***26%***
	f. Between 60 to 69 years	1.26	1	**24**	***23%***
	g. 70 years or older	1.11	0	**21**	***20%***
Gender Diversity	h. Male	4.05	4	**77**	***73%***
	i. Female	1.47	2	**28**	***27%***
Nationality Diversity	j. Maltese	5.21	6	**99**	***94%***
	k. Other nationality	0.32	0	**6**	***6%***
Tenure Diversity	l. Less than 12 years	2.21	2	**42**	***40%***
	m. 12 years or more	3.32	3	**63**	***60%***

T4.2: Surface-level diversity aspects in LFB Boards (S1Qn.1c-1m)

T4.3 presents the deep-level aspects of diversity in LFB Boards, highlighting the directors' main areas of expertise. As indicated, a LFB Board has an average of four industry-specific directors$_{(\bar{x}=3.68)}$ and one financial director$_{(\bar{x}=1.42)}$.

Deep-Level Diversity Aspects	Number of LFBs (N) = 19			
	Mean per LFB (x̄)	Median per LFB (x̃)	Number of Directors out of 105	% of Total Directors
n. Industry-Specific Expertise	3.68	3	**70**	***66%***
o. Financial Expertise	1.42	1	**27**	***26%***
p. Legal Expertise	0.26	0	**5**	***5%***
q. IT Expertise	0.00	0	**0**	***0%***
r. Other *(Architectural, Engineering, Marketing)*	0.16	0	**3**	***3%***

T4.3: Deep-level diversity aspects in LFB Boards (S1Qn.1n-1r)

However, it is to be noted that in addition to these directors, in four of the LFBs, a total of 16 family members, averaging to 4 in each of the four companies, participated in Board proceedings without being Board members.

4.3 The Influences of Inherent Characteristics of LFBs on Board Diversity *(S1Qn.2)*

In the next question[14], participants were presented with five inherent characteristics generally associated with LFBs[15]. Respondents were asked whether any of such characteristics would affect the extent of Board diversity, and if so, how. The characteristics referred to by respondents, given in descending order of frequency, are commented upon.

4.3.1 Strong Emotional Ties

Most interviewees$_{(22/26)}$ claimed that strong emotional ties prevalent in a LFB may decrease the LFB's willingness to adopt Board diversity. They remarked that, given that family members are raised in the business, certain attitudes are embedded in the LFB from its foundation. This includes the attitude towards decision-making, which generally emanates from the immediate family. In consequence, the business may be forced to adopt a negative mindset regarding the appointment of external directors. This is in accordance with Pearson and Marler (2010)[16] and Chrisman et al. (2005)[16]. In line with this, two Freps$_{(2/9)}$ highlighted that the founder of a business would be wary of being Board diverse and of appointing new external directors; often this being due to the possibility of any new directors suggesting the disinvestment in a specific industry to which the founder may be emotionally attached. Additionally, another interviewee$_{(1/22)}$ pointed out that when a subsequent generation inherits the business, there may be a reluctance to *"let in fresh air in the boardroom"* as the successors commonly feel duty-bound to continue with the status quo. Hence, as emphasised by this interviewee, strong emotional ties are ultimately *"a recipe for groupthink and*

[14] Vide S1Qn.2 p.A3.2-2
[15] Vide S2.2
[16] Vide S2.2.1

conflict", thereby diluting the LFB's performance. This is in line with Kidwell et al. (2012)[17].

Nevertheless, a few participants$_{(5/26)}$ held that the negative influence of emotional ties becomes weak once external directors are appointed on the Board, and also at the listing stage of the LFB, given that the Listing Rules emphasise that one of the directors is to be independent. One of these respondents$_{(1/5)}$ added that with the passage of time, the family often has no option but to appoint some external directors, as otherwise it becomes difficult for family members to come to an agreement.

4.3.2 Illiquidity of Shares

Most participants$_{(20/26)}$ felt that the illiquidity of shares may decrease the likelihood of a LFB being Board diverse. A few participants$_{(9/20)}$ contended that by liquidating a LFB's shares and by going public, the LFB would lessen the bearing of the family on the LFB. This is in accordance to Jaafar (2016)[18]. In this connection, some added$_{(6/9)}$ that an *"open mindset"* would thus be introduced, and the separation between *"the family dynamic and the business dynamic"* starts to surface, encouraging directors to *"stay goal-oriented"* by also appointing external directors with the necessary expertise. Furthermore, in line with Cabrera-Suárez and Martín-Santana (2015)[18], once shares have been transferred to the public, pressures will start building up towards appointing at least one or more external directors.

4.3.3 Permanent Posts

Most respondents$_{(19/26)}$ agreed that Board diversity in LFBs is limited in view of the tendency of individuals to hold their positions in these entities indefinitely. Some respondents$_{(6/19)}$ contended that senior family members who would have been appointed for years would be wary of giving up their chair to their successors and would feel *"envious even of their own children"* for stealing their

[17] Vide S2.2.1
[18] Vide S2.2.4

limelight, let alone being open to giving up their place to external non-family personnel. One of these respondents$_{(1/6)}$ further explained that this implicitly leads to shareholders continuously choosing from *"the same pool of family members"*, thereby reducing the likelihood of the Board being diverse. Another one of these respondents$_{(1/6)}$ added that, in line with Baldacchino et al. (2019)[19], directors in a NFB who have been coalescing for years with one another would already have *"gelled together"*, exacerbating the risks of groupthink, let alone a group of family members, who generally share similar viewpoints. Furthermore, two respondents$_{(2/19)}$ emphasised that such permanent posts are a problem to having Board diversity in LFBs as there is a much more common tendency of individuals being retained permanently in view of their reputation.

4.3.4 Family Member Involvement in Management

Most participants$_{(18/26)}$ acknowledged that family member involvement in management prevails in LFBs, and that this negatively influences the willingness of LFBs to be Board diverse. Indeed, some participants$_{(4/18)}$ pointed out that most family members feel that it is *"God-given"* both to manage and direct the business, often because they consider themselves to know it all. This is in line with Tosi et al. (2003)[20], Schulze et al. (2003)[20] and Su and Lee (2013)[20].

Furthermore, a few respondents$_{(4/18)}$ added that this characteristic may influence Board diversity in different ways depending on the number of generations that the LFB was handed down to. They explained that, upon reaching the third generation, family members realise that there are too many of them wanting to have their share of say, thereby rendering it impracticable to come to a consensus. As a result, LFBs have a tendency to be more keen on bringing in externals at management level. This is accompanied by an increased propensity for LFBs to adopt Board diversity, given that at that point they will have realised that they would be of contribution. This is in line with Jones et al. (2008)[20].

[19] Vide S2.2.2
[20] Vide S2.2.5

4.3.5 Socioemotional Wealth

In line with Snellman (2016)[21], most interviewees$_{(15/26)}$ felt that a LFB's focus on preserving its socioemotional wealth may also influence the extent of Board diversity, often owing to their reluctance towards appointing externals. In line with Shukla et al. (2012)[21] and Camilleri (2020)[21], a few$_{(5/15)}$ added that, despite that profit maximisation and company growth remain the ultimate goals of the LFB, there are other family-centred goals parallel to them. Two of these respondents$_{(2/5)}$ explained that LFBs are reluctant to appoint externals as they want to ensure that they safeguard their reputation and the family's legacy. This is in accordance with Le Breton-Miller and Miller (2009)[21] and Amit and Villalonga (2014)[21]. Contrastingly, another respondent$_{(1/5)}$ pointed out that complete family representation in the boardroom is typically maintained so as to ensure the contentment of relatives and thus guarantee family serenity. This is in line with Daspit et al. (2017)[21] and Cruz et al. (2010)[21]. Additionally, another respondent$_{(1/5)}$ stated that this may be due to the LFB wanting to uphold the family members' desirable lifestyle, even if it is detrimental to the business.

4.4 The Influences of Surface-Level Diversity Aspects on CG *(S2Qn.3)*

The next question related to the influences of four surface-level diversity aspects on CG in LFBs.

4.4.1 The Influences of Age Diversity

Research participants were first asked[22] to rate the influences of age diversity on thirteen CG factors which were predominant in the literature[23], and in the case of such influences, to state[24] whether such influences are advantageous or not. T4.4 overleaf presents the mean rating scores of participants' responses in descending order of influence. The scores provided differed significantly$_{(p<0.001)}$,

[21] Vide S2.2.3
[22] Vide S2Qn.3a p.A3.2-3
[23] Vide S2.3 and S2.4
[24] Vide S2Qn.3b p.A3.2-6

indicating that certain CG factors are significantly more influenced than others. As outlined, participants regarded all factors to be influenced by age diversity, except for conflicts of interest$_{(\bar{x}=1.62)}$, to which they were indifferent, and Board meeting attendance$_{(\bar{x}=1.38)}$, which they felt was not influenced.

The listed CG factors are potentially influenced by age diversity as shown below:	**N = 26**		
	Mean	**Median**	**Std. Dev.**
Influenced Factors:			
xiii. Effective succession planning	**3.46**	4	0.761
vi. Access to network ties	**3.38**	3.5	0.752
vii. Board entrenchment	**3.35**	3	0.562
x. Quality of strategies implemented	**3.19**	3	0.694
i. Quality of decision-making	**3.15**	3	0.834
v. Conduct of the advisory function	**3.12**	3	0.588
iii. Problem-solving skills	**3.00**	3	0.632
viii. Approach towards risk	**2.96**	3	0.958
ix. Quality of Board expertise	**2.77**	3	0.765
iv. Conduct of the monitoring function	**2.65**	3	0.936
ii. Board communications	**2.58**	3	0.857
Neutral Factors:			
xi. Conflicts of interest	**1.62**	2	1.203
Non-Influenced Factors:			
xii. Board meeting attendance	**1.38**	1	1.023
Scale from 0 *(Not influential at all)* to 4 *(Highly influential)*	$X^2(12) = 120.061$, $p < 0.001$		

T4.4: The influences of age diversity (S2Qn.3a)

T4.5 overleaf indicates the extent to which each of the CG factors denoted by participants, as influenced by age diversity, are bound to be advantageous. As may be seen, participants found age diversity to be advantageous on all factors except for Board communications$_{(\bar{x}=2.11)}$, for which it may be both advantageous or disadvantageous.

The extent to which those listed CG factors denoted as influenced by age diversity are advantageous is as shown below:	**N**	**Mean**	**Median**	**Std. Dev.**
Advantageous Influences:				
xiii. Effective succession planning	*22*	***3.77***	*4*	*0.429*
vii. Board entrenchment	*25*	***3.32***	*3*	*0.748*
ix. Quality of Board expertise	17	**3.29**	3	0.470
x. Quality of strategies implemented	24	**3.29**	3	0.550
viii. Approach towards risk	20	**3.25**	3	0.539
i. Quality of decision-making	24	**3.21**	3	0.721
v. Conduct of the advisory function	23	**3.17**	3	0.482
vi. Access to network ties	24	**3.13**	3.5	1.116
iv. Conduct of the monitoring function	17	**3.00**	3	0.907
iii. Problem-solving skills	*23*	***2.96***	*3*	*0.767*
Neutral Influences:				
ii. Board communications	*18*	***2.11***	*2*	*0.900*
Scale from 0 *(Highly Disadvantageous)* to 4 *(Highly Advantageous)*				

T4.5: The nature of influences of age diversity (S2Qn.3b)

With respect to succession planning[25] $_{(\bar{x}=3.77)}$, most participants $_{(14/22)}$ remarked that age diversity enables the younger generation to be given early exposure, thus preparing them gradually for succession. According to one Frep $_{(1/9)}$, this was like *"good parents wanting to give proper education to their children to ensure a promising future"*. Such participants' views are in line with Houle (1990)[26].

As for Board entrenchment $_{(\bar{x}=3.32)}$, most respondents $_{(15/25)}$ contended that age diversity decreases the likelihood of the Board being complacent, because the younger directors are generally less likely to resist change and are *"more receptive to ideas"*. These views are in line with Mahadeo et al. (2012)[26].

[25] Vide Appendix 3.5 for a description of the method used for the qualitative data analysis of S4.4 and S4.5
[26] Vide S2.3.1

Furthermore, in line with Ararat et al. (2015)[27], some$_{(4/25)}$ pointed out that this ultimately mitigates *“groupthink”*.

In relation to problem-solving$_{(\bar{x}=2.96)}$, some respondents$_{(8/23)}$ commented that, in line with Baldacchino et al. (2021)[27], age-diverse Boards benefit from enhanced problem-solving skills owing to the combination of the elder generation’s invaluable past experiences and the younger generation’s creative approaches. On the other hand, another two respondents$_{(3/23)}$ explained that the elder directors are generally better equipped to provide appropriate solutions given their experience.

In terms of Board communications$_{(\bar{x}=2.11)}$, a few participants$_{(11/18)}$ remarked that age diversity fosters a healthy discussion in the boardroom because directors of different ages generally hold different perspectives. However, in line with Talavera et al. (2017)[27], others$_{(7/18)}$ emphasised that this may rather increase the likelihood of the boardroom experiencing more disagreements.

Some participants added that the influences of age diversity on CG varies more with the *“personalities”*$_{(11/26)}$ and the *“business acumen and aptitude”*$_{(2/26)}$ involved, as well as the extent of upholding *“mutual respect”*$_{(5/26)}$, rather than the age differences among the Board members.

4.4.2 The Influences of Gender Diversity

Interviewees were then asked[28] to rate the influences of gender diversity on the thirteen CG factors, and in the case of such influences, to state[29] whether such influences are advantageous or disadvantageous. T4.6 overleaf outlines the mean rating scores provided in descending order. These mean rating scores varied significantly$_{(p<0.001)}$. As shown, interviewees were undecided over the influences of gender diversity on most factors, except for (x)$_{(\bar{x}=2.77)}$, (i)$_{(\bar{x}=2.65)}$,

[27] Vide S2.3.1
[28] Vide S2Qn.3a p.A3.2-3
[29] Vide S2Qn.3b p.A3.2-6

(iii)$_{(\bar{x}=2.65)}$, and (v)$_{(\bar{x}=2.58)}$, which they considered as being influenced, and (xi)$_{(\bar{x}=1.38)}$ and (xii)$_{(\bar{x}=1.15)}$, which they considered as not being influenced.

The listed CG factors are potentially influenced by gender diversity as shown below:	**N = 26**		
	Mean	**Median**	**Std. Dev.**
Influenced Factors:			
x. Quality of strategies implemented	**2.77**	3	0.951
i. Quality of decision-making	**2.65**	3	1.018
iii. Problem-solving skills	**2.65**	3	0.846
v. Conduct of the advisory function	**2.58**	3	0.758
Neutral Factors:			
vi. Access to network ties	**2.27**	2	0.962
vii. Board entrenchment	**2.27**	2	1.041
ii. Board communications	**2.23**	2	0.908
viii. Approach towards risk	**2.23**	2	1.032
ix. Quality of Board expertise	**2.19**	2	0.634
iv. Conduct of the monitoring function	**2.19**	2	0.939
xiii. Effective succession planning	**2.15**	2	1.120
Non-Influenced Factors:			
xi. Conflicts of interest	**1.38**	1	1.061
xii. Board meeting attendance	**1.15**	1	0.881
Scale from 0 *(Not influential at all)* to 4 *(Highly influential)*	$X^2(12) = 74.246$, $p < 0.001$		

T4.6: The influences of gender diversity (S2Qn.3a)

T4.7 overleaf indicates the extent to which each of the CG factors denoted by interviewees, as influenced by gender diversity, are bound to be advantageous. As may be seen, they are all advantageous.

The extent to which those listed CG factors denoted as influenced by gender diversity are advantageous is as shown below:	N	Mean	Median	Std. Dev.
<u>Advantageous Influences</u>:				
i. Quality of decision-making	*18*	***3.40***	*3*	*0.507*
iii. Problem-solving skills	*15*	***3.27***	*3*	*0.458*
v. Conduct of the advisory function	*15*	***3.20***	*3*	*0.414*
x. Quality of strategies implemented	*15*	***3.13***	*3*	*0.640*
Scale from 0 *(Highly Disadvantageous)* to 4 *(Highly Advantageous)*				

T4.7: The nature of influences of gender diversity (S2Qn.3b)

With respect to the quality of decision-making$_{(\bar{x}=3.40)}$, in line with Bianchi and Iatridis (2014)[30] and Dezsö and Ross (2012)[30], some interviewees$_{(8/18)}$ remarked that gender-diverse Boards benefit from enhanced decision-making since females and males hold diverse character cues, whereby females are often more empathic than males. A few$_{(2/8)}$ added that women are more likely than men to challenge ideas, conduct in-depth research and be more goal-oriented. This is in line with Fama and Jensen (1983)[30].

As for problem-solving skills$_{(\bar{x}=3.27)}$, the conduct of the advisory function$_{(\bar{x}=3.20)}$, and the quality of strategies implemented$_{(\bar{x}=3.13)}$, some interviewees$_{(7/15)}$ contended that females and males tend to view issues from different perspectives, leading the Board to reach a more holistic solution. This is in line with Baldacchino et al. (2021)[30], Francoeur et al. (2008)[30], and Kim and Starks (2016)[30].

Some interviewees emphasised that the influence on CG mostly depends on the *"skills and qualities"*$_{(8/26)}$ of Board members and the *"industry"*$_{(3/26)}$ of the LFB and not on their gender. Moreover, in line with Baldacchino et al. (2021)[30], some even expressed their dissent towards gender quotas$_{(5/26)}$, which serve as a *"superficial mechanism"* and may therefore result in *"an insult to women"*.

[30] Vide S2.3.2

4.4.3 The Influences of Nationality Diversity

Respondents were then asked[31] to rate the influences of nationality diversity on the thirteen CG factors, and in the case of such influences, to add[32] whether such influences are advantageous or not. T4.8 overleaf outlines the mean rating scores in descending order. The mean rating scores differed significantly from one another$_{(p<0.001)}$. As presented, respondents were indifferent to the influences of nationality diversity on most factors, except for (vi)$_{(\bar{x}=2.88)}$, (iii)$_{(\bar{x}=2.65)}$, (v)$_{(\bar{x}=2.58)}$, and (i)$_{(\bar{x}=2.58)}$, which they felt were influenced, and (xi)$_{(\bar{x}=1.35)}$ and (xii)$_{(\bar{x}=1.19)}$, which they felt were not influenced.

[31] Vide S2Qn.3a p.A3.2-3
[32] Vide S2Qn.3b p.A3.2-6

The listed CG factors are potentially influenced by nationality diversity as shown below:	**N = 26**		
	Mean	**Median**	**Std. Dev.**
Influenced Factors:			
vi. Access to network ties	**2.88**	3	0.766
iii. Problem-solving skills	**2.65**	3	0.562
v. Conduct of the advisory function	**2.58**	3	0.758
i. Quality of decision-making	**2.58**	3	0.703
Neutral Factors:			
x. Quality of strategies implemented	**2.46**	3	0.761
ii. Board communications	**2.42**	3	0.857
vii. Board entrenchment	**2.42**	2.5	1.065
ix. Quality of Board expertise	**2.38**	2	0.752
iv. Conduct of the monitoring function	**2.35**	2	0.892
viii. Approach towards risk	**2.31**	2.5	0.884
xiii. Effective succession planning	**1.92**	2	0.935
Non-Influenced Factors:			
xi. Conflicts of interest	**1.35**	1	1.018
xii. Board meeting attendance	**1.19**	1	0.895
Scale from 0 *(Not influential at all)* to 4 *(Highly influential)*	$X^2(12) = 94.052$, $p < 0.001$		

T4.8: The influences of nationality diversity (S2Qn.3a)

T4.9 overleaf indicates the extent to which each of the CG factors denoted by respondents, as influenced by nationality diversity, are bound to be advantageous. As presented, respondents deemed nationality diversity as advantageous on all such factors.

The extent to which those listed CG factors denoted as influenced by nationality diversity are advantageous is as shown below:	N	Mean	Median	Std. Dev.
Advantageous Influences:				
vi. Access to network ties	*19*	***3.16***	*3*	*0.898*
v. Conduct of the advisory function	*17*	***2.88***	*3*	*0.485*
i. Quality of decision-making	*16*	***2.75***	*3*	*0.577*
iii. Problem-solving skills	*18*	***2.72***	*3*	*0.575*
Scale from 0 *(Highly Disadvantageous)* to 4 *(Highly Advantageous)*				

T4.9: The nature of influences of nationality diversity (S2Qn.3b)

With respect to access to network ties$_{(\bar{x}=3.16)}$, in line with Lau et al. (2016)[33] and Singh (2007)[33], most respondents$_{(10/19)}$ noted that foreign directors have a higher likelihood of having international connections, and may thus expand the business network. Yet, a few respondents$_{(2/19)}$ argued that if the LFB engages solely in local business, access to network ties may be impeded by foreign directors owing to their lack of local connections.

In terms of the conduct of the advisory function$_{(\bar{x}=2.88)}$, some respondents$_{(9/17)}$ explained that nationality-diverse Boards benefit from greater consultancy owing to their experiences abroad. Yet, a few$_{(3/9)}$ added that this enhanced expertise is irrelevant if most of the LFB's issues are driven by local concerns. Such reasoning is in contrast to Masulis et al. (2012)[33], who had not drawn such distinction.

Regarding the quality of decision-making$_{(\bar{x}=2.75)}$, in line with Baldacchino et al. (2021)[33] and Estélyi and Nisar (2016)[33], most respondents$_{(12/16)}$ remarked that nationality-diverse Boards benefit from diverse ideas and ways of thinking, principally owing to foreign director exposure abroad. Moreover, some$_{(3/12)}$ added that, given their diverse cultural backgrounds, most foreign directors are more prone to raise controversial matters at boardroom level.

[33] Vide S2.3.3

As for problem-solving skills$_{(\bar{x}=2.72)}$, in line with Baldacchino et al. (2021)[34] and Mishra and Jhunjhunwala (2013)[34], some respondents$_{(8/18)}$ explained that, given the varied perspectives and exposure of foreign directors, nationality-diverse Boards may benefit from greater solutions being proposed. However, two$_{(2/8)}$ pointed out that such prior experiences may not necessarily be relevant to the circumstances arising in a small island state like Malta. Furthermore, another two respondents$_{(2/18)}$ claimed that nationality-diverse Boards may hamper the problem-solving process as a result of disputes arising, given the varying solutions put forth by local and international directors. This is in line with García-Meca et al. (2015)[34].

Despite this, some respondents$_{(11/26)}$ added that ultimately, this depends on the directors' *"background and experiences"*, rather than their origin. This is in line with Baldacchino et al. (2021)[34]. Moreover, others$_{(3/26)}$ noted that expatriates' relevance in LFBs depends on the LFBs' industry and operating environment. Additionally, one respondent$_{(1/26)}$ agreed with Jorissen et al. (2017)[34], that it is much more unusual for LFBs to go even beyond appointing external directors to appointing them also from foreign countries.

4.4.4 The Influences of Tenure Diversity

Participants were asked[35] to rate the influences of tenure diversity on the thirteen CG factors, and in the case of such influences, to state[36] whether such influences are advantageous or not. The mean rating scores are provided in T4.10 overleaf in decreasing order, with significant difference between the scores$_{(p<0.001)}$. As outlined, participants felt that all thirteen factors were influenced by tenure diversity, except for the presence of conflicts of interest$_{(\bar{x}=1.73)}$, to which they were indifferent, and Board meeting attendance$_{(\bar{x}=1.19)}$, which they felt was not influenced.

[34] Vide S2.3.3
[35] Vide S2Qn.3a p.A3.2-3
[36] Vide S2Qn.3b p.A3.2-6

The listed CG factors are potentially influenced by tenure diversity as shown below:	**N = 26**		
	Mean	**Median**	**Std. Dev.**
Influenced Factors:			
vi. Access to network ties	**3.42**	4	0.703
iii. Problem-solving skills	**3.35**	3	0.485
i. Quality of decision-making	**3.27**	3	0.724
xiii. Effective succession planning	**3.23**	3	0.863
x. Quality of strategies implemented	**3.19**	3	0.694
vii. Board entrenchment	**3.15**	3	0.675
v. Conduct of the advisory function	**3.12**	3	0.516
ix. Quality of Board expertise	**2.92**	3	0.744
iv. Conduct of the monitoring function	**2.92**	3	0.796
viii. Approach towards risk	**2.81**	3	0.981
ii. Board communications	**2.54**	3	0.989
Neutral Factors:			
xi. Conflicts of interest	**1.73**	2	1.185
Non-Influenced Factors:			
xii. Board meeting attendance	**1.19**	1	0.939
Scale from 0 *(Not influential at all)* to 4 *(Highly influential)*	$X^2(12) = 117.187$, $p < 0.001$		

T4.10: The influences of tenure diversity (S2Qn.3a)

T4.11 overleaf indicates the extent to which each of the CG factors denoted by participants, as influenced by tenure diversity, are bound to be advantageous. As suggested, participants considered tenure diversity to be advantageous on all such factors, except for its influence on Board communications$_{(\bar{x}=2.13)}$, to which they expressed indifference.

The extent to which those listed CG factors denoted as influenced by tenure diversity are advantageous is as shown below:	**N**	**Mean**	**Median**	**Std. Dev.**
<u>*Advantageous Influences*</u>:				
xiii. Effective succession planning	*21*	***3.57***	*4*	*0.507*
x. Quality of strategies implemented	*24*	***3.33***	*3*	*0.482*
ix. Quality of Board expertise	20	**3.30**	3	0.470
viii. Approach towards risk	19	**3.16**	3	0.501
vii. Board entrenchment	22	**3.05**	3	0.950
v. Conduct of the advisory function	24	**3.00**	3	0.590
i. Quality of decision-making	24	**2.92**	3	1.176
iii. Problem-solving skills	26	**2.88**	3	1.071
vi. Access to network ties	23	**2.83**	4	1.435
iv. Conduct of the monitoring function	*21*	***2.67***	*3*	*1.065*
<u>*Neutral Influences*</u>:				
ii. Board communications	*16*	***2.13***	*2*	*0.957*
Scale from 0 *(Highly Disadvantageous)* to 4 *(Highly Advantageous)*				

T4.11: The nature of influences of tenure diversity (S2Qn.3b)

With regards to succession planning$_{(\bar{x}=3.57)}$, most participants$_{(12/21)}$ explained that tenure diversity is crucial for a LFB to execute proper succession planning because short-term tenured directors bring forth a fresh mindset. This is in line with Baldacchino et al. (2021)[37]. Some $_{(4/12)}$ added that this may encourage long-term tenured family members who would have been *"set in their own roots"* to seek the best interest of the LFB and start a proper succession plan in order to avoid having to replace the entire Board in one go.

As for the influence on the quality of strategies implemented$_{(\bar{x}=3.33)}$, a few participants$_{(7/24)}$ contended that tenure-diverse Boards create *"strong dynamics"*. This results from the combination of long-tenured directors, which in line with

[37] Vide S2.3.4

Castro et al. (2009)[38] and Ben-Amar et al. (2013)[38], would have *"built the wheel of the LFB"* on strategies they instituted, as well as the short-tenured directors, which in line with Golden and Zajac (2001)[38], may counteract the long-tenured directors' resistance to strategic change by proposing new strategies.

Regarding the conduct of the monitoring function$_{(\bar{x}=2.67)}$, in line with Cheng (2014)[38], most participants$_{(12/21)}$ clarified that tenure-diverse Boards benefit from improved monitoring on management because long-tenured directors generally have a greater ability to probe further in such matters, being more aware of past improper managerial conduct in the company. This contrasts with Vafeas (2003)[38] and Ji et al. (2021)[38]. Contestingly, in line with Li and Wahid (2018)[38], short-tenured directors tend to introduce new and yet untried monitoring mechanisms to assist such monitoring.

With respect to Board communications$_{(\bar{x}=2.13)}$, some participants explained that the Board communication flow is enhanced by tenure-diverse directors because they are more likely to instigate debates$_{(7/16)}$ and reduce groupthink$_{(1/7)}$. Yet, in line with Simons and Peterson (2000)[38], a few participants$_{(6/16)}$ claimed that tenure diversity is *"extremely disruptive"*, and may *"create a place of conflict"*.

As in the case of other surface-level diversity aspects, some respondents noted that the influences of tenure diversity also vary with one's *"character and commitment"*$_{(5/26)}$ and the *"mutual respect"*$_{(4/26)}$ on the Board.

4.5 The Influences of Deep-Level Diversity Aspects on CG *(S2Qn.4)*

The next question focused on the influences of four deep-level diversity aspects on CG in LFBs.

[38] Vide S2.3.4

4.5.1 The Influences of Industry-Specific Expertise

Interviewees were asked[39] to rate the influences of industry-specific expertise on the thirteen CG factors, and in the case of such influences, to add[40] whether such influences are advantageous or disadvantageous. T4.12 overleaf presents the mean rating scores listed in descending order. As may be noted, there was a statistically significant difference between the scores$_{(p<0.001)}$. Interviewees felt that industry-specific expertise influences most factors, except for (xiii)$_{(\bar{x}=2.38)}$, (vii)$_{(\bar{x}=2.19)}$, (ii)$_{(\bar{x}=2.08)}$, and (xi)$_{(\bar{x}=1.73)}$, to which they were indifferent, and (xii)$_{(\bar{x}=1.08)}$, which they believed was not influenced.

[39] Vide S2Qn.4a p.A3.2-10
[40] Vide S2Qn.4b p.A3.2-14

The listed CG factors are potentially influenced by industry-specific expertise as shown below:	N = 26		
	Mean	**Median**	**Std. Dev.**
Influenced Factors:			
i. Quality of decision-making	**3.81**	4	0.402
ix. Quality of Board expertise	**3.73**	4	0.533
v. Conduct of the advisory function	**3.73**	4	0.452
x. Quality of strategies implemented	**3.58**	4	0.643
iii. Problem-solving skills	**3.42**	4	0.703
vi. Access to network ties	**3.15**	3	0.732
iv. Conduct of the monitoring function	**2.92**	3	1.129
viii. Approach towards risk	**2.69**	3	0.970
Neutral Factors:			
xiii. Effective succession planning	**2.38**	2	1.098
vii. Board entrenchment	**2.19**	2	1.201
ii. Board communications	**2.08**	2	1.164
xi. Conflicts of interest	**1.73**	2	1.116
Non-Influenced Factors:			
xii. Board meeting attendance	**1.08**	1	0.891
Scale from 0 *(Not influential at all)* to 4 *(Highly influential)*	$X^2(12) = 180.995$, $p < 0.001$		

T4.12: The influences of industry-specific expertise (S2Qn.4a)

T4.13 overleaf indicates the extent to which each of the CG factors denoted by interviewees, as influenced by industry-specific expertise, are bound to be advantageous. As indicated, the interviewees recognised all such factors to be influenced advantageously.

The extent to which those listed CG factors denoted as influenced by industry-specific expertise are advantageous is as shown below:	**N**	**Mean**	**Median**	**Std. Dev.**
Advantageous Influences:				
i. Quality of decision-making	*26*	***3.77***	*4*	*0.430*
ix. Quality of Board expertise	*25*	***3.72***	*4*	*0.458*
iii. Problem-solving skills	23	**3.70**	4	0.470
v. Conduct of the advisory function	26	**3.69**	4	0.471
iv. Conduct of the monitoring function	18	**3.67**	4	0.485
x. Quality of strategies implemented	24	**3.63**	4	0.576
vi. Access to network ties	*21*	***3.38***	*3*	*0.590*
viii. Approach towards risk	*18*	***3.06***	*3*	*0.539*
Scale from 0 *(Highly Disadvantageous)* to 4 *(Highly Advantageous)*				

T4.13: The nature of influences of industry-specific expertise (S2Qn.4b)

In relation to the quality of decision-making$_{(\bar{x}=3.77)}$, most interviewees$_{(17/26)}$ agreed that industry-specific directors allow for decision-making to be well informed. Some$_{(2/17)}$ added that this expertise serves as the *"pillar"* which enables the LFB to grow further. This is overall in line with Bugeja et al. (2017)[41] and Faleye et al. (2018)[41].

In terms of the quality of Board expertise$_{(\bar{x}=3.72)}$, some interviewees$_{(10/25)}$ noted that, unlike other forms of expertise, industry-specific knowledge cannot be easily replaced by other types of expertise.

As for the access to network ties$_{(\bar{x}=3.38)}$, in line with Faleye et al. (2018)[41], some interviewees$_{(10/21)}$ contended that a LFB has automatic access to a vast network of channels upon the appointment of industry-specific experts, allowing the entity to seize any new opportunities within its industry.

[41] Vide S2.4.1

With respect to the influence on the risk approach adopted$_{(\bar{x}=3.06)}$, some interviewees$_{(7/18)}$ explained that the presence of industry-specific experts on the Board is crucial because given their knowledge, they are more likely to manage risks in alignment to the real risks faced by the specific industry of the LFB. Some$_{(4/7)}$ added that industry people are generally *"entrepreneurial"*, continually seeking to instigate change. This is in accordance with Kothari et al. (2002)[42], Guldiken and Darendeli (2016)[42] and Baldacchino et al. (2021)[42].

4.5.2 The Influences of Financial Expertise

Participants were subsequently asked[43] to rate the influences of financial expertise on the thirteen CG factors, and in the case of any such influences, to state[44] whether such influences are advantageous or not. T4.14 overleaf lists in descending order, the mean rating scores, which were statistically different from each other$_{(p<0.001)}$. Participants considered most factors to be influenced by financial expertise, with the exception of factors (vii)$_{(\bar{x}=2.12)}$, (ii)$_{(\bar{x}=2.04)}$, and (xi)$_{(\bar{x}=1.65)}$, to which they were indifferent, and (xii)$_{(\bar{x}=1.12)}$, which they felt was not influenced.

[42] Vide S2.4.1
[43] Vide S2Qn.4a p.A3.2-10
[44] Vide S2Qn.4b p.A3.2-14

The listed CG factors are potentially influenced by financial expertise as shown below:	N = 26		
	Mean	Median	Std. Dev.
Influenced Factors:			
i. Quality of decision-making	**3.69**	4	0.471
v. Conduct of the advisory function	**3.62**	3	0.496
ix. Quality of Board expertise	**3.58**	4	0.643
iii. Problem-solving skills	**3.38**	3.5	0.697
iv. Conduct of the monitoring function	**3.38**	4	0.941
x. Quality of strategies implemented	**3.31**	3	0.679
viii. Approach towards risk	**2.92**	3	1.055
vi. Access to network ties	**2.85**	3	0.834
xiii. Effective succession planning	**2.77**	3	0.992
Neutral Factors:			
vii. Board entrenchment	**2.12**	2	1.177
ii. Board communications	**2.04**	2	1.183
xi. Conflicts of interest	**1.65**	2	1.056
Non-Influenced Factors:			
xii. Board meeting attendance	**1.12**	1	0.952
Scale from 0 *(Not influential at all)* to 4 *(Highly influential)*	$X^2(12) = 168.805$, $p < 0.001$		

T4.14: The influences of financial expertise (S2Qn.4a)

T4.15 overleaf indicates the extent to which each of the CG factors denoted by participants, as influenced by financial expertise, are bound to be advantageous. As tabulated, participants felt that financial expertise is advantageous on all influenced factors.

The extent to which those listed CG factors denoted as influenced by financial expertise are advantageous is as shown below:	N	Mean	Median	Std. Dev.
Advantageous Influences:				
ix. Quality of Board expertise	*24*	***3.67***	*4*	*0.482*
v. Conduct of the advisory function	*26*	***3.62***	*4*	*0.496*
iv. Conduct of the monitoring function	23	**3.61**	4	0.499
i. Quality of decision-making	26	**3.58**	4	0.578
iii. Problem-solving skills	23	**3.48**	4	0.593
x. Quality of strategies implemented	23	**3.48**	3	0.511
xiii. Effective succession planning	16	**3.38**	3	0.500
vi. Access to network ties	*17*	***3.35***	*3*	*0.493*
viii. Approach towards risk	*20*	***2.85***	*3*	*1.268*
Scale from 0 *(Highly Disadvantageous)* to 4 *(Highly Advantageous)*				

T4.15: The nature of influences of financial expertise (S2Qn.4b)

In line with Baldacchino et al. (2021)[45], some respondents$_{(9/24)}$ commented that financial expertise is highly contributory in terms of the quality of expertise in the boardroom$_{(\bar{x}=3.67)}$ in order for the LFB to grow and move forward. Indeed, two participants$_{(2/9)}$ added that a major objective of a LFB remains that *"to make money"*.

In terms of the advisory function$_{(\bar{x}=3.62)}$, some respondents$_{(8/26)}$ remarked that sound financial advice on the Board is critical for one to ensure an understanding of the financial ramifications of a particular decision. This is in accordance with De Andres and Vallelado (2008)[45].

Regarding access to network ties$_{(\bar{x}=3.35)}$, in line with Booth and Deli (1998)[45] some respondents$_{(10/17)}$ commented that financial directors may provide access to their network channels when the LFB has specific targets it wants to reach.

[45] Vide S2.4.2

As for the approach towards risk$_{(\bar{x}=2.85)}$, some respondents$_{(6/20)}$ explained that financial directors have the knowledge to control risk, thereby encouraging the LFB to adopt a *"risk-balanced approach"*. This is in line with Huang et al. (2014)[46]. Nonetheless, another few respondents$_{(5/20)}$ argued that such directors tend to be *"too cautious and prudent"*, a mindset *"typical in their profession"*. Two$_{(2/5)}$ added that financial directors typically focus more on risk rather than on possible opportunities. This is in contrast to Minton et al. (2014)[46].

4.5.3 The Influences of Legal Expertise

Respondents were also asked to rate[47] the influences of legal expertise on the thirteen CG factors, and in the case of any such influences, to add[48] whether such influences are advantageous or not. The mean rating scores are presented in T4.16 overleaf, in descending order, with significant differences in the scores provided$_{(p<0.001)}$. As outlined, respondents believed that the majority of factors were influenced, apart from factors (ii)$_{(\bar{x}=2.12)}$, (vii)$_{(\bar{x}=2.00)}$, and (xi)$_{(\bar{x}=1.73)}$, to which they were indifferent, and factor (xii)$_{(\bar{x}=1.23)}$, which they felt was not influenced.

[46] Vide S2.4.2
[47] Vide S2Qn.4a p.A3.2-10
[48] Vide S2Qn.4b p.A3.2-14

The listed CG factors are potentially influenced by legal expertise as shown below:	**N = 26**		
	Mean	**Median**	**Std. Dev.**
Influenced Factors:			
v. Conduct of the advisory function	**3.27**	3	0.724
i. Quality of decision-making	**3.15**	3	0.834
xiii. Effective succession planning	**3.15**	3	0.967
ix. Quality of Board expertise	**3.12**	3	0.864
iii. Problem-solving skills	**3.12**	3	0.816
x. Quality of strategies implemented	**2.88**	3	0.909
iv. Conduct of the monitoring function	**2.85**	3	1.008
vi. Access to network ties	**2.85**	3	0.732
viii. Approach towards risk	**2.65**	3	1.093
Neutral Factors:			
ii. Board communications	**2.12**	2	1.177
vii. Board entrenchment	**2.00**	2	1.200
xi. Conflicts of interest	**1.73**	2	1.151
Non-Influenced Factors:			
xii. Board meeting attendance	**1.23**	1	0.992
Scale from 0 *(Not influential at all)* to 4 *(Highly influential)*	$X^2(12) = 113.146$, $p < 0.001$		

T4.16: The influences of legal expertise (S2Qn.4a)

T4.17 overleaf indicates the extent to which each of the CG factors denoted by respondents, as influenced by legal expertise, are bound to be advantageous. As indicated, respondents felt that all influenced factors are impacted advantageously.

The extent to which those listed CG factors denoted as influenced by legal expertise are advantageous is as shown below:	**N**	**Mean**	**Median**	**Std. Dev.**
Advantageous Influences:				
xiii. Effective succession planning	*20*	***3.60***	*4*	*0.598*
ix. Quality of Board expertise	*20*	***3.45***	*3*	*0.510*
v. Conduct of the advisory function	24	**3.42**	3	0.504
iv. Conduct of the monitoring function	18	**3.39**	3	0.502
x. Quality of strategies implemented	18	**3.39**	3	0.502
i. Quality of decision-making	21	**3.38**	3	0.590
iii. Problem-solving skills	21	**3.38**	3	0.498
vi. Access to network ties	*17*	***3.24***	*3*	*0.562*
viii. Approach towards risk	*16*	***2.81***	*3*	*1.047*
Scale from 0 (*Highly Disadvantageous*) to 4 (*Highly Advantageous*)				

T4.17: The nature of influences of legal expertise (S2Qn.4b)

Regarding succession planning$_{(\bar{x}=3.60)}$, in line with Osborne (1991)[49], some respondents$_{(11/20)}$ contended that legal directors are crucial in order to highlight the legal considerations pertaining to succession, precisely because there is a significant legal aspect to succession planning.

In terms of the quality of Board expertise$_{(\bar{x}=3.45)}$, a few respondents$_{(6/20)}$ remarked that currently, legal expertise in the boardroom is critical owing to the increasing regulatory requirements imposed on large businesses. This is in line with Litov et al. (2014)[49]. Nonetheless, another few respondents$_{(3/26)}$ argued that legal expertise is not essential at Board level, and may be given consideration at a lower level.

With respect to access to network ties$_{(\bar{x}=3.24)}$, in accordance with De Villiers et al. (2011)[49], some respondents$_{(9/17)}$ explained that lawyer-directors may grant access to specific channels when the LFB has particular goals it wants to pursue.

[49] Vide S2.4.3

Some$_{(2/9)}$ added that this is typically feasible through a lawyer's own clients. Yet, one respondent$_{(1/26)}$ argued that the networks of lawyer-directors make little contribution because their connections are mostly other lawyers.

As to the approach towards risk$_{(\bar{x}=2.81)}$, some respondents$_{(5/16)}$ remarked that given their familiarity with compliance matters, legal directors generally raise concerns in questionable circumstances in order to manage such risk. However, in contrast to Litov et al. (2014)[50], another few respondents$_{(4/16)}$ denoted that generally lawyer-directors are *"too cautious"* and frequently take *"a black and white stance"* as opposed to maintaining a risk-balanced approach, and added that this may negatively affect the LFB's performance. This is in line with Liu and Sun (2021)[50], Mehran et al. (2011)[50] and Pathan (2009)[50].

4.5.4 The Influences of IT Expertise

Interviewees were then asked to rate[51] the influences of IT expertise on the thirteen CG factors, and in the case of such influences, to state[52] whether such influences are advantageous or disadvantageous. As per T4.18 overleaf, the mean rating scores are listed in descending order, with significant differences in the scores provided$_{(p<0.001)}$. The interviewees believed that most factors are influenced, with the exception of (vii)$_{(\bar{x}=1.96)}$, (ii)$_{(\bar{x}=1.88)}$, and (xiii)$_{(\bar{x}=1.85)}$, to which they were indifferent, and (xi)$_{(\bar{x}=1.23)}$ and (xii)$_{(\bar{x}=1.12)}$, which they believed were not influenced.

[50] Vide S2.4.3
[51] Vide S2Qn.4a p.A3.2-10
[52] Vide S2Qn.4b p.A3.2-14

The listed CG factors are potentially influenced by IT expertise as shown below:	**N = 26**		
	Mean	**Median**	**Std. Dev.**
Influenced Factors:			
v. Conduct of the advisory function	**2.92**	3	0.744
x. Quality of strategies implemented	**2.88**	3	0.653
i. Quality of decision-making	**2.85**	3	0.613
ix. Quality of Board expertise	**2.81**	3	0.749
iii. Problem-solving skills	**2.73**	3	0.919
iv. Conduct of the monitoring function	**2.62**	3	0.983
vi. Access to network ties	**2.62**	3	1.023
viii. Approach towards risk	**2.54**	3	1.067
Neutral Factors:			
vii. Board entrenchment	**1.96**	2	1.113
ii. Board communications	**1.88**	2	1.177
xiii. Effective succession planning	**1.85**	2	1.008
Non-Influenced Factors:			
xi. Conflicts of interest	**1.23**	1	0.815
xii. Board meeting attendance	**1.12**	1	0.952
Scale from 0 *(Not influential at all)* to 4 *(Highly influential)*	$X^2(12) = 123.030$, $p < 0.001$		

T4.18: The influences of IT expertise (S2Qn.4a)

T4.19 overleaf indicates the extent to which each of the CG factors denoted by interviewees, as influenced by IT expertise, are bound to be advantageous. As shown, IT expertise impacts all influenced factors advantageously.

The extent to which those listed CG factors denoted as influenced by IT expertise are advantageous is as shown below:	N	Mean	Median	Std. Dev.
<u>*Advantageous Influences*</u>*:*				
iv. Conduct of the monitoring function	*14*	***3.43***	*3*	*0.514*
vi. Access to network ties	*15*	***3.33***	*3*	*0.617*
v. Conduct of the advisory function	20	**3.30**	3	0.470
iii. Problem-solving skills	18	**3.28**	3	0.461
x. Quality of strategies implemented	19	**3.26**	3	0.452
ix. Quality of Board expertise	18	**3.22**	3	0.428
i. Quality of decision-making	*19*	***3.16***	*3*	*0.375*
viii. Approach towards risk	*14*	***3.00***	*3*	*0.961*
Scale from 0 *(Highly Disadvantageous)* to 4 *(Highly Advantageous)*				

T4.19: The nature of influences of IT expertise (Qn.4b)

With respect to the conduct of the monitoring function$_{(\bar{x}=3.43)}$, some interviewees$_{(7/14)}$ explained that IT directors facilitate more effective monitoring since they can ensure that the appropriate data protocols and automated structures are in place. This is in accordance with Valentine (2013)[53], Sartawi (2020)[53] and Cohn and Robson (2011)[53].

As for the access to network ties$_{(\bar{x}=3.33)}$, some interviewees$_{(7/15)}$ explained that IT directors may offer connections to channels that house data or technological devices that a LFB may require to further digitise its business. This is in accordance with Liu et al. (2021)[53] and Ramón-Llorens et al. (2019)[53].

In terms of the quality of decision-making$_{(\bar{x}=3.16)}$, in line with Sartawi (2020)[53], some respondents$_{(10/19)}$ contended that IT expertise in the boardroom is essential to ensure comprehensive decision-making, given that matters tend to revolve around IT. Nevertheless, a few respondents$_{(3/19)}$ claimed that the type of the LFB's

[53] Vide S2.4.4

industry – whether or not tech-based – determines the relevance of such expertise in terms of decision-making.

With regards to the approach towards risk$_{(\bar{x}=3.00)}$, some interviewees$_{(5/14)}$ remarked that given IT expert proficiency in statistical data analysis, the LFB would be able to manage risk and seize advantageous opportunities by projecting the results of an investment on the basis of historical outcomes. This is consistent with Somjai and Rungsawanpho (2019)[54] and Noor et al. (2016)[54].

Contrastingly, and as in the case of legal expertise[55], some respondents$_{(5/26)}$ highlighted that IT expertise may either be outsourced or else employed at a lower level, rather than at Board level.

4.6 The Overall Influence of Board Diversity on CG in LFBs *(S3Qn.5)*

The next question related to the overall influence of diversity on CG in LFBs. Participants were requested[56] to rate how influential each diversity aspect is on CG. T4.20 overleaf presents, in decreasing order of influence, the mean rating scores, which were found to be significantly different$_{(p<0.001)}$.

[54] Vide S2.4.4
[55] Vide S4.5.3
[56] Vide S3Qn.5 p.A3.2-18

CG is potentially influenced by the Board diversity aspects as shown below:	**N = 26**		
	Mean	**Median**	**Std. Dev.**
Surface-level diversity aspects:			
d. Tenure diversity	3.27	3	0.667
a. Age diversity	3.04	3	0.774
c. Nationality diversity	2.46	3	0.647
b. Gender diversity	2.42	2	1.027
Deep-level diversity aspects:			
e. Industry-specific expertise	3.42	4	0.703
f. Financial expertise	3.38	3	0.637
g. Legal expertise	3.35	3.5	0.745
h. IT expertise	2.35	2	0.629
Scale from 0 *(Not influential at all)* to 4 *(Highly influential)*	$X^2(7) = 67.975$, $p < 0.001$		

T4.20: The overall influence of Board diversity on CG in LFBs (S3Qn.5)

In terms of the surface-level diversity aspects, participants identified tenure diversity$_{(\bar{x}=3.27)}$ as having the greatest influence on CG, followed by age diversity$_{(\bar{x}=3.04)}$. However, they were indifferent about the influences of both nationality diversity$_{(\bar{x}=2.46)}$ and gender diversity$_{(\bar{x}=2.42)}$ on CG. Furthermore, in terms of the deep-level diversity aspects, participants identified industry-specific expertise$_{(\bar{x}=3.42)}$ as having the greatest influence on CG, followed by financial expertise$_{(\bar{x}=3.38)}$ and legal expertise$_{(\bar{x}=3.35)}$. However, they were indifferent about the influence of IT expertise$_{(\bar{x}=2.35)}$ on CG.

4.7 Further Considerations *(S4Qn.6)*

In the last question, interviewees were asked[57] to rate their level of agreement with four statements.

[57] Vide S4Qn.6a-d p.A3.2-19

4.7.1 Board Diversity Relevance in LFBs

The first statement tackled whether Board diversity is relevant for CG in LFBs. T4.21 presents the mean rating scores of the three respondent categories. As indicated, there was no significant difference$_{(p=0.446)}$ in the responses of the three respondent categories. Indeed, the majority of respondents$_{(\bar{x}=3.27)}$ agreed with this statement.

	N = 26			
	Respondent Category	**Mean**	**Std. Dev.**	***P*-value**
6a. Board diversity in family-controlled companies is relevant because it improves the corporate governance of such entities.	CGEs	3.43	0.787	0.446
	NFreps	3.10	0.568	
	Freps	3.33	0.500	
Scale from 0 *(Strongly Disagree)* to 4 *(Strongly Agree)*	Total	3.27	0.604	

T4.21: Agreement with Board diversity relevance in LFBs (S4Qn.6a)

Three CGEs$_{(3/7)}$ emphasised that it is *"best practice"* for LFB Boards to be diverse. One$_{(1/3)}$ added that Board diversity allows a spectrum of diverse perspectives to be considered in terms of oversight, risk management and know-how, thereby enabling the Board to fulfil its role effectively. Nonetheless, another two respondents$_{(2/26)}$ highlighted that Board diversity is also relevant for CG in NFBs.

4.7.2 Board Diversity in LFBs vis-à-vis NFBs

The second statement considered whether LFBs are less likely to be Board diverse in comparison to NFBs. T4.22 overleaf shows the mean rating scores of the three respondent categories. As indicated, there was no significant difference$_{(p=0.104)}$ amongst the replies of the three respondent categories. In effect, most interviewees$_{(\bar{x}=3.12)}$ agreed with this statement.

	N = 26			
	Respondent Category	Mean	Std. Dev.	*P*-value
6b. Family-controlled companies are less likely to be Board diverse in comparison to outside investor-owned non-family businesses.	CGEs	3.43	0.535	0.104
	NFreps	3.30	0.949	
	Freps	2.67	0.866	
Scale from 0 *(Strongly Disagree)* to 4 *(Strongly Agree)*	Total	3.12	0.864	

T4.22: Agreement with the extent of Board diversity in LFBs vis-à-vis NFBs (S4Qn.6b)

Three respondents$_{(3/26)}$ explained that LFB Boards are generally less diverse because LFBs generally do not rotate Board members or else appoint external directors, unless attempting to apply for a listing or else seeking an external investment. According to one Frep$_{(1/9)}$, an upcoming generation would already be facing a *"battle"* with the preceding generation and would face a further *"battle"* with the eventual appointment of externals on the Board.

Two Freps$_{(2/9)}$ emphasised that less diversity is a *"harsh reality"* in the local LFB context, and in fact, becomes even more so in small-sized and medium-sized FBs.

4.7.3 Formulation of a Board Diversity Policy

The third statement enquired whether the Board or the nomination committee in LFBs is to implement a policy concerning Board diversity. T4.23 overleaf outlines the mean rating scores of the three respondent categories. As indicated, there was no significant difference$_{(p=0.151)}$ amongst the responses of the three respondent categories. In fact, most respondents$_{(\bar{x}=3.08)}$ were in agreement with this statement.

	N = 26			
	Respondent Category	**Mean**	**Std. Dev.**	***P*-value**
6c. The Board of directors or the nomination committee in family-controlled companies needs to establish and implement a policy concerning diversity of Board members.	CGEs	3.57	0.535	0.151
	NFreps	3.00	1.155	
	Freps	2.78	0.833	
Scale from 0 *(Strongly Disagree)* to 4 *(Strongly Agree)*	Total	3.08	0.935	

T4.23: Agreement with the formulation of a Board diversity policy (S4Qn.6c)

Some respondents$_{(5/26)}$ remarked that it is *"best practice"* to have such a policy in place, whether or not this is formal. Yet, two$_{(2/5)}$ added that, in practice, LFBs generally do not have such policies in place, unless they are listed.

Furthermore, three Freps$_{(3/9)}$ contended that Board appointments should be effected as a matter of course, and thus if implemented, a Board diversity policy should not be made mandatory. Moreover, one$_{(1/3)}$ emphasised that the final choice should be left in the hands of the shareholders themselves.

4.7.4 Development of Regulation on Board Diversity

The final statement explored the view of interviewees on the development of regulation pertaining to Board diversity in LFBs. T4.24 overleaf highlights the mean rating scores of the three respondent categories. As indicated, there was no significant difference$_{(p=0.913)}$ amongst the replies of the three respondent categories. Actually, CGEs$_{(\bar{x}=2.71)}$ and NFreps$_{(\bar{x}=2.60)}$ agreed to this assertion, whereas Freps$_{(\bar{x}=2.44)}$ were indifferent to this.

	N = 26			
	Respondent Category	**Mean**	**Std. Dev.**	***P*-value**
6d. Regulation with respect to Board diversity referring also to the inherent characteristics of large Maltese family-controlled companies, would facilitate inter-company comparability and stakeholder understanding.	CGEs	2.71	0.951	0.913
	NFreps	2.60	1.075	
	Freps	2.44	1.130	
Scale from 0 *(Strongly Disagree)* to 4 *(Strongly Agree)*	Total	2.58	1.027	

T4.24: Agreement with the development of regulation on Board diversity (S4Qn.6d)

Some interviewees$_{(9/26)}$ contended that it is better for regulation to be developed, because its mandatory imposition will not allow LFBs to simply opt out from abiding to it. One$_{(1/9)}$ added that this may *"instigate change"*, mainly owing to LFB representatives generally not having sufficient business acumen, and thus *"not knowing what they ought to know"*.

Despite this, other interviewees$_{(8/26)}$ perceived that recommended guidance, rather than regulation, may be the way forward, or otherwise it would be *"a recipe for disaster"*. According to some interviewees$_{(4/8)}$, adopting such Board composition criteria will simply result in a *"ticking box approach"*, and may also rather encourage LFBs to *"beat around the bush"* in order to bypass the regulations. Some$_{(3/8)}$ added that this outlook is due to each LFB having its unique family history, rendering a one-size-fits-all policy impracticable. In this context, two$_{(2/3)}$ recommended establishing a family charter as the best course of action as it may provide a distinction between the family and its business.

4.8 Conclusion

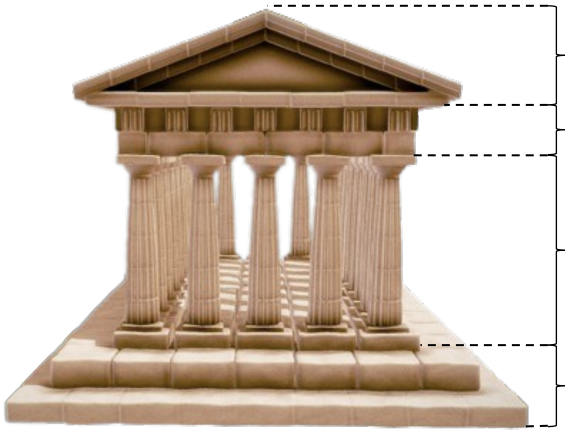
This chapter reported the findings of the interviews conducted. The next chapter provides an interpretation and discussion of these results, by way of highlighting their significance.

Chapter 5: Discussion of Findings

5.1 Introduction

This chapter discusses the findings outlined in Chapter Four in view of the literature presented in Chapter Two. As shown in F5.1 and F5.2 overleaf, S5.2 considers LFB Board participants and the extent of diversity present in LFB Boards, whereas S5.3 discusses how the inherent characteristics of LFBs may be managed to weaken their unfavourable influences on Board diversity. Thereafter, S5.4 discusses the diversity aspects most influencing CG, whilst S5.5 deals with an evaluation of the CG factors most influenced by the diversity aspects considered in this study. Finally, S5.6 evaluates potential recommendations for maintaining diversity in LFB Boards, while S5.7 concludes the chapter.

The structure of this discussion may be seen to be analogous to that of the *Parthenon*. This renowned building is often regarded as a monument to democracy, notably upholding the principles of good governance. As outlined in F5.1, its structural features include the *crepidoma*, the *columns*, the *entablature*, and the *pediment*. Similarly, the family (*the crepidoma*) behind a LFB acts as the foundation supporting the whole organisation. In this regard, one must determine how to manage the inherent characteristics (*the columns*) distinguishing the LFB from any other NFB. Upon ensuring a sounding structure embracing Board diversity, one must consider the diversity aspects (*the entablature*) principally influencing the ideal of CG. Thereafter, the CG factors ultimately influenced by diversity in LFB Boards act as the *pediment* that attains good governance. Nonetheless, similar to the crucial importance of the continuous *maintenance* of the *Parthenon*, one must consider the maintenance of Board diversity to ensure good CG as the LFB is handed down from one generation to another.



F5.1: Structure of the Parthenon

5.1 Introduction

5.2 The Crepidoma: The LFB Board participants and the extent of diversity

- 5.2.1 Board membership or mere participation for family members?
- 5.2.2 Is the extent of existing diversity sufficient in Maltese LFBs?

5.3 The Columns: The LFB inherent characteristics influencing Board diversity

- 5.3.1 How are the inherent characteristics of LFBs to be managed?

5.4 The Entablature: The Board diversity aspects influencing CG

- 5.4.1 How influential is diversity on CG?
- 5.4.2 Which diversity aspects most influence CG in LFBs vis-à-vis NFBs?

5.5 The Pediment: The CG factors influenced by the diversity aspects

- 5.5.1 Which CG factors are most influenced by Board diversity?

5.6 Maintaining the Parthenon: A Way Forward

- 5.6.1 What role should the Chairman adopt relating to Board diversity?
- 5.6.2 Should regulation imposing Board diversity be developed?
- 5.6.3 Does setting up a family charter assist in maintaining Board diversity?

5.7 Conclusion

F5.2: Outline of Chapter 5

5.2 The Crepidoma: The LFB Board participants and the extent of diversity

5.2.1 Board membership or mere participation for family members?

The findings[58] indicate that LFB Boards are mostly composed of family members. In addition, LFB Boards seem to involve more family members participating in Board meetings without being Board members. As indicated in literature[59], this may be possibly due to the family members' organisation-specific knowledge gained through their involvement with the LFB operations over the years.

Although the appointment of a limited number of family representatives as Board members is an understandable *sine qua non*, mostly given their interest in protecting the family's shareholding and maximising the family wealth, it is also necessary for the company to allow enough space for the involvement of externals as Board members. Indeed, as observed in literature[60], this may counterbalance any bias and individual self-interested motives emanating from the influence of the family. At the same time, any further family members interested enough in Board proceedings may be permitted to attend the Board meetings as participants, and therefore without undue voting power. A detailed study on the appropriate balance between family and non-family Board members as well as the extent of family participation would be helpful in this regard.

5.2.2 Is the extent of existing diversity sufficient in Maltese LFBs?

Upon comparing the general extent of surface-level diversity in MLC Boards as noted by Baldacchino et al. (2021)[61] to that noted in LFB Boards in the findings[62] of this study, one may observe that in both scenarios, most directors are Maltese, male and over forty years of age. However, most directors in LFB Boards generally have a tenure of more than twelve years. This contrasts with NFBs,

[58] Vide T4.1 in S4.2
[59] Vide Wallevik (2009) and Athwal (2017) in S2.2.2
[60] Vide Tosi (2003), Schulze (2003), and Su and Lee (2013) in S2.2.5
[61] Vide Appendix 2.1
[62] Vide T4.2 in S4.2

because as denoted by Baldacchino et al. (2021)[63], MLC Boards generally comprise of directors whose tenure is less than nine years.

Moreover, when comparing the general extent of deep-level diversity in MLC Boards as noted by Baldacchino et al. (2021)[63] to that noted in LFB Boards in the findings[64] of this study, one may observe that in both instances, most directors hold industry-specific expertise, followed by financial expertise. Nonetheless, most directors in LFB Boards lack diverse forms of expertise. Contrastingly, as denoted by Baldacchino et al. (2021)[63], the diversity in the average MLC Board is wider, as, unlike the situation in LFB Boards, it includes one HR director, one lawyer-director, and two other directors competent in other fields.

As stated in the literature[65], such narrower extent of diversity in LFB Boards is most likely due to family shareholders restrictively appointing Board members from the limited pool of family members, thereby not considering the appointment of externals enough.

Moreover, a few interviewees[66] regarded legal and IT expertise as forms of expertise which may be either outsourced or else employed in-house at a lower level, and thus not necessarily required at Board level. This indicates that LFBs do not highly value the contribution of diverse expertise on their Boards. As noted by some interviewees[67], this may also be due to the founder or family members being wary of appointing professional externals that may potentially give rise to the disinvestment in a specific industry which is close at heart to the family.

Furthermore, LFB Boards may be less diverse given the lower Board size observed in such entities. Indeed, the average MLC Board size is of twelve directors[63], whereas as denoted earlier[68], the average LFB Board size is of five directors.

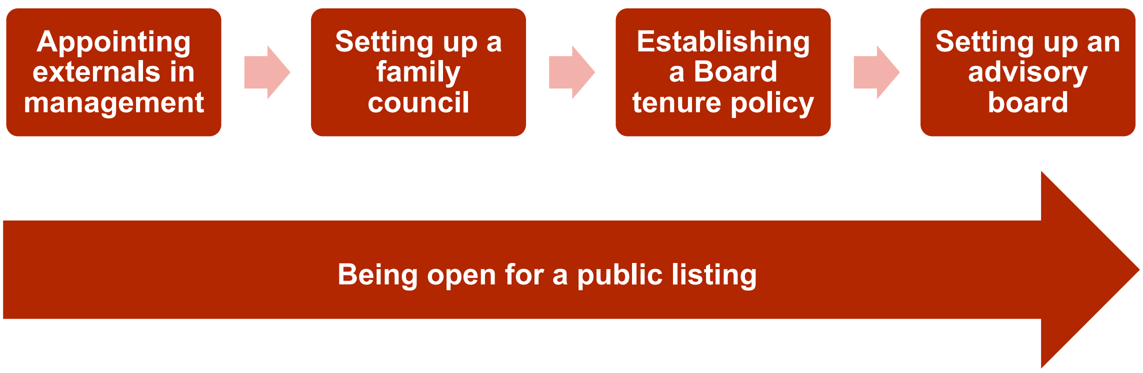
[63] Vide Appendix 2.1
[64] Vide T4.3 in S4.2
[65] Vide Jorissen et al. (2017) in S2.2
[66] Vide S4.5.3 and S4.5.4
[67] Vide S4.3.1
[68] Vide S4.2

5.3 The Columns: The LFB inherent characteristics influencing Board diversity

5.3.1 How are the inherent characteristics of LFBs to be managed?

According to the findings[69], which are consistent with the literature[70], the inherent characteristics of LFBs generally foster a culture of trust among the family members. Consequently, in line with the literature[71], the family members' emotional attachment towards the LFB may encourage them to believe that they are entitled to have more influence than is necessary to preserve their control over the LFB. As denoted by Baldacchino et al. (2019)[72], this tends ultimately to promote resistance to change amongst family members. The implication is that the family is likely to remain against the involvement of externals both at management and Board levels.

This suggests the need for LFBs to set up a plan into action that manages the inherent characteristics that are ingrained in the nature of their specific entities. F5.3 outlines a possible four-step plan of action to manage such characteristics, and consequently also becoming increasingly open for a public listing. As may be seen, this includes appointing externals in management, setting up a family council, establishing a Board tenure policy and setting up an advisory board.



F5.3: Managing the inherent characteristics of LFBs

[69] Vide S4.3
[70] Vide Howorth et al. (2010) and Kidwell et al. (2012) in S2.2.1
[71] Vide Naldi et al. (2007) and Jain and Shao (2015) in S2.2.4
[72] Vide S2.2.2

Appointing externals in management

On the one hand, part of the literature[73] maintains that family member involvement in management may encourage family members to develop a strong sense of commitment and to align their personal interests with those of the business. On the other hand, as indicated in the findings[74], which is in line with other literature[75], the appointment of externals at management level may foster a culture of acceptance towards Board diversity in such an entity.

Yet, the appointment of externals in management should be considered in the early years of the LFB if one is to ensure that the culture of acceptance and open-mindedness is instilled in the attitude of family members as the LFB is handed down from one generation to the next. It is crucial for LFBs to do this, given that as denoted by Mussolino and Calabrò (2014)[76], the family typically takes too long to engage non-family personnel at management level with its emphasis towards ensuring that management succession remains in the hands of the family heirs.

Setting up a family council

As outlined in the previous chapter[77], the motives of the family members towards preserving socioemotional wealth may decrease the likelihood of Board diversity. Yet, as indicated in the literature[78], setting up a family council may provide a forum for family members to clarify and agree on their non-financial motives for the LFB. This may ensure the separation of the family agenda and the business interests, thus facilitating the alignment of the family objectives with those of the business. Such efforts may be particularly successful if periodic meetings are held between such family council and the Board.

However, in agreement with Eckrich and McClure (2012)[76], in order for the family council to be effective, an external professional facilitator with good

[73] Vide Zhou et al. (2014), Berrone et al. (2012) and Jensen and Meckling (1976) in S2.2.5
[74] Vide S4.3.4
[75] Vide Jones et al. (2008) in S2.2.5
[76] Vide S2.2.3
[77] Vide S4.3.5
[78] Vide Gersick and Feliu (2013) and Lansberg (1988) in S2.2.3

communication skills should be appointed as the family council representative so as to facilitate communication amongst the family members, to ensure that there is no bias in favour of any particular family member/s at Board level, and to reduce the likelihood that family members will resist externals on the Board for the sake of preserving the family's control. Over the years, such a facilitator may become even more of a linchpin as reaching a consensus becomes increasingly more difficult.

Establishing a Board tenure policy

As observed by Rosenblum and Nili (2019)[79], putting Board term limits in place implicitly increases Board turnover, this being accompanied by an increase in the likelihood of the Board being more diverse. Moreover, as stated by Baldacchino et al. (2019)[79], *"the periodic injection of new blood in the boardroom is more important within a FB scenario"* (p.90). This suggests that setting Board term limits may weaken the negative influences of permanent posts[80] on the extent of Board diversity present in LFBs.

Nonetheless, given some participants' concerns[81] on imposing a mandatory policy in relation to Board diversity, it may be best to set up a Board tenure policy by striving towards a consensus between the Board or its nomination committee and the family council. In this manner, the optimal term limit may be chosen with the family shareholders having also put their input into the matter. Moreover, in order to foster a culture of change in the LFB and to prevent family resistance to change, such a policy may be initially applied with respect to management tenures, this later being extended to Board tenures.

Setting up an advisory board

As denoted by Gómez-Meija et al. (2011)[82], the establishment of an advisory board with external professionals may enable a LFB to gain appropriate insights

[79] Vide S2.2.2
[80] Vide S4.3.3
[81] Vide S4.7.3
[82] Vide S2.2.3

and expertise without the family having to give up much of its socioemotional wealth, this resulting from the externals' personal relationships with the family members. Moreover, it becomes less likely for the family to resist the business insights of externals, as it becomes more difficult to oppose such views, originally emanating from a professional advisory board.

In addition, such external members of the advisory board may offer meaningful advice to the LFB in terms of succession planning, often owing to the externals' similar experiences with other LFBs.

Being open for a public listing

Given that findings[83] indicate that there is a higher likelihood of the LFB Board being diverse once its shares are liquidated, the family should be consistent in adopting an *"open mindset"* for a possible future public listing. Indeed, in accordance with literature[84], interviewees[83] claimed that by going public and thus liquidating its shares, the LFB faces increased public pressures to weaken the family's influence on the LFB. Such pressures are in addition to those resulting from the Listing Rules requirements to appoint independent professional directors.

Yet, a crucial question remains as to when the LFB should go public. Although a LFB may typically not go public upon its foundation, the founder would do well to consider going in that direction from the LFB's early years. In this manner, the successive generations will likely be more open to the idea of going public and appointing external professionals. This is mostly relevant in cases where, as denoted by the interviewees[85], there are too many family members that want to have their share of say, or else as denoted by Joventti (1998)[86], there are no family members who want to succeed the preceding generation.

[83] Vide S4.3.2
[84] Vide Cabrera-Suárez and Martín-Santana (2015), and Jaafar (2016) in S2.2.4
[85] Vide S4.3.1 and S4.3.4
[86] Vide S2.2.4

5.4 The Entablature: The Board diversity aspects influencing CG

5.4.1 How influential is diversity on CG?

T5.1 overleaf presents the correlation between the detailed average mean rating scores[87] for the influence of each aspect of diversity on the thirteen CG factors *(S2Qns.3a and 4a)* and the mean rating scores for the overall influence of each diversity aspect on CG *(S3Qn.5)*. As suggested, a positive correlation was found between the two measures for all diversity aspects, implying that participants were mostly consistent in their responses. Moreover, as indicated by the *p*-values, most correlations were significant, except for tenure diversity$_{(p=0.132)}$, industry-specific expertise$_{(p=0.149)}$ and financial expertise$_{(p=0.315)}$. This further signifies a general consistency in the participants' replies.

[87] Vide Appendix 3.7

CG is potentially influenced by the Board diversity aspects as shown below:	**N = 26**					
	Measure 1: Average Mean Rating Scores of S2Qns.3a and 4a		**Measure 2: Mean Rating Scores of S3Qn.5**		**Spearman Correlation**	***P*-value**
	Score	**Rank**	**Score**	**Rank**		
<u>*Surface-level aspects*</u>:						
d. Tenure diversity	2.83 *(Qn.3a)*	**1**	3.27	**4**	0.303	**0.132**
a. Age diversity	2.82 *(Qn.3a)*	2	3.04	5	0.480	0.013
c. Nationality diversity	2.27 *(Qn.3a)*	7	2.46	6	0.518	0.007
b. Gender diversity	2.21 *(Qn.3a)*	8	2.42	7	0.656	0.000
Overall mean for the surface-level aspects	2.53		2.80			
<u>*Deep-level aspects*</u>:						
e. Industry-specific expertise	2.81 *(Qn.4a)*	**3**	3.42	**1**	0.291	**0.149**
f. Financial expertise	2.80 *(Qn.4a)*	**4**	3.38	**2**	0.205	**0.315**
g. Legal expertise	2.62 *(Qn.4a)*	5	3.35	3	0.429	0.029
h. IT expertise	2.31 *(Qn.4a)*	6	2.35	8	0.453	0.020
Overall mean for the deep-level aspects	2.64		3.13			
Scales from 0 *(Not influential at all)* to 4 *(Highly influential)*						

T5.1: Correlation between the average mean rating scores of S2Qns.3a and 4a and the mean rating scores of S3Qn.5

As may be seen, participants were generally more positive about the influences of the diversity aspects on the overall CG *(S3Qn.5)* than when asked about their respective influences on the thirteen CG factors *(S2Qns.3a or 4a)*. Moreover, the two respective measures indicated similar yet non-identical rankings in terms of the influences of the diversity aspects on CG. Importantly, tenure diversity, industry-specific expertise and financial expertise rank at the top four in terms of both measures. The probability is that with the respondents going into much more detail about the CG factors influenced by the diversity aspects, they rendered themselves more accurate. In this context, the more detailed measure one will be considered further in the following section.

5.4.2 Which diversity aspects most influence CG in LFBs vis-à-vis NFBs?

T5.2 presents the diversity aspects in descending order in terms of the average mean rating scores[88] for their influences on each of the thirteen CG factors *(S2Qns.3a and 4a)*.

CG is potentially influenced by the Board diversity aspects as shown below:	**N = 26**
	Average Mean Rating Scores of S2Qns.3a and 4a
d. Tenure diversity	2.83 *(Qn.3a)*
a. Age diversity	2.82 *(Qn.3a)*
e. Industry-specific expertise	2.81 *(Qn.4a)*
f. Financial expertise	2.80 *(Qn.4a)*
g. Legal expertise	2.62 *(Qn.4a)*
h. IT expertise	2.31 *(Qn.4a)*
c. Nationality diversity	2.27 *(Qn.3a)*
b. Gender diversity	2.21 *(Qn.3a)*
Scales from 0 *(Not influential at all)* to 4 *(Highly influential)*	

T5.2: The diversity aspects most influencing CG in LFB Boards

When comparing these findings with those of Baldacchino et al. (2021)[89], one must remark that both in LFB and MLC Boards, tenure diversity, industry-specific expertise and financial expertise rank within the top four most influential diversity

[88] Vide Appendix 3.7
[89] Vide Appendix 2.1

aspects, whereas in both Boards, gender diversity ranks lowest. This suggests that the influences of the surface-level and deep-level diversity aspects on CG are similarly perceived in the case of LFBs and NFBs. Nonetheless, age diversity is perceived as more influential on CG in LFB Boards than is observed in MLC Boards[90]. Furthermore, MLC Boards deem[90] legal expertise to be rather more influential.

Yet, the views of such interviewees are in line with the extent of tenure diversity, age diversity, industry-specific expertise and financial expertise found in LFB Boards[91].

Tenure Diversity[92]

Tenure diversity ranks first[93] of the eight diversity aspects considered in this study. Contrastingly, MLC Boards[90] rank industry-specific expertise, financial expertise and legal expertise ahead of tenure diversity. This may suggest that tenure diversity is particularly relevant in LFBs given the nature of such entities. Moreover, as indicated in the findings[94], tenure diversity is most advantageously influential on succession planning in LFBs. In line with the literature[95], by prioritising the long-term growth and continuous operations of the LFB, any tenured family members may be less likely to prioritise their own individual interests rather than the interests of the LFB. In fact, by implementing a succession plan, the Board members would be replaced gradually rather than all at once, thereby minimising the detrimental effects that the latter scenario may have on the LFB owing to the insufficient experience of a Board solely composed of short-tenured directors.

Nonetheless, as noted by the interviewees[94], for this to work effectively, it is pivotal for each Board member to be dedicated and respect each and every other

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[90] Vide Appendix 2.1
[91] Vide T4.2 and T4.3 in S4.2
[92] Vide Appendix 3.5 for a description of the method used for the qualitative data analysis of S5.4.2
[93] Vide T5.2
[94] Vide S4.4.4
[95] Vide Baldacchino et al. (2021) in S2.3.4

Board member's views. Otherwise, short-tenured directors may revert from voicing their opinions and may instead take on a passive role on the Board.

Age Diversity

Age diversity ranks second[96] of the eight diversity aspects considered in this study. In contrast, Baldacchino et al. (2021)[97] observed that age diversity is of lower influence in terms of CG in MLC Boards, ranking it as fifth. As indicated by the findings[98] and the literature[99], similar to tenure diversity, age diversity is most advantageously influential on succession planning. This again suggests that age diversity is particularly relevant for the CG of LFBs. Indeed, as remarked by Casha (2015)[100], succession planning is a fundamental challenge encountered by several FBs locally. This is indicative of the indirect contribution of age diversity in order to successfully prepare the path for a smooth transition from one generation to the next. In this respect, a more detailed study on the implications of tenure and age diversity on succession planning may further clarify matters.

Despite this, as hinted by some participants[98], the influences of this diversity aspect is favourable as long as younger directors are willing to develop their *"business acumen and aptitude"*. Otherwise, forcing the family's heirs to learn on the job, hoping that they will eventually show interest in the LFB, may ultimately bring down such an entity. Moreover, each director must be willing to respect each other's diverse views. In this connection, in accordance with Northcott and Smith (2015)[100], the personality of the Chairman may be particularly relevant.

Industry-Specific Expertise

Industry-specific expertise ranks third[96] of the diversity aspects under consideration in this study. Contrastingly, Baldacchino et al. (2021)[97] observed that MLC representatives perceive this to be the most influential diversity aspect on CG. This does not necessarily imply that this form of expertise is of lower

[96] Vide T5.2
[97] Vide Appendix 2.1
[98] Vide S4.4.1
[99] Vide Houle (1990) in S2.3.1
[100] Vide S2.3.1

relevance on LFB Boards than on MLC Boards. This suggests, rather, that even though the findings[101] and the literature[102] have indicated that industry-specific expertise serves as a *"pillar"* for decision-making and is generally regarded as irreplaceable, LFBs already have access to the wealth of prolific industry knowledge and traditions upheld over the years as the business is handed down from one generation to the next. Nonetheless, to a certain extent, in accordance with literature[103], industry-specific expertise may be relevant in LFBs if the existing family members appointed on the Board lack such industry knowledge. Hence, industry-specific expertise may become increasingly significant over time as the subsequent generations become more detached from the operations of the LFB created by the founder.

Nonetheless, most literature[104] contends that appointing too many industry-specific experts on the Board may prompt complacency and the emergence of groupthink, given that the expertise of directors and top executives are similar. In this context, as denoted by Baldacchino et al. (2021)[105], the extent of industry-specific experts that should be appointed on LFB Boards is debatable.

Financial Expertise

Financial expertise ranks fourth[106] of the diversity aspects considered in this study. Yet, as denoted earlier, Baldacchino et al. (2021)[107] observed that this has a higher influence in terms of CG in MLC Boards, and in fact is ranked second. Although participants perceived this type of expertise to be less influential on the CG in LFB Boards than that in MLC Boards, it was observed[108] that financial expertise is the only diversity aspect, apart from legal expertise, whose influence on CG is considered as being significantly different by the three respondent categories. Indeed, this was considered as highly influential by Freps. In line with

[101] Vide S4.5.1
[102] Vide Bugeja et al. (2017) and Faleye et al. (2018) in S2.4.1
[103] Vide Huse (2005) in S2.4.1
[104] Vide Ellis et al. (2018), Faleye et al. (2018), Janis (1972), McCauley (1989), and Baldacchino et al. (2021) in S2.4.1
[105] Vide S2.4.1
[106] Vide T5.2
[107] Vide Appendix 2.1
[108] Vide TA3.15 in Appendix 3.8

literature[109], these findings all provide evidence that family members generally value such form of expertise in the boardroom highly because the family tends to relatively lack basic financial literacy as against industry-specific expertise. Indeed, findings[110] indicate that financial expertise is most advantageously influential on the CG factor of quality of expertise in the boardroom. In addition, it was observed[111] that the influence on the quality of expertise in the boardroom is the only CG factor in terms of financial expertise to be considered significantly different by the three respondent categories. In this regard, in line with Baldacchino et al. (2021)[112], the contribution of financial experts on LFB Boards may be invaluable.

Nonetheless, as indicated by some participants[110], too many individuals on the Board with a financial background may prompt the LFB Board to be too risk-averse, owing to the mindset *"typical in their profession"*. This is especially true given that family members may rely heavily on these professionals to drive the company forward. Yet, such participant views contrast with literature[113].

Gender Diversity

As pointed out earlier, gender diversity ranks last in both LFB[114] and MLC Boards[115]. Moreover, as noted in the previous chapter[116], in line with Baldacchino et al. (2021)[117], some interviewees expressed their concern towards gender quotas. Nonetheless, in line with other literature[118], some respondents[116] still remarked that gender-diverse Boards benefit from enhanced decision-making due to the more sensitive and skeptic character cues of females, who may instigate more discussion in the boardroom.

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[109] Vide Bugeja (2020), Dickins et al. (2016), and Lakew and Rao (2009) in S2.4.2
[110] Vide S4.5.2
[111] Vide TA3.12 in Appendix 3.8
[112] Vide S2.4.2
[113] Vide Huang et al. (2014) and Minton et al. (2012) in S2.4.2
[114] Vide T5.2
[115] Vide Appendix 2.1
[116] Vide S4.4.2
[117] Vide S2.3.2
[118] Vide Bianchi and Iatridis (2014), Dezsö and Ross (2012), and Fama and Jensen (1983) in S2.3.2

This implies that the recent imposition of regulations[119] relating to gender diversity, particularly that of the imposition of quotas, may not be enough on its own to promote such diversity.

5.5 The Pediment: The CG factors influenced by the diversity aspects

5.5.1 Which CG factors are most influenced by Board diversity?

F5.4 overleaf presents a matrix[120] indicating, in descending order of scoring, the CG factors most influenced by the diversity aspects under consideration in this study. As may be noted, the quality of decision-making and the conduct of the advisory function are the CG factors most influenced by Board diversity. These are closely followed by the quality of strategies implemented, problem-solving skills and the quality of Board expertise. The remaining factors, including access to network ties, the conduct of the monitoring function, the approach towards risk, effective succession planning, Board communications, and Board entrenchment are influenced by Board diversity to a lower degree, whereas neither conflicts of interest nor Board meeting attendance are influenced in any way.

[119] Vide EU (2022) in S2.3.2
[120] Vide Appendix 3.5 for a description of the method used for the development of this matrix

BOARD DIVERSITY ASPECTS / CG FACTORS	Age	Gender	Nationality	Tenure	Industry-specific	Financial	Legal	IT	SCORE*
i. Quality of decision-making									18
v. Conduct of the advisory function									18
x. Quality of strategies implemented									16
iii. Problem-solving skills									16
ix. Quality of Board expertise									16
vi. Access to network ties									15
iv. Conduct of the monitoring function									14
viii. Approach towards risk									14
xiii. Effective succession planning									12
ii. Board communications									10
vii. Board entrenchment									10
xi. Conflicts of interest									5
xii. Board meeting attendance									0

COLOUR					
INTERPRETATION	Not Influential at All	Not Influential	Neutral	Influential	Highly Influential
*ASSIGNED SCORE	0	0	1	2	3

F5.4: The CG factors infuenced by Board diversity aspects in descending order of scoring

Quality of decision-making

F5.4 indicates that the quality of decision-making is mainly influenced by both industry-specific expertise and financial expertise. As discussed earlier[121], the appointment of external industry-specific directors may become more valuable with the passing of time, particularly if the successive generations lack the industry knowledge of the first generations. As indicated earlier[121], such influence on CG may be an unfavourable one relating to groupthink.

Moreover, financial literacy on the Board also enhances decision-making, mostly that pertaining to borrowing, saving and investing, and this is in line with Bugeja (2020)[122]. Such influence may be more relevant for LFBs given that the family tends to lack such financial management awareness, and this is also in line with Lakew and Rao (2009)[122].

Conduct of the advisory function

F5.4 also indicates that the conduct of the advisory function is principally influenced by industry-specific expertise and financial expertise. Indeed, in line with most literature sources[123], industry-specific directors may provide strategic advice and counsel to a LFB Board. Moreover, in line with De Andres and Vallelado (2008)[122], the findings[124] suggest that the conduct of the advisory function is highly influenced by financial directors on the LFB Board since they ensure that with their professional advice, all decisions are made with a proper understanding of the appropriate financial implications.

Quality of strategies implemented

F5.4 further indicates that the quality of strategies implemented by LFB Boards is also influenced by industry-specific directors. In fact, in agreement with most literature sources[125], such directors may enhance the business strategies

[121] Vide S5.4.2
[122] Vide S2.4.2
[123] Vide Ward and Handy (1988), Drobetz et al. (2018), and Baldacchino et al. (2021) in S2.4.1
[124] Vide S4.5.2
[125] Vide Baldacchino et al. (2021) and Faleye et al. (2018) in S2.4.1

implemented by the LFB, given their insights in the industry and on any forthcoming developments. Moreover, in line with Faleye et al. (2018)[126], the in-depth knowledge of the industry of such directors may also encourage management personnel to pursue their insights and to implement more effectively the strategies laid out by the Board.

Problem-solving skills

As shown in F5.4, problem-solving skills on the LFB Board are also influenced by the extent of all the eight aspects of Board diversity. In this connection, the literature confirms only the four surface-level aspects of age[127], gender[128], nationality[129] and tenure[130] diversity as bearing such influence.

Quality of Board expertise

F5.4 also suggests that the quality of expertise on the Board is most influenced by industry-specific and financial directors. In fact, as discussed earlier[131], industry-specific expertise is generally considered as irreplaceable, whereas financial expertise is pivotal in LFB Boards given the tendency of family members lacking financial knowledge.

Conflicts of interest

Furthermore, as indicated by F5.4, most participants did not point to any influence on the presence of conflicts of interest by any diversity aspect. Some literature sources indicate that financial[132] and legal expertise[133] do influence the presence of conflicts of interest , although this is not specified in the case of FBs. Therefore,

[126] Vide S2.4.1
[127] Vide Baldacchino et al. (2021) in S2.3.1
[128] Vide Baldacchino et al. (2021) and Francoeur et al. (2008) in S2.3.2
[129] Vide Baldacchino et al. (2021), Mishra and Jhunjhunwala (2013) and García-Meca et al. (2015) in S2.3.3
[130] Vide Baldacchino et al. (2021) in S2.3.4
[131] Vide S5.4.2
[132] Vide Güner et al. (2008), Morck and Nakamura (1999) and Mitchell and Walker (2008) in S2.4.2
[133] Vide Cummins and Kelly (1996) and Loughrey (2011) in S2.4.3

it seems that, while influential with respect to NFBs, such types of expertise are not so influential on conflicts of interest in this context.

Board meeting attendance

F5.4 also suggests that all diversity aspects considered in the study have no influence on Board meeting attendance. However, several literature sources indicate that the four surface-level diversity aspects of age[134], gender[135], nationality[136] and tenure[137] do influence the overall Board meeting attendance. This is indicative that LFBs do not experience issues with Board meeting attendance, most likely owing to family members exerting more pressure on those failing to attend. In this regard, a more detailed study on the differences in the current Board meeting attendance between LFBs and NFBs may throw further light on the matter.

5.6 Maintaining the Parthenon: A Way Forward

5.6.1 What role should the Chairman adopt relating to Board diversity?

The findings[138] indicate that fostering *"mutual respect"* among the Board members is essential in order to ensure that Board diversity benefits CG in LFBs. In this regard, in accordance with Northcott and Smith (2015)[139], it is crucial for the Chairman to have the authority and capacity to promote a cooperative and inclusive Board environment that permits all Board members to express their opinions openly and equally. Hence, a Chairman with strong communication and leadership abilities may foster collaboration and discussion amongst directors with diverse viewpoints while still being able to pave the way for a consensus after taking everything into account.

[134] Vide Masulis et al. (2020) in S2.3.1
[135] Vide Adams and Ferreira (2009) in S2.3.2
[136] Vide Estélyi and Nisar (2016) and Masulis et al. (2012) in S2.3.3
[137] Vide Kamardin et al. (2014) in S2.3.4
[138] Vide S4.4.1 and S4.4.4
[139] Vide S2.3.1

5.6.2 Should regulation imposing Board diversity be developed?

As claimed by some participants[140], the imposition of diversity regulation may simply give rise to a *"ticking box approach"* and even encouraging LFBs to *"beat around the bush"* in order to bypass such impositions. In this connection, as generally denoted in the literature[141] pertaining to gender diversity, more diversity awareness or soft law development may be a more acceptable way forward than the enforcement of hard quotas. Indeed, as denoted by Campbell and Bohdanowicz (2018)[142], such quotas may induce companies to do their best to bypass them. This may be particularly so in the case of quotas based on the one-size-fits-all approach. Perhaps, the introduction of fiscal incentive measures by public authorities may be an appropriate step in this direction. In this regard, a detailed study on the forms of tax reliefs which may spur gender or other types of diversity on LFB Boards may further clarify matters.

5.6.3 Does setting up a family charter assist in maintaining Board diversity?

A few participants[140] remarked that the establishment of a family charter may help to clarify the distinction between the family and the business. According to the literature[143], such distinction may be improved particularly by a definition included in the charter of the family's values and the non-economic goals. Moreover, in line with Eckrich and McClure (2012)[144] and Deloitte (2015)[144], such a document may stipulate that participating family representatives hold sufficient knowledge and expertise. This suggests that, by setting up such a charter, the LFB may ensure the attainment of deep-level expertise both in the family council and in the Board, and the satisfaction of both the family and the company.

[140] Vide S4.7.4
[141] Vide Baldacchino et al. (2021), Campbell and Bohdanowicz (2018), and Kang et al. (2023) in S2.3.2
[142] Vide S2.3.2
[143] Vide Eckrich and McClure (2012) in S2.2.3
[144] Vide S2.2.3

5.7 Conclusion

This chapter discussed the principal findings. The next chapter concludes this dissertation by providing a summary of these findings, and suggests a number of recommendations.

Chapter 6: Summary, Conclusions and Recommendations

6.1 Introduction

This chapter concludes the dissertation. As shown in F6.1, S6.2 summarises the findings of this study, while S6.3 sets out the major conclusions. S6.4 then provides a number of recommendations, while S6.5 suggests areas for further research. Finally, S6.6 delineates the concluding remarks.

- 6.1 Introduction
- 6.2 Summary
- 6.3 Conclusions
- 6.4 Recommendations
- 6.5 Areas for Further Research
- 6.6 Concluding Remarks

F6.1: Outline of Chapter 6

6.2 Summary

The objectives of this study were twofold. The first objective was to establish the extent of Board diversity in both its major surface-level aspects (*that is, age*, *gender*, *nationality and tenure diversity*) and deep-level aspects (*that is, industry-specific*, *financial*, *legal and IT expertise*) in selected Maltese LFBs, as well as to establish whether any inherent characteristics of such entities are perceived as influencing the extent of such diversity. The second objective was to assess, in the same entities, the influences of such diversity aspects on the major CG factors. This also involved ascertaining the extent to which such influences, if existent, are perceived as advantageous or disadvantageous, as well as exploring any further considerations of diversity in the LFB boardroom.

To achieve these objectives, a mixed-methods research approach was adopted. Semi-structured interviews were conducted with twenty-six interviewees. These consisted of eleven directors, three company secretaries, a CEO, four CFOs, an Institute of Directors representative, four advisory partners, an audit manager and an audit director.

The findings indicate that most LFB Boards are composed of family members, with additional family members participating in Board meetings. Additionally, the average LFB Board is composed of five directors, with one director being less than forty years old, one director being between forty to forty-nine years old, one director being between fifty to fifty-nine years old, one director being between sixty to sixty-nine years old and one director being seventy years old or older. Moreover, four directors are males and one director is female; all five directors are Maltese, whilst the tenure of two directors is less than twelve years and the tenure of three directors is more than twelve years. Additionally, four directors are industry-specific experts, whereas one director is a financial expert.

Moreover, it was found that LFB inherent characteristics, particularly strong emotional ties, may reduce the likelihood of a LFB being Board diverse. This is mostly due to such characteristics generally fostering a culture of trust among the family members. As a result, this tends to promote a resistance to change amongst the family members, leading them to choose Board members selectively from the limited pool of family members.

Furthermore, it was found that tenure and age diversity are the diversity aspects most influential on CG, followed by industry-specific expertise and financial expertise. Gender diversity is also the least influential diversity aspect on CG. Additionally, although each of the eight diversity aspects do not influence the CG factors *pari passu*, they generally influence various CG factors advantageously.

In addition, given that Board diversity is seen as relevant to the CG in LFBs, general consensus seems to prevail relating to the need for LFB Boards, or their nomination committees, if any, to formulate their own diversity policy. As a backup, or an alternative to this, regulation may be developed in an attempt to improve on the extent of existing diversity in LFB Boards. Yet, the specific way in which diversity is to be promoted is still controversial, although it is clear that setting regulatory quotas would in itself fail to solve the issue.

6.3 Conclusions

This study concludes that, since LFB Boards are mostly composed of family members, are mostly long-tenured and have a lack of diversity of expertise in comparison to NFBs, it would be more beneficial for LFBs to consider Board participation rather than Board membership for most family members. In this manner, LFBs would allow enough space for the involvement of externals as Board members, whilst still permitting family members who are interested enough in Board proceedings to attend exclusively as Board participants. This may be more so relevant in LFBs given that the average LFB Board size is only of five directors.

Moreover, given that the inherent characteristics ingrained in LFBs reduce the likelihood of adopting Board diversity, this study concludes that it would be better for LFBs to consider putting a plan into action to manage such characteristics and subsequently become increasingly open for a public listing. In this context, LFBs may consider, *inter alia*, appointing externals in management, setting up a family council, establishing a Board tenure policy and setting up an advisory board.

Furthermore, this study concludes that tenure and age diversity may be crucially relevant to CG in LFBs given their influences on attaining effective succession planning, which guarantees the longevity of LFBs. Additionally, although industry-specific directors are most advantageously influential on the quality of decision-making, the extent of such directors on the Board is debatable given the consequential elevated risk of groupthink and complacency. Moreover, directors with financial expertise are most advantageously influential on the quality of expertise in the boardroom. Given that family members typically have more industry-specific than financial expertise, such directors could have a significant impact in the LFB boardroom. Additionally, despite the fact that gender diversity is most advantageously influential on the quality of decision-making in the boardroom, it is probably preferable that rather than enforcing quotas, the public authorities work towards the introduction of incentive measures, such as taxation reliefs.

In addition, this study concludes that Board diversity, particularly industry-specific and financial expertise, most influence the CG factors of the quality of decision-making and the conduct of the advisory function. Yet, Board diversity does not influence either the presence of conflicts of interest or Board meeting attendance.

Finally, this study comes to the conclusion that it is critical to both improve and maintain diversity in the Board as the LFB succeeds from one generation to the next. Caution also needs to be exercised to avert the possibility of succeeding generations from reverting to past non-diverse behaviours.

6.4 Recommendations

This study recommends that:

A. Family members who are non-members are permitted and even encouraged to attend as participants in Board meetings *(S5.2.1)*

Although the appointment of a limited number of family representatives as Board members is understandable, restricting Board appointments from a pool of family members is not ideal given the varying self-interests of such family members. Hence, the LFB should invite and encourage Board participation of any interested family members in Board meetings, thus at the same time giving enough space for the involvement of externals as Board members.

B. The LFB Board size is increased *(S5.2.2)*

Given that the average LFB Board is made up of five directors, increasing the LFB Board size may provide more space for independent professional externals who may contribute a variety of expertise in the boardroom. This is currently lacking. Such progress may be made without requiring family representatives to give up their seat on the Board to other non-family members.

C. A plan is set up and managed by the LFB in order to foster a culture of acceptance rather than of resistance to change *(S5.3.1)*

Such plan may include appointing externals in management, setting up a family council, establishing a Board tenure policy and setting up an advisory board. These courses of action may foster a culture of acceptance amongst family members, thus increasing the likelihood of having a diverse Board.

D. Each LFB should focus on having more tenure and age diversity in the boardroom *(S5.4.2)*

Given the conclusion reached in the study that tenure and age diversity are most advantageously influential on succession planning, each LFB should prioritise increasing the extent of such diversity aspects on their Boards. In the long-term, this may also increase the likelihood of such entities surviving as they are handed down from one generation to the next.

E. LFB heirs should never be forced in succeeding the present generation *(S5.4.2)*

The best directors for a LFB are not necessarily family members, and the choice of who directs and leads a company is therefore not to be automatically limited to the family. In particular, forcing the heirs of the LFB to learn on the job in the hope that they will one day demonstrate interest in the entity, may ultimately be highly detrimental, if not disastrous, to its CG.

F. The Chairman exercises good communication and leadership skills in order to ensure mutual respect amongst all Board members *(S5.4.2 and S5.6.1)*

The Chairman needs to have the ability and capacity to foster cooperation and inclusivity in the boardroom and may thus ensure that each Board member has an equal opportunity to voice his/her opinion. This is pivotal in a diverse Board, because, in its absence, some directors may impose their viewpoints, thus rendering it impracticable for a consensus to be reached.

G. Measures are introduced focusing on the development of soft law rather than on the imposition of hard quotas *(S5.4.2 and S5.6.2)*

Instead of imposing quotas, priority needs to shift to developing soft law and to providing fiscal incentives to LFBs adopting Board diversity. Indeed, imposing quotas may solely provide a temporary solution that may ultimately be detrimental to CG. Soft law may be applied to any aspect of diversity, and not solely for gender diversity, as is currently occurring in the corporate arena.

H. A family charter is set in place *(S5.6.3)*

Setting up a family charter may clarify the family's values and non-financial goals, and ensure that these do not conflict with the business interests. Moreover, it may also help to ensure that family representatives on the family council or on the Board have sufficient business acumen and financial literacy.

6.5 Areas for Further Research

This study identified the following areas requiring further research:

A. Family and Non-Family Membership vis-à-vis Participation in Maltese LFB Boards: A Study *(S5.2.1)*

Such a study would establish the extent of involvement of family and non-family representatives as Board members or as Board participants. Additionally, this study would thoroughly analyse the advantages and disadvantages of having family representatives who are not Board members as Board participants.

B. Tenure and Age Diversity and their Implications on Succession Planning: A Study *(S5.4.2)*

A follow-up study may probe more deeply on the implications of tenure and age diversity on succession planning in FBs.

C. The Influence of Diversity on Decision-Making and Advisory in the LFB Boardroom: A Study *(S5.5.1)*

This study determined that Board diversity exerted most influence on the CG factors of the quality of decision-making and the conduct of the advisory function. Hence, an additional study may focus specifically on the influences of LFB Board diversity on these two more important CG factors, as well as the relevance of such factors for CG.

D. Board Meeting Attendance and its Implications on FBs vis-à-vis NFBs: A Study *(S5.5.1)*

This study would establish the extent of Board meeting attendance in FBs and NFBs, outlining any concerns of such entities on this matter. In particular, it would seek to determine the implications of Board meeting attendance on the CG and performance of both FBs and NFBs.

E. The Effectiveness of Fiscal Incentives towards Diversity in LFB Boards: A Study *(S5.6.2)*

The study would probe deeper on possible forms of tax reliefs which may be introduced by public authorities in order to encourage gender or other types of diversity in LFB Boards.

F. Re-Visiting Board Diversity in Selected Large Maltese Family-Controlled Companies and its Corporate Governance Implications

A comparative study would review the situation in Malta, for example, in five years' time, to determine whether the situation has changed, and if so, what influences this has had on the CG of LFBs.

6.6 Concluding Remarks

The promotion of a reasonable level of diversity in the LFB boardroom is no mean feat, especially given the propensity of family members to justify past behaviors and to foster a culture of resistance to change. However, because diversity generally adds value to CG in LFBs, every LFB should focus on promoting and maintaining diversity on the Board as the LFB is passed from one generation to the next. Indeed, introducing diversity to the Board is an ongoing process, rather than a one-time decision. At the end of the day, as stated by one respondent, *"it is not the strength of any building that matters, but its long-term sustainability"*.

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Appendices

Appendix 2.1 Further Literature on Board Diversity in MLCs

This appendix presents further findings obtained by Baldacchino et al. (2021) in terms of Board diversity in MLCs. As denoted by Baldacchino et al. (2021), the MLC Board has an average size of twelve directors, and is generally composed of directors who are more than forty years old, Maltese, male and whose tenure is less than nine years. In addition, the MLC Board generally comprises of five industry-specific directors, three financial directors, one HR director, one lawyer-director and another two directors who are competent in other fields (ibid.).

Moreover, TA2.1 shows the average mean rating scores for the influence of each diversity aspect considered in their study on CG in MLC Boards. As shown, the industry-specific competency/expertise is mostly influential on CG in MLC Boards, followed by the accounting and finance competency/expertise. These are closely followed by the legal competency/expertise and tenure diversity. In addition, gender diversity is least influential on CG in MLC Boards.

The diversity aspects influence CG in MLC Boards as shown below:	Average Mean Rating Score
Industry-specific competency/expertise	2.49
Accounting and finance competency/expertise	2.41
Legal competency/expertise	2.30
Tenure diversity	2.24
Age diversity	2.01
Nationality diversity	1.80
HR competency/expertise	1.68
Gender diversity	1.62
Scales from 0 (*Not influential at all*) to 4 (*Highly influential*)	

TA2.1: Average mean rating scores for the influence of each diversity aspect on CG in MLC Boards

Adapted from: Baldacchino et al. 2021 Table 2 p.52

Appendix 3.1 Letter of Introduction and Invitation to Participate

L-Università ta' Malta

DEPARTMENT OF ACCOUNTANCY
Faculty of Economics, Management & Accountancy
University of Malta
Msida MSD 2080, Malta
Tel: +356 2340 2700
accountancy.fema@um.edu.mt
www.um.edu.mt/fema

LETTER OF INTRODUCTION AND INVITATION TO PARTICIPATE IN RESEARCH

5 November 2021

Dear Sir / Madam,

This is to introduce Britney Pisani, a Master in Accountancy student at the Faculty of Economics, Management and Accountancy at the University of Malta.

The student is undertaking research within the Department of Accountancy regarding diversity in selected large Maltese family controlled companies. This research aims to explore the current situation of diversity in these family businesses, to ascertain the perceptions of diversity within these companies, as well as to recommend how endorsing diversity may allude the companies' survival throughout the generations.

In this regard, the said student would like to invite you to contribute on this research project by participating in an interview covering aspects of this topic and by providing access to directors / chief executives / company secretaries within your organisation at your convenience.

This research is important and valuable in enhancing understanding of the subject area and helping practicing professionals and practitioners like yourself, as well as informing policy and support initiatives. The student would be happy to share with you general findings ensuing from this research.

The student is to ensure that any information provided will be treated in confidence, also in line with general Faculty research requirements and ethical obligations. A consent form will be separately provided. You are, of course, entirely free to discontinue your participation at any time or to decline to answer particular questions.

While I thank you beforehand for your consideration as well as your possible kind support and involvement in this important research, should you have any queries on this research please feel free to contact me via email at: accountancy.fema@um.edu.mt.

Yours sincerely,

Prof. Peter J Baldacchino

Appendix 3.2 Interview Schedule

This appendix presents the interview schedule that was used during the semi-structured interviews carried out for the purpose of this dissertation. The schedule lays out the characteristics of directors in LFBs, as well as the responses for each Likert scale question, in *italics* and **bold**.

S1: Respondent Companies / Groups, their Inherent Characteristics and Influences on Diversity

1. Kindly indicate the number in your group / company of directors, outlining the number of directors who are family members and non-family members:

	Number of interviewees = 19
	Number of directors
a. Family members	***78***
b. Non-family members	***27***
c. Aged less than 40 years	***20***
d. Aged between 40 to 49 years	***13***
e. Aged between 50 to 59 years	***27***
f. Aged between 60 to 69 years	***24***
g. Aged 70 years or older	***21***
h. Male	***77***
i. Female	***28***
j. Maltese nationality	***99***
k. Other nationality	***6***
l. Tenured for less than 12 years	***42***
m. Tenured for 12 years or more	***63***
n. With industry-specific expertise	***70***
o. With financial expertise	***27***
p. With legal expertise	***5***
q. With information technology expertise	***0***
r. With other fields of expertise	***3***

2. Comment as to whether the following inherent characteristics of family-controlled companies *(see definition A1 a))* might affect the extent of Board diversity *(see definition A1 b))* in such entities:

   a. Strong emotional ties;
   b. Permanent posts;
   c. Socioemotional wealth *(i.e. non-economic goals)*;
   d. Illiquidity of shares;
   e. Family member involvement in management;
   f. Other characteristics *(if any)*.

S2: Major Apects of Board Diversity and their Influences on CG

3.

a. In your opinion, how influential are the surface-level diversity aspects *(see definition A1 c))* of age, gender, nationality and tenure diversity on the corporate governance *(see definition A1 d))* factors listed below? *Kindly rate from 0 to 4 (with 0 being not influential at all and 4 being highly influential), adding comments, if any:*

The listed corporate governance factors potentially influenced by age diversity are as shown below:	**Number of interviewees = 26**				
	Not influential at all	**Not infuential**	**Neutral**	**Influential**	**Highly influential**
i. Quality of decision-making *(e.g. groupthink)*	***1***	***0***	***1***	***16***	***8***
ii. Board communications	***1***	***2***	***5***	***17***	***1***
iii. Problem-solving skills	***0***	***1***	***2***	***19***	***4***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***0***	***4***	***5***	***13***	***4***
v. Conduct of the advisory function	***0***	***0***	***3***	***17***	***6***
vi. Access to network ties	***0***	***1***	***1***	***11***	***13***
vii. Board entrenchment *(see definition A1 e)*	***0***	***0***	***1***	***15***	***10***
viii. Approach towards risk	***0***	***3***	***3***	***12***	***8***
ix. Quality of Board expertise	***0***	***1***	***8***	***13***	***4***
x. Quality of strategies implemented	***0***	***1***	***1***	***16***	***8***
xi. Conflicts of interest*	***6***	***6***	***7***	***6***	***1***
xii. Board meeting attendance*	***6***	***8***	***8***	***4***	***0***
xiii. Effective succession planning	***0***	***0***	***4***	***6***	***16***

***Note 1**: Given that the analysis of Qn.3a showed that these two CG factors were not influenced by age diversity, they were excluded from the analysis of Qn.3b.*

The listed corporate governance factors potentially influenced by gender diversity are as shown below:	**Number of interviewees = 26**				
	Not influential at all	**Not infuential**	**Neutral**	**Influential**	**Highly influential**
i. Quality of decision-making *(e.g. groupthink)*	***0***	***4***	***7***	***9***	***6***
ii. Board communications*	***1***	***4***	***10***	***10***	***1***
iii. Problem-solving skills	***0***	***2***	***9***	***11***	***4***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)**	***0***	***6***	***12***	***5***	***3***
v. Conduct of the advisory function	***0***	***2***	***9***	***13***	***2***
vi. Access to network ties*	***1***	***4***	***10***	***9***	***2***
vii. Board entrenchment*	***0***	***7***	***9***	***6***	***4***
viii. Approach towards risk*	***0***	***7***	***10***	***5***	***4***
ix. Quality of Board expertise*	***0***	***2***	***18***	***5***	***1***
x. Quality of strategies implemented	***0***	***2***	***9***	***8***	***7***
xi. Conflicts of interest*	***6***	***8***	***9***	***2***	***1***
xii. Board meeting attendance*	***7***	***9***	***9***	***1***	***0***
xiii. Effective succession planning*	***0***	***9***	***9***	***3***	***5***

***Note 2**: Given that the analysis of Qn.3a showed that these nine CG factors were not influenced by gender diversity, they were excluded from the analysis of Qn.3b.*

The listed corporate governance factors potentially influenced by nationality diversity are as shown below:	Number of interviewees = 26				
	Not influential at all	**Not infuential**	**Neutral**	**Influential**	**Highly influential**
i. Quality of decision-making *(e.g. groupthink)*	***0***	***2***	***8***	***15***	***1***
ii. Board communications*	***1***	***3***	***6***	***16***	***0***
iii. Problem-solving skills	***0***	***1***	***7***	***18***	***0***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)**	***0***	***5***	***9***	***10***	***2***
v. Conduct of the advisory function	***0***	***3***	***6***	***16***	***1***
vi. Access to network ties	***0***	***1***	***6***	***14***	***5***
vii. Board entrenchment*	***1***	***4***	***8***	***9***	***4***
viii. Approach towards risk*	***0***	***6***	***7***	***12***	***1***
ix. Quality of Board expertise*	***0***	***2***	***14***	***8***	***2***
x. Quality of strategies implemented*	***0***	***3***	***9***	***13***	***1***
xi. Conflicts of interest*	***5***	***11***	***7***	***2***	***1***
xii. Board meeting attendance*	***7***	***8***	***10***	***1***	***0***
xiii. Effective succession planning*	***0***	***10***	***10***	***4***	***2***

<u>Note 3</u>: Given that the analysis of Qn.3a showed that these nine CG factors were not influenced by nationality diversity, they were excluded from the analysis of Qn.3b.

The listed corporate governance factors potentially influenced by tenure diversity are as shown below:	**Number of interviewees = 26**				
	Not influential at all	**Not infuential**	**Neutral**	**Influential**	**Highly influential**
i. Quality of decision-making *(e.g. groupthink)*	***0***	***1***	***1***	***14***	***10***
ii. Board communications	***1***	***3***	***6***	***13***	***3***
iii. Problem-solving skills	***0***	***0***	***0***	***17***	***9***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***0***	***2***	***3***	***16***	***5***
v. Conduct of the advisory function	***0***	***0***	***2***	***19***	***5***
vi. Access to network ties	***0***	***0***	***3***	***9***	***14***
vii. Board entrenchment	***0***	***0***	***4***	***14***	***8***
viii. Approach towards risk	***0***	***4***	***3***	***13***	***6***
ix. Quality of Board expertise	***0***	***1***	***5***	***15***	***5***
x. Quality of strategies implemented	***0***	***1***	***1***	***16***	***8***
xi. Conflicts of interest*	***5***	***6***	***7***	***7***	***1***
xii. Board meeting attendance*	***7***	***9***	***8***	***2***	***0***
xiii. Effective succession planning	***0***	***1***	***4***	***9***	***12***

***Note 4**: Given that the analysis of Qn.3a showed that these two CG factors were not influenced by tenure diversity, they were excluded from the analysis of Qn.3b.*

b. In your opinion, to what extent do the surface-level diversity aspects of age, gender, nationality and tenure diversity influence the following corporate governance factors advantageously? *Kindly rate from 0 to 4 (with 0 being highly disadvantageous and 4 being highly advantageous), adding comments, if any:*

A rating was provided in Qn.3b solely where the factor was assigned a rating of 3 or 4 in Qn.3a.

The listed corporate governance factors potentially influenced by age diversity are as shown below:	Number of interviewees	Highly disadvantageous	Disadvantageous	Neutral	Advantageous	Highly advantageous
i. Quality of decision-making *(e.g. groupthink)*	***24***	***0***	***1***	***1***	***14***	***8***
ii. Board communications	***18***	***0***	***6***	***4***	***8***	***0***
iii. Problem-solving skills	***23***	***0***	***2***	***1***	***16***	***4***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***17***	***0***	***2***	***1***	***9***	***5***
v. Conduct of the advisory function	***23***	***0***	***0***	***1***	***17***	***5***
vi. Access to network ties	***24***	***0***	***4***	***1***	***7***	***12***
vii. Board entrenchment	***25***	***0***	***1***	***1***	***12***	***11***
viii. Approach towards risk	***20***	***0***	***0***	***1***	***13***	***6***
ix. Quality of Board expertise	***17***	***0***	***0***	***0***	***12***	***5***
x. Quality of strategies implemented	***24***	***0***	***0***	***1***	***15***	***8***
xi. Conflicts of interest*	***7***	***1***	***2***	***1***	***3***	***0***
xii. Board meeting attendance*	***4***	***0***	***4***	***0***	***0***	***0***
xiii. Effective succession planning	***22***	***0***	***0***	***0***	***5***	***17***

***Note 5**: As per Note 1 in Qn.3a, these two CG factors were excluded from the analysis of age diversity in Qn.3b.*

The listed corporate governance factors potentially influenced by gender diversity are as shown below:	**Number of interviewees**	**Highly disadvantageous**	**Disadvantageous**	**Neutral**	**Advantageous**	**Highly advantageous**
i. Quality of decision-making *(e.g. groupthink)*	***15***	***0***	***0***	***0***	***9***	***6***
ii. Board communications*	***11***	***0***	***3***	***1***	***6***	***1***
iii. Problem-solving skills	***15***	***0***	***0***	***0***	***11***	***4***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)**	***8***	***0***	***0***	***0***	***5***	***3***
v. Conduct of the advisory function	***15***	***0***	***0***	***0***	***12***	***3***
vi. Access to network ties*	***11***	***1***	***0***	***1***	***7***	***2***
vii. Board entrenchment*	***10***	***0***	***0***	***1***	***6***	***3***
viii. Approach towards risk*	***9***	***0***	***0***	***0***	***6***	***3***
ix. Quality of Board expertise*	***6***	***0***	***0***	***0***	***4***	***2***
x. Quality of strategies implemented	***15***	***0***	***0***	***2***	***9***	***4***
xi. Conflicts of interest*	***3***	***1***	***0***	***0***	***2***	***0***
xii. Board meeting attendance*	***1***	***0***	***0***	***0***	***0***	***1***
xiii. Effective succession planning*	***8***	***0***	***0***	***1***	***3***	***4***

Note 6: As per Note 2 in Qn.3a, these nine CG factors were excluded from the analysis of gender diversity in Qn.3b.

The listed corporate governance factors potentially influenced by nationality diversity are as shown below:	**Number of interviewees**	**Highly disadvantageous**	**Disadvantageous**	**Neutral**	**Advantageous**	**Highly advantageous**
i. Quality of decision-making *(e.g. groupthink)*	***16***	***0***	***0***	***5***	***10***	***1***
ii. Board communications*	***16***	***0***	***7***	***3***	***6***	***0***
iii. Problem-solving skills	***18***	***0***	***1***	***3***	***14***	***0***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)**	***12***	***0***	***1***	***3***	***6***	***2***
v. Conduct of the advisory function	***17***	***0***	***0***	***3***	***13***	***1***
vi. Access to network ties	***19***	***1***	***0***	***0***	***12***	***6***
vii. Board entrenchment*	***13***	***0***	***0***	***1***	***8***	***4***
viii. Approach towards risk*	***13***	***0***	***0***	***1***	***10***	***2***
ix. Quality of Board expertise*	***10***	***0***	***0***	***3***	***4***	***3***
x. Quality of strategies implemented*	***14***	***0***	***0***	***0***	***13***	***1***
xi. Conflicts of interest*	***3***	***1***	***0***	***0***	***2***	***0***
xii. Board meeting attendance*	***1***	***0***	***0***	***0***	***1***	***0***
xiii. Effective succession planning*	***6***	***0***	***0***	***0***	***4***	***2***

***Note 7*: As per Note 3 in Qn.3a, these nine CG factors were excluded from the analysis of nationality diversity in Qn.3b.**

The listed corporate governance factors potentially influenced by tenure diversity are as shown below:	**Number of interviewees**	**Highly disadvantageous**	**Disadvantageous**	**Neutral**	**Advantageous**	**Highly advantageous**
i. Quality of decision-making *(e.g. groupthink)*	***24***	***1***	***3***	***2***	***9***	***9***
ii. Board communications	***16***	***0***	***5***	***5***	***5***	***1***
iii. Problem-solving skills	***26***	***0***	***5***	***1***	***12***	***8***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***21***	***1***	***3***	***1***	***13***	***3***
v. Conduct of the advisory function	***24***	***0***	***1***	***1***	***19***	***3***
vi. Access to network ties	***23***	***1***	***6***	***1***	***3***	***12***
vii. Board entrenchment	***22***	***1***	***1***	***0***	***14***	***6***
viii. Approach towards risk	***19***	***0***	***0***	***1***	***14***	***4***
ix. Quality of Board expertise	***20***	***0***	***0***	***0***	***14***	***6***
x. Quality of strategies implemented	***24***	***0***	***0***	***0***	***16***	***8***
xi. Conflicts of interest*	***8***	***0***	***2***	***1***	***4***	***1***
xii. Board meeting attendance*	***2***	***0***	***1***	***0***	***1***	***0***
xiii. Effective succession planning	***21***	***0***	***0***	***0***	***9***	***12***

***Note 8**: As per Note 4 in Qn.3a, these two CG factors were excluded from the analysis of tenure diversity in Qn.3b.*

4.

a. In your opinion, how influential are the deep-level diversity aspects *(see definition A1 f))* of industry-specific, financial, legal and information technology expertise on the corporate governance factors listed below? *Kindly rate from 0 to 4 (with 0 being not influential at all and 4 being highly influential), adding comments, if any:*

The listed corporate governance factors potentially influenced by industry-specific expertise are as shown below:	**Number of interviewees = 26**				
	Not influential at all	**Not infuential**	**Neutral**	**Influential**	**Highly influential**
i. Quality of decision-making *(e.g. groupthink)*	***0***	***0***	***0***	***5***	***21***
ii. Board communications*	***3***	***5***	***7***	***9***	***2***
iii. Problem-solving skills	***0***	***0***	***3***	***9***	***14***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***1***	***2***	***5***	***8***	***10***
v. Conduct of the advisory function	***0***	***0***	***0***	***7***	***19***
vi. Access to network ties	***0***	***0***	***5***	***12***	***9***
vii. Board entrenchment*	***2***	***6***	***7***	***7***	***4***
viii. Approach towards risk	***1***	***2***	***5***	***14***	***4***
ix. Quality of Board expertise	***0***	***0***	***1***	***5***	***20***
x. Quality of strategies implemented	***0***	***0***	***2***	***7***	***17***
xi. Conflicts of interest*	***4***	***7***	***8***	***6***	***1***
xii. Board meeting attendance*	***8***	***9***	***8***	***1***	***0***
xiii. Effective succession planning*	***1***	***4***	***10***	***6***	***5***

***Note 9**: Given that the analysis of Qn.4a showed that these five CG factors were not influenced by industry-specific expertise, they were excluded from the analysis of Qn.4b.*

The listed corporate governance factors potentially influenced by financial expertise are as shown below:	Number of interviewees = 26				
	Not influential at all	**Not infuential**	**Neutral**	**Influential**	**Highly influential**
i. Quality of decision-making *(e.g. groupthink)*	***0***	***0***	***0***	***8***	***18***
ii. Board communications*	***3***	***6***	***6***	***9***	***2***
iii. Problem-solving skills	***0***	***0***	***3***	***10***	***13***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***1***	***0***	***2***	***8***	***15***
v. Conduct of the advisory function	***0***	***0***	***0***	***10***	***16***
vi. Access to network ties	***0***	***1***	***8***	***11***	***6***
vii. Board entrenchment*	***2***	***6***	***9***	***5***	***4***
viii. Approach towards risk	***1***	***2***	***3***	***12***	***8***
ix. Quality of Board expertise	***0***	***0***	***2***	***7***	***17***
x. Quality of strategies implemented	***0***	***0***	***3***	***12***	***11***
xi. Conflicts of interest*	***4***	***7***	***10***	***4***	***1***
xii. Board meeting attendance*	***8***	***9***	***7***	***2***	***0***
xiii. Effective succession planning	***0***	***3***	***7***	***9***	***7***

<u>Note 10</u>*: *Given that the analysis of Qn.4a showed that these four CG factors were not influenced by financial expertise, they were excluded from the analysis of Qn.4b.

The listed corporate governance factors potentially influenced by legal expertise are as shown below:	Number of interviewees = 26				
	Not influential at all	**Not infuential**	**Neutral**	**Influential**	**Highly influential**
i. Quality of decision-making *(e.g. groupthink)*	***0***	***1***	***4***	***11***	***10***
ii. Board communications*	***3***	***5***	***6***	***10***	***2***
iii. Problem-solving skills	***0***	***1***	***4***	***12***	***9***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***1***	***1***	***6***	***11***	***7***
v. Conduct of the advisory function	***0***	***1***	***1***	***14***	***10***
vi. Access to network ties	***0***	***0***	***9***	***12***	***5***
vii. Board entrenchment*	***2***	***8***	***8***	***4***	***4***
viii. Approach towards risk	***1***	***3***	***6***	***10***	***6***
ix. Quality of Board expertise	***0***	***1***	***5***	***10***	***10***
x. Quality of strategies implemented	***0***	***2***	***6***	***11***	***7***
xi. Conflicts of interest*	***4***	***7***	***9***	***4***	***2***
xii. Board meeting attendance*	***7***	***9***	***7***	***3***	***0***
xiii. Effective succession planning	***0***	***2***	***4***	***8***	***12***

<u>Note 11</u>: Given that the analysis of Qn.4a showed that these four CG factors were not influenced by legal expertise, they were excluded from the analysis of Qn.4b.

The listed corporate governance factors potentially influenced by IT expertise are as shown below:	Number of interviewees = 26				
	Not influential at all	**Not infuential**	**Neutral**	**Influential**	**Highly influential**
i. Quality of decision-making *(e.g. groupthink)*	***0***	***0***	***7***	***16***	***3***
ii. Board communications*	***4***	***6***	***6***	***9***	***1***
iii. Problem-solving skills	***1***	***1***	***6***	***14***	***4***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***1***	***1***	***10***	***9***	***5***
v. Conduct of the advisory function	***0***	***1***	***5***	***15***	***5***
vi. Access to network ties	***1***	***2***	***8***	***10***	***5***
vii. Board entrenchment*	***2***	***7***	***10***	***4***	***3***
viii. Approach towards risk	***1***	***3***	***8***	***9***	***5***
ix. Quality of Board expertise	***0***	***1***	***7***	***14***	***4***
x. Quality of strategies implemented	***0***	***0***	***7***	***15***	***4***
xi. Conflicts of interest*	***5***	***11***	***9***	***1***	***0***
xii. Board meeting attendance*	***8***	***9***	***7***	***2***	***0***
xiii. Effective succession planning*	***3***	***5***	***12***	***5***	***1***

***Note 12**: Given that the analysis of Qn.4a showed that these five CG factors were not influenced by IT expertise, they were excluded from the analysis of Qn.4b.*

b. In your opinion, to what extent do the deep-level diversity aspects of industry-specific, financial, legal and information technology expertise influence the following corporate governance factors advantageously? *Kindly rate from 0 to 4 (with 0 being highly disadvantageous and 4 being highly advantageous), adding comments, if any:*

A rating was provided in Qn.4b solely where the factor was assigned a rating of 3 or 4 in Qn.4a.

The listed corporate governance factors potentially influenced by industry-specific expertise are as shown below:	Number of interviewees	Highly disadvantageous	Disadvantageous	Neutral	Advantageous	Highly advantageous
i. Quality of decision-making *(e.g. groupthink)*	***26***	***0***	***0***	***0***	***6***	***20***
ii. Board communications*	***11***	***0***	***1***	***1***	***7***	***2***
iii. Problem-solving skills	***23***	***0***	***0***	***0***	***7***	***16***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***18***	***0***	***0***	***0***	***6***	***12***
v. Conduct of the advisory function	***26***	***0***	***0***	***0***	***8***	***18***
vi. Access to network ties	***21***	***0***	***0***	***1***	***11***	***9***
vii. Board entrenchment*	***11***	***1***	***3***	***0***	***4***	***3***
viii. Approach towards risk	***18***	***0***	***0***	***2***	***13***	***3***
ix. Quality of Board expertise	***25***	***0***	***0***	***0***	***7***	***18***
x. Quality of strategies implemented	***24***	***0***	***0***	***1***	***7***	***16***
xi. Conflicts of interest*	***7***	***1***	***4***	***0***	***2***	***0***
xii. Board meeting attendance*	***1***	***0***	***0***	***0***	***1***	***0***
xiii. Effective succession planning*	***11***	***0***	***0***	***0***	***6***	***5***

***Note 13**: As per Note 9 in Qn.4a, these five CG factors were excluded from the analysis of industry-specific expertise in Qn.4b.*

The listed corporate governance factors potentially influenced by financial expertise are as shown below:	**Number of interviewees**	**Highly disadvantageous**	**Disadvantageous**	**Neutral**	**Advantageous**	**Highly advantageous**
i. Quality of decision-making *(e.g. groupthink)*	***26***	***0***	***0***	***1***	***9***	***16***
ii. Board communications*	***11***	***0***	***1***	***1***	***7***	***2***
iii. Problem-solving skills	***23***	***0***	***0***	***1***	***10***	***12***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***23***	***0***	***0***	***0***	***8***	***15***
v. Conduct of the advisory function	***26***	***0***	***0***	***0***	***10***	***16***
vi. Access to network ties	***17***	***0***	***0***	***0***	***11***	***6***
vii. Board entrenchment*	***9***	***0***	***2***	***0***	***3***	***4***
viii. Approach towards risk	***20***	***1***	***3***	***2***	***6***	***8***
ix. Quality of Board expertise	***24***	***0***	***0***	***0***	***8***	***16***
x. Quality of strategies implemented	***23***	***0***	***0***	***0***	***12***	***11***
xi. Conflicts of interest*	***5***	***0***	***3***	***0***	***1***	***1***
xii. Board meeting attendance*	***2***	***0***	***0***	***0***	***2***	***0***
xiii. Effective succession planning	***16***	***0***	***0***	***0***	***10***	***6***

***Note 14**: As per Note 10 in Qn.4a, these four CG factors were excluded from the analysis of financial expertise in Qn.4b.*

The listed corporate governance factors potentially influenced by legal expertise are as shown below:	**Number of interviewees**	**Highly disadvantageous**	**Disadvantageous**	**Neutral**	**Advantageous**	**Highly advantageous**
i. Quality of decision-making *(e.g. groupthink)*	***21***	***0***	***0***	***1***	***11***	***9***
ii. Board communications*	***12***	***0***	***1***	***1***	***8***	***2***
iii. Problem-solving skills	***21***	***0***	***0***	***0***	***13***	***8***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***18***	***0***	***0***	***0***	***11***	***7***
v. Conduct of the advisory function	***24***	***0***	***0***	***0***	***14***	***10***
vi. Access to network ties	***17***	***0***	***0***	***1***	***11***	***5***
vii. Board entrenchment*	***8***	***0***	***1***	***0***	***3***	***4***
viii. Approach towards risk	***16***	***0***	***2***	***4***	***5***	***5***
ix. Quality of Board expertise	***20***	***0***	***0***	***0***	***11***	***9***
x. Quality of strategies implemented	***18***	***0***	***0***	***0***	***11***	***7***
xi. Conflicts of interest*	***6***	***0***	***4***	***0***	***1***	***1***
xii. Board meeting attendance*	***3***	***0***	***1***	***0***	***2***	***0***
xiii. Effective succession planning	***20***	***0***	***0***	***1***	***6***	***13***

***Note 15**: As per Note 11 in Qn.4a, these four CG factors were excluded from the analysis of legal expertise in Qn.4b.*

The listed corporate governance factors potentially influenced by IT expertise are as shown below:	**Number of interviewees**	**Highly disadvantageous**	**Disadvantageous**	**Neutral**	**Advantageous**	**Highly advantageous**
i. Quality of decision-making *(e.g. groupthink)*	***19***	***0***	***0***	***0***	***16***	***3***
ii. Board communications*	***10***	***0***	***0***	***2***	***7***	***1***
iii. Problem-solving skills	***18***	***0***	***0***	***0***	***13***	***5***
iv. Conduct of the monitoring function *(e.g. management oversight, CEO turnover-performance sensitivity, CEO compensation, financial transparency, financial misreporting, corporate malfeasance, use of discretionary accounting, earnings management)*	***14***	***0***	***0***	***0***	***8***	***6***
v. Conduct of the advisory function	***20***	***0***	***0***	***0***	***14***	***6***
vi. Access to network ties	***15***	***0***	***0***	***1***	***8***	***6***
vii. Board entrenchment*	***7***	***0***	***1***	***0***	***2***	***4***
viii. Approach towards risk	***14***	***0***	***1***	***3***	***5***	***5***
ix. Quality of Board expertise	***18***	***0***	***0***	***0***	***14***	***4***
x. Quality of strategies implemented	***19***	***0***	***0***	***0***	***14***	***5***
xi. Conflicts of interest*	***1***	***0***	***0***	***0***	***1***	***0***
xii. Board meeting attendance*	***2***	***0***	***0***	***0***	***2***	***0***
xiii. Effective succession planning*	***6***	***0***	***0***	***1***	***4***	***1***

***Note 16**: As per Note 12 in Qn.4a, these five CG factors were excluded from the analysis of IT expertise in Qn.4b.*

S3: Overall Remarks

5. Overall, how influential do you perceive each aspect of diversity to be for the corporate governance in family-controlled companies? *Kindly rate from 0 to 4 (with 0 being not influential at all and 4 being highly influential), adding comments, if any:*

Corporate governance is potentially influenced by the Board diversity aspects as shown below:	Number of interviewees = 26				
	Not influential at all	**Not infuential**	**Neutral**	**Influential**	**Highly influential**
Surface-Level Aspects					
a. Age Diversity	***0***	***1***	***4***	***14***	***7***
b. Gender Diversity	***1***	***2***	***13***	***5***	***5***
c. Nationality Diversity	***0***	***2***	***10***	***14***	***0***
d. Tenure Diversity	***0***	***0***	***3***	***13***	***10***
Deep-Level Aspects					
e. Industry-Specific Expertise	***0***	***0***	***3***	***9***	***14***
f. Financial Expertise	***0***	***0***	***2***	***12***	***12***
g. Legal Expertise	***0***	***0***	***4***	***9***	***13***
h. IT Expertise	***0***	***2***	***13***	***11***	***0***

S4: General Remarks and Other Comments

6. Kindly rate from 0 to 4 as to how far you agree to the following statements *(with 0 being strongly disagree and 4 being strongly agree)*, adding comments, if any:

	Number of interviewees = 26				
	Strongly disagree	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
a. Board diversity in family-controlled companies is relevant because it improves the corporate governance of such entities.	***0***	***0***	***2***	***15***	***9***
b. Family-controlled companies are less likely to be Board diverse in comparison to outside investor-owned non-family businesses.	***0***	***2***	***2***	***13***	***9***
c. The Board of directors or the nomination committee in family-controlled companies needs to establish and implement a policy concerning diversity of Board members.	***0***	***3***	***1***	***13***	***9***
d. Regulation with respect to Board diversity referring also to the inherent characteristics of large Maltese family-controlled companies, would facilitate inter-company comparability and stakeholder understanding.	***0***	***6***	***3***	***13***	***4***

Additional remarks if any.

<u>SA1: Working Definitions</u>

a) **Family-Controlled Companies**: A company where the founder or family members own more than 25% of the business' share capital.

b) **Board Diversity**: The distribution of various traits and characteristics amongst directors, which influence their attitudes and opinions.

c) **Surface-Level Aspects of Diversity**: The differences in team members' demographic traits, that are easily discoverable after meeting an individual.

For the purpose of this study, these include age, gender, nationality and tenure diversity.

d) **Corporate Governance**: The system by which companies are directed and controlled. This encompasses the relationship between an organisation's management, directors, and its shareholders.

e) **Board Entrenchment**: The case when a Board's attitudes, beliefs and habits become so firmly established that change is very difficult or unlikely.

f) **Deep-Level Aspects of Diversity**: The characteristics that are not easily perceived by simply encountering an individual. For the purpose of this study, these include industry-specific, financial, legal and information technology expertise.

<u>SA2: Scales corresponding to the Interview Questions</u>

1. **Influence scale** to be used for questions: 3a, 4a and 5.

0	**1**	**2**	**3**	**4**
Not Influential at All	**Not Influential**	**Neutral**	**Influential**	**Highly Influential**

2. **Advantage scale** to be used for questions: 3b and 4b. *These questions shall only be responded to if a rating of 3 or 4 is provided in questions 3a and 4a respectively.*

0	**Highly Disadvantageous**
1	**Disadvantageous**
2	**Neutral**
3	**Advantageous**
4	**Highly Advantageous**

3. **Agree scale** to be used for question: 6.

0	**1**	**2**	**3**	**4**
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

Appendix 3.3 Large Maltese Family-Controlled Companies

This appendix lists the nineteen LFBs participating in this study.

1. GP Borg Holdings Limited
2. Tumas Group Company Limited
3. Vassallo Group Limited
4. Calpe Associates Limited
5. Attard Bros Holdings Ltd
6. Polidano Group Limited
7. International Hotel Investments p.l.c.
8. Gasan Group Limited
9. Hili Ventures Limited
10. SD Holdings Limited
11. AX Group p.l.c.
12. Bortex Group Holdings Company Limited
13. V.J. Salomone Ltd
14. Famalco Holdings 2 Limited
15. Simonds Farsons Cisk p.l.c.
16. Alberta Holdings Limited
17. PG p.l.c.
18. AJD Tuna Ltd
19. Mizzi Organisation Limited

Appendix 3.4 Information Given on the MBR Website as at 31st March 2023

This appendix provides information extracted from the MBR website on the extent of age, gender and nationality diversity in the nineteen LFBs participating in this study.

Age Diversity in LFB Boards[145]

LFB	Number of Directors				
	Aged less than 40 years	Aged between 40 to 49 years	Aged between 50 to 59 years	Aged between 60 to 69 years	Aged 70 years or older
GP Borg Holdings Limited	1	1	4	-	-
Tumas Group Company Limited	-	-	-	2	-
Vassallo Group Limited	2	3	1	-	2
Calpe Associates Limited	-	-	-	2	2
Attard Bros Holdings Ltd	1	-	-	1	-
Polidano Group Limited	-	-	1	1	-
International Hotel Investments p.l.c.	-	-	-	1	3
Gasan Group Limited	-	2	1	1	3
Hili Ventures Limited	1	-	3	-	-
SD Holdings Limited	4	1	1	1	-
AX Group p.l.c.	1	1	1	2	2
Bortex Group Holdings Company Limited	1	1	4	-	-
V.J. Salomone Ltd	-	-	5	1	2
Famalco Holdings 2 Limited	-	1	2	-	-
Simonds Farsons Cisk p.l.c.	-	1	1	2	2
Alberta Holdings Limited	1	1	-	-	1
PG p.l.c.	2	-	1	4	1
AJD Tuna Ltd	-	-	-	2	-
Mizzi Organisation Limited	-	-	1	2	4

TA3.1: Age diversity in LFB Boards as at 31st March 2023

Adapted from: MBR 2023

[145] Only the age of Maltese national directors could be ascertained because the MBR website lists their identification card number. As a result, any non-Maltese national directors were excluded from TA3.1.

Gender Diversity in LFB Boards

LFB	Number of Directors	
	Male	**Female**
GP Borg Holdings Limited	4	2
Tumas Group Company Limited	2	-
Vassallo Group Limited	5	3
Calpe Associates Limited	1	3
Attard Bros Holdings Ltd	2	-
Polidano Group Limited	2	-
International Hotel Investments p.l.c.	8	-
Gasan Group Limited	4	3
Hili Ventures Limited	4	1
SD Holdings Limited	6	1
AX Group p.l.c.	5	2
Bortex Group Holdings Company Limited	3	3
V.J. Salomone Ltd	6	2
Famalco Holdings 2 Limited	3	-
Simonds Farsons Cisk p.l.c.	6	2
Alberta Holdings Limited	2	1
PG p.l.c.	6	2
AJD Tuna Ltd	2	-
Mizzi Organisation Limited	5	2

TA3.2: Gender diversity in LFB Boards as at 31st March 2023

Adapted from: MBR 2023

Nationality Diversity in LFB Boards

LFB	Number of Directors	
	Maltese nationality	Other nationality[146]
GP Borg Holdings Limited	6	-
Tumas Group Company Limited	2	-
Vassallo Group Limited	8	-
Calpe Associates Limited	4	-
Attard Bros Holdings Ltd	2	-
Polidano Group Limited	2	-
International Hotel Investments p.l.c.	4	4
Gasan Group Limited	7	-
Hili Ventures Limited	4	1
SD Holdings Limited	7	-
AX Group p.l.c.	7	-
Bortex Group Holdings Company Limited	6	-
V.J. Salomone Ltd	8	-
Famalco Holdings 2 Limited	3	-
Simonds Farsons Cisk p.l.c.	6	2
Alberta Holdings Limited	3	-
PG p.l.c.	8	-
AJD Tuna Ltd	2	-
Mizzi Organisation Limited	7	-

TA3.3: Nationality diversity in LFB Boards as at 31st March 2023

Adapted from: MBR 2023

[146] For the purpose of this study, all directors who are not Maltese nationals have been grouped together under the heading *'Other nationality'*.

Appendix 3.5 Method used for the Qualitative Data Analysis

This appendix explains in further detail the method used for the qualitative data analysis. The qualitative data analysis of the study concentrated on the CG factors most influenced by each of the eight diversity aspects, as well as the diversity aspects most influential on CG.

Hence, in Chapter Four, such analysis probed more deeply into the additional remarks made by the research participants on the two CG factors which were found to be the most and least advantageously influenced by each of the eight diversity aspects. In this regard, the CG factors found to be indifferent or else not influenced by the corresponding diversity aspect were excluded from such analysis, and were highlighted in different shades of grey accordingly *(that is, in T4.4, T4.6, T4.8, T4.10, T4.12, T4.14, T4.16 and T4.18)*. Alternatively, the CG factors which were analysed into further detail in S4.4 and S4.5 were highlighted in different shades of pink and set in *italics (that is, in T4.5, T4.7, T4.9, T4.11, T4.13, T4.15, T4.17 and T4.19)*.

Following this, Chapter Five, delves further in the most and least influential diversity aspects on CG, in terms of the average mean rating scores of the detailed individual questions S2Qns.3a and 4a *(see TA3.6)*. Therefore, S5.4.2 focused on the four most influential diversity aspects on CG – being tenure diversity, age diversity, industry-specific expertise and financial expertise – and the least influential diversity aspect on CG – being gender diversity. Such analysis probed more deeply on the overall influence of these five diversity aspects on CG, with particular reference to the CG factor most advantageously influenced by each of these diversity aspects.

Furthermore, in S5.5.1, the analysis delved in further detail on the five CG factors most influenced by the eight diversity aspects overall – being the quality of decision-making, the conduct of the advisory function, the quality of strategies implemented, problem-solving skills, and the quality of Board expertise – and the two CG factors least influenced by the eight diversity aspects overall – being the presence of conflicts of interest and Board meeting attendance. As shown in

FA3.1 overleaf, these seven CG factors were chosen by allocating a score of 0, 1, 2 or 3 to the influence of each diversity aspect on each CG factor in the matrix illustrated in F5.4. Such scores were assigned on the basis of the range within which the mean rating scores for the influence of each diversity aspect on each CG factor *(S2Qns.3a and 4a)* lie.

The range within which the mean rating scores for S2Qns.3a and 4a *(see TA3.4)* lie	0.00 – 0.49	0.50 – 1.49	1.50 – 2.49	2.50 – 3.49	3.50 – 4.00
Assigned score	0	0	1	2	3
Colour in F5.4					
Interpretation	Not Influential at All	Not Influential	Neutral	Influential	Highly Influential

FA3.1: Method used for assigning scores to the CG factors for each diversity aspect in the matrix illustrated in F5.4

TA3.4 overleaf displays the mean rating scores for S2Qns.3a and 4a *(as extracted from T4.4, T4.6, T4.8, T4.10, T4.12, T4.14, T4.16 and T4.18)*.

The listed CG factors potentially influenced by the surface and deep-level aspects of Board diversity are as shown below:	N = 26							
	Mean rating scores of the surface-level diversity aspects *(S2Qn.3a)*				Mean rating scores of the deep-level diversity aspects *(S2Qn.4a)*			
	Age	Gender	Nationality	Tenure	Industry-specific	Financial	Legal	IT
i. Quality of decision-making	3.15	2.65	2.58	3.27	3.81	3.69	3.15	2.85
ii. Board communications	2.58	2.23	2.42	2.54	2.08	2.04	2.12	1.88
iii. Problem-solving skills	3.00	2.65	2.65	3.35	3.42	3.38	3.12	2.73
iv. Conduct of the monitoring function	2.65	2.19	2.35	2.92	2.92	3.38	2.85	2.62
v. Conduct of the advisory function	3.12	2.58	2.58	3.12	3.73	3.62	3.27	2.92
vi. Access to network ties	3.38	2.27	2.88	3.42	3.15	2.85	2.85	2.62
vii. Board entrenchment	3.35	2.27	2.42	3.15	2.19	2.12	2.00	1.96
viii. Approach towards risk	2.96	2.23	2.31	2.81	2.69	2.92	2.65	2.54
ix. Quality of Board expertise	2.77	2.19	2.38	2.92	3.73	3.58	3.12	2.81
x. Quality of strategies implemented	3.19	2.77	2.46	3.19	3.58	3.31	2.88	2.88
xi. Conflicts of interest	1.62	1.38	1.35	1.73	1.73	1.65	1.73	1.23
xii. Board meeting attendance	1.38	1.15	1.19	1.19	1.08	1.12	1.23	1.12
xiii. Effective succession planning	3.46	2.15	1.92	3.23	2.38	2.77	3.15	1.85

TA3.4: The mean rating scores for S2Qns.3a and 4a

Appendix 3.6 Statistical Data Analysis using the Friedman Test

The Friedman test is a non-parametric test that was used to compare the mean rating scores given to a number of related CG factors *(S2Qn.3a and 4a)* or diversity aspects *(S3Qn.5)* in the Likert scale questions. The mean rating scores range from 0 to 4, where 0 corresponds to ‘Not Influential at All’ and 4 corresponds to ‘Highly Influential’. Therefore, the higher the mean rating score, the higher the influence. This test was conducted nine times for each of the eight diversity aspects in S2Qn.3a and 4a, as well as for S3Qn.5.

The **null hypothesis (H_0)** specifies that the mean rating scores provided to the factors or aspects are similar, and is accepted if the *p*-value is greater than the 0.05 level of significance.

The **alternative hypothesis (H_1)** specifies that the mean rating scores provided to the factors or aspects differ significantly, and is accepted if the *p*-value is less than the 0.05 criterion.

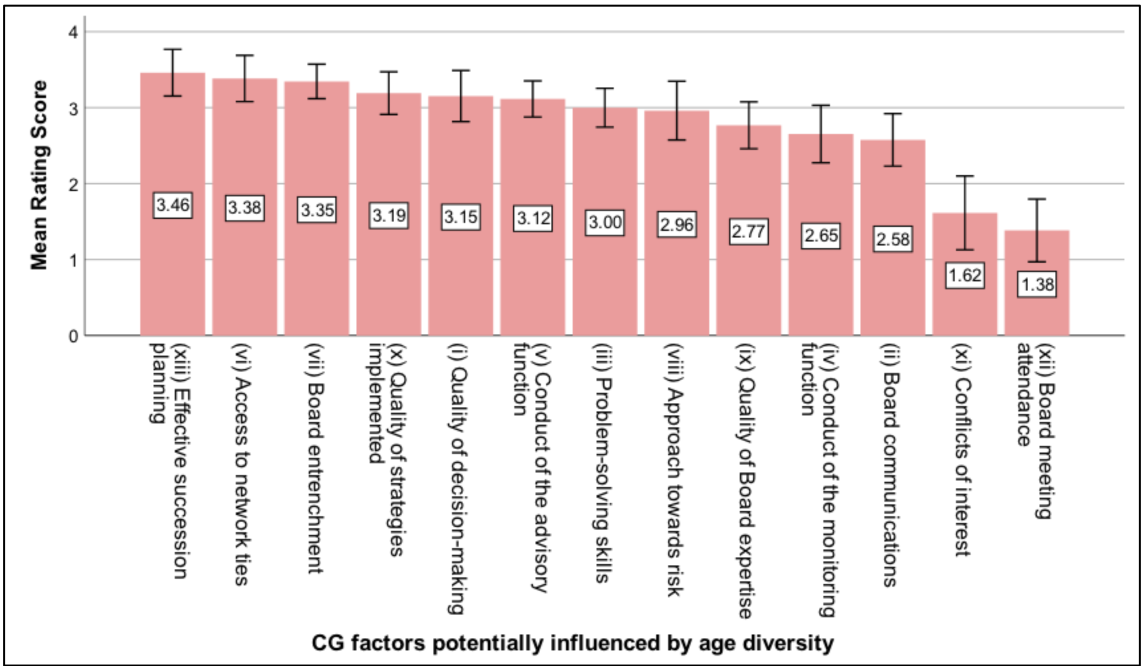
The bar graphs presented in this appendix supplement the statistical tables shown in Chapter 4. These bar graphs provide a visual representation of the differences, significant or otherwise, between the level of influence on each CG factor or the level of influence of each diversity aspect in the Likert scale questions, and clearly exhibit the results from the Friedman test.

The error bar graph outlines the 95% confidence interval of the actual mean rating scores provided to the CG factors or diversity aspects if the entire population of LFBs and CGEs had to be involved in this study. When two confidence intervals overlap, this indicates that their mean rating scores are similar and do not differ significantly. On the other hand, when two confidence intervals are disjointed or else overlap slightly, this indicates that their mean rating scores differ significantly.

S1.1: The Influences of Age Diversity

FA3.2 illustrates the level of influence that age diversity has on the thirteen CG factors. As may be seen, the error bars of CG factors (xiii) and (vii) do not overlap the error bars of factors (ix), (iv), (ii), (xi) and (xii), and they slightly overlap the error bars of CG factors (v) and (iii). Similarly, the error bar of CG factor (vi) does not overlap the error bars of CG factors (ix), (iv), (ii), (xi) and (xii). Moreover, the error bars of CG factors (xi) and (xii) do not overlap with any of the other CG factors other than each other.

These observations indicate that the mean rating scores provided to such CG factors differ significantly. This is confirmed by the *p*-value of less than 0.001 *(which is less than the 0.05 level of significance)*.

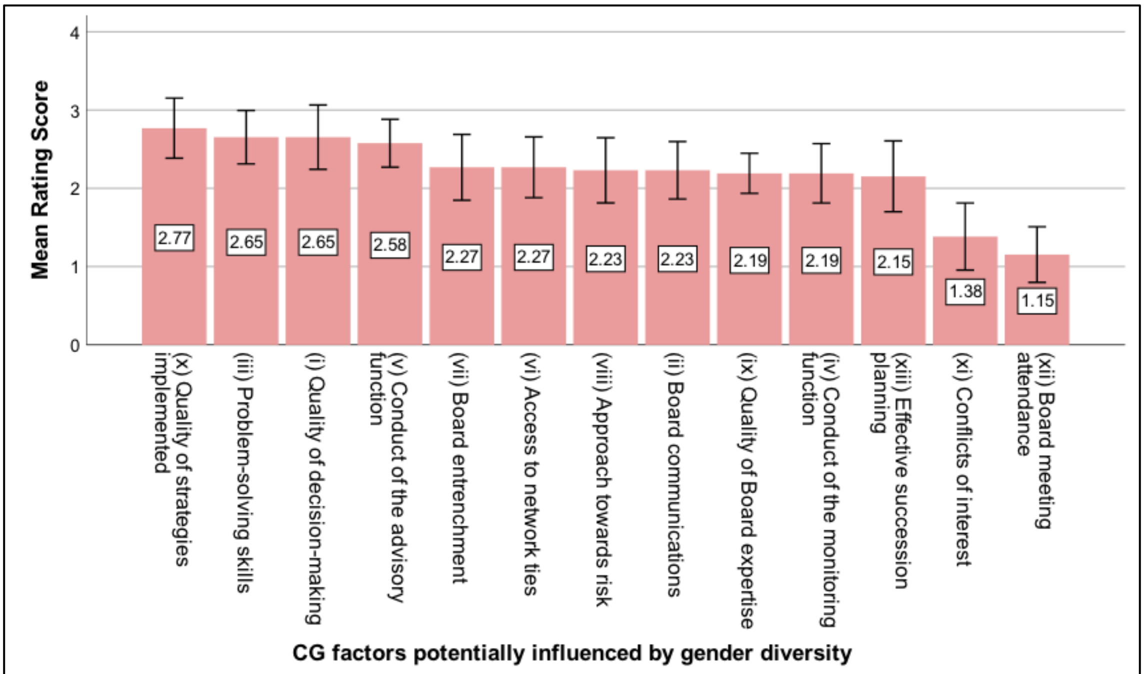


FA3.2: The influences of age diversity (S2Qn.3a)

S1.2: The Influences of Gender Diversity

FA3.3 overleaf illustrates the level of influence that gender diversity has on the thirteen CG factors. As may be seen, the error bar of CG factor (x) does not overlap the error bars of CG factors (xi) and (xii), and it slightly overlaps the error bars of CG factors (ii), (ix) and (iv). Similarly, the error bars of CG factors (iii), (i) and (v) do not overlap the error bars of CG factors (xi) and (xii), and they slightly overlap the error bar of CG factor (ix). Moreover, the error bar of CG factor (xi) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xii), which it overlaps, and the error bar of CG factor (xiii), which it slightly overlaps. Additionally, the error bar of CG factor (xii) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xi), which it overlaps.

These observations indicate that the mean rating scores provided to such CG factors differ significantly. This is confirmed by the *p*-value of less than 0.001 *(which is less than the 0.05 level of significance)*.



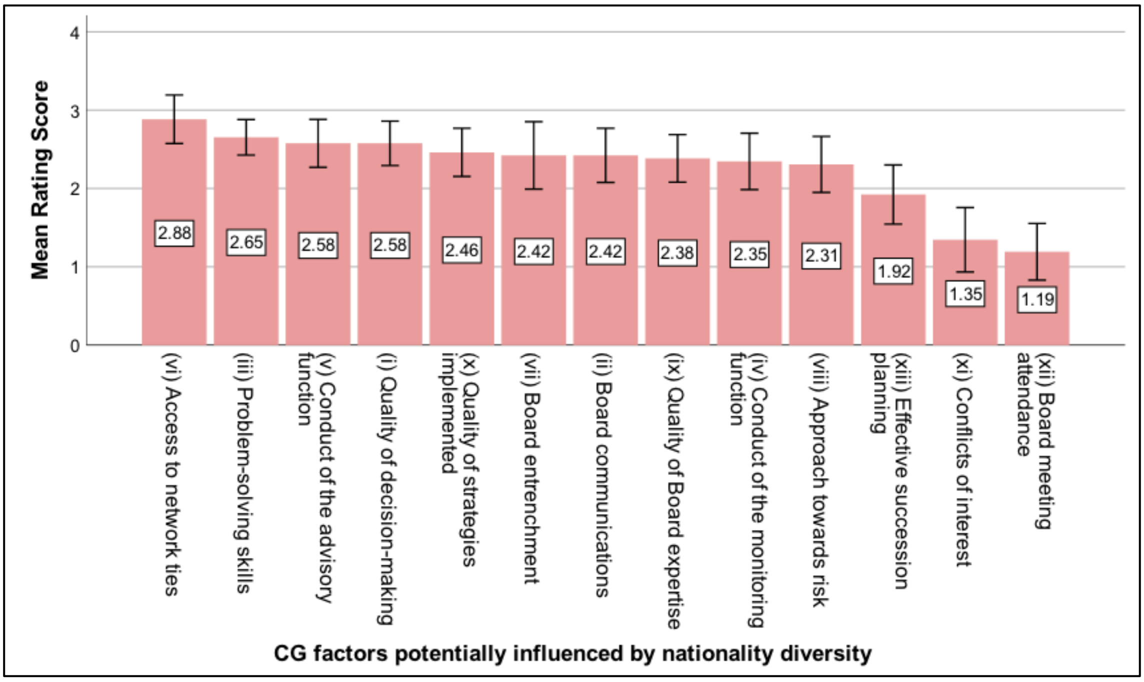
FA3.3: The influences of gender diversity (S2Qn.3a)

S1.3: The Influences of Nationality Diversity

FA3.4 overleaf illustrates the level of influence that nationality diversity has on the thirteen CG factors. As may be seen, the error bar of CG factor (vi) does not overlap the error bars of CG factors (xiii), (xi) and (xii), and it slightly overlaps the error bars of CG factors (x), (ii), (ix), (iv) and (viii). Similarly, the error bars of CG factors (iii) and (i) do not overlap the error bars of CG factors (xiii), (xi) and (xii).

Moreover, the error bar of CG factor (v) does not overlap the error bars of CG factors (xi) and (xiii), and it slightly overlaps the error bar of CG factor (xiii). Furthermore, the error bar of CG factor (xi) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xii), which it overlaps, and the error bar of CG factor (xiii), which it slightly overlaps. Additionally, the error bar of CG factor (xii) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xi), which it overlaps.

These observations indicate that the mean rating scores provided to such CG factors differ significantly. This is confirmed by the *p*-value of less than 0.001 *(which is less than the 0.05 level of significance)*.

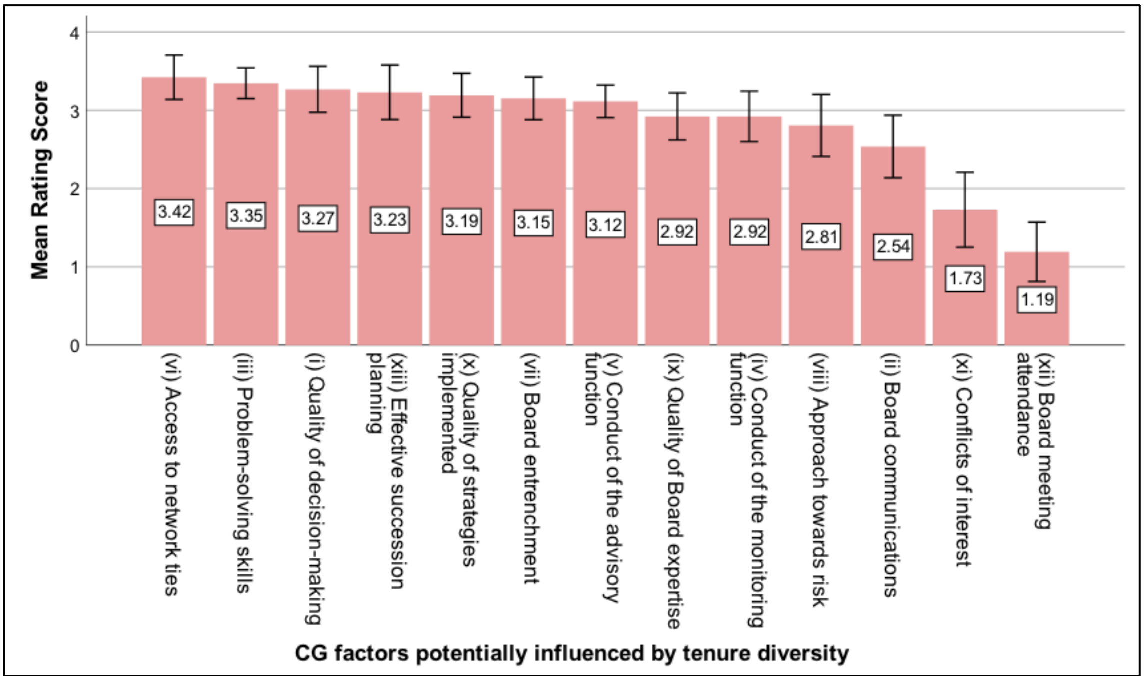


FA3.4: The influences of nationality diversity (S2Qn.3a)

S1.4: The Influences of Tenure Diversity

FA3.5 overleaf illustrates the level of influence that tenure diversity has on the thirteen CG factors. As may be seen, the error bars of CG factors (vi) and (iii) do not overlap the error bars of CG factors (ii), (xi) and (xii), and they slightly overlap the error bars of CG factors (v), (ix), (iv) and (viii). Similarly, the error bar of CG factor (i) does not overlap the error bars of CG factors (ii), (xi) and (xii). Moreover, the error bar of CG factor (xi) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xii), which it overlaps, and the error bar of CG factor (ii), which it slightly overlaps. Additionally, the error bar of CG factor (xii) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xi), which it overlaps.

These observations indicate that the mean rating scores provided to such CG factors differ significantly. This is confirmed by the *p*-value of less than 0.001 *(which is less than the 0.05 level of significance)*.

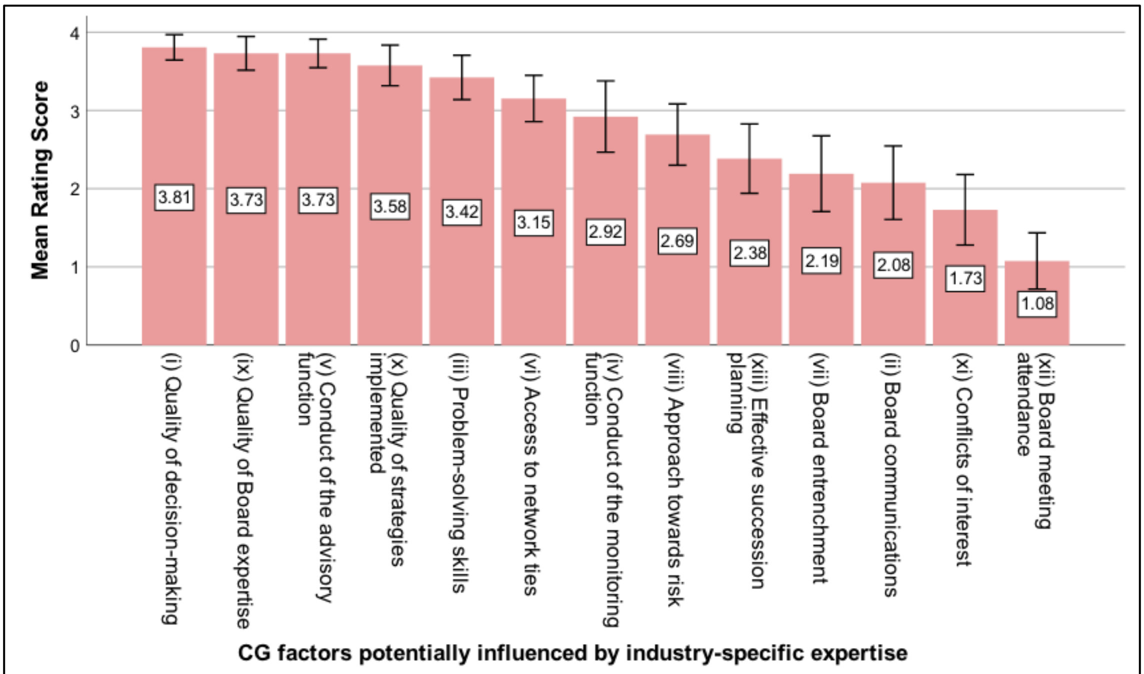


FA3.5: The influences of tenure diversity (S2Qn.3a)

S2.1: The Influences of Industry-Specific Expertise

FA3.6 overleaf illustrates the level of influence that industry-specific expertise has on the thirteen CG factors. As may be seen, the error bar of CG factor (i) does not overlap the error bars of CG factors (vi), (iv), (viii), (xiii), (vii), (ii), (xi) and (xii), and slightly overlaps the error bar of CG factor (iii). Similarly, the error bars of CG factors (ix) and (v) do not overlap the error bars of CG factors (vi), (iv), (viii), (xiii), (vii), (ii), (xi) and (xii). Additionally, the error bars of CG factors (x) and (iii) do not overlap the error bars of CG factors (viii), (xiii), (vii), (ii), (xi) and (xii), whilst the error bar of CG factor (x) slightly overlaps the error bars of CG factors (vi) and (iv). Moreover, the error bar of CG factor (vi) does not overlap the error bars of CG factors (xiii), (vii), (ii), (xi) and (xii), and it slightly overlaps the error bar of CG factor (viii). In addition, the error bar of CG factor (xi) does not overlap the error bars of most CG factors, except for the error bars of CG factors (xiii), (vii), (ii) and (xii), which it overlaps. Furthermore, the error bar of CG factor (xii) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xi), which it slightly overlaps.

These observations indicate that the mean rating scores provided to such CG factors differ significantly. This is confirmed by the *p*-value of less than 0.001 *(which is less than the 0.05 level of significance)*.

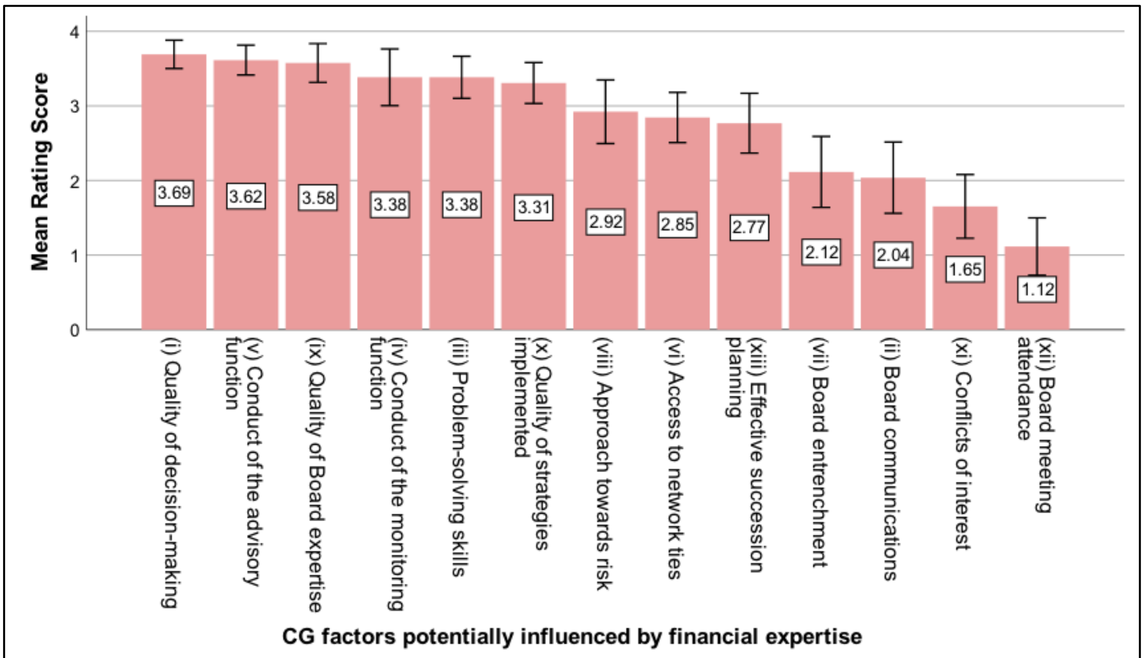


FA3.6: The influences of industry-specific expertise (S2Qn.4a)

S2.2: The Influences of Financial Expertise

FA3.7 overleaf illustrates the level of influence that financial expertise has on the thirteen CG factors. As may be seen, the error bars of CG factors (i) and (v) do not overlap the error bars of CG factors (viii), (vi), (xiii), (vii), (ii), (xi) and (xii), and they slightly overlap the error bars of CG factors (iii) and (x). Similarly, the error bar of CG factor (ix) does not overlap the error bars of CG factors (vi), (xiii), (vii), (ii), (xi) and (xii), and it slightly overlaps the error bar of CG factor (viii). Moreover, the error bars of CG factors (iv), (iii) and (x) do not overlap the error bars of CG factors (vii), (ii), (xi), (xii), and they slightly overlap the error bars of CG factors (vi) and (xiii). Furthermore, the error bar of CG factor (xi) does not overlap the error bars of most CG factors, except for the error bars of CG factors (vii), (ii) and (xii), which it overlaps. Additionally, the error bar of CG factor (xii) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xi), which it overlaps.

These observations indicate that the mean rating scores provided to such CG factors differ significantly. This is confirmed by the *p*-value of less than 0.001 *(which is less than the 0.05 level of significance)*.

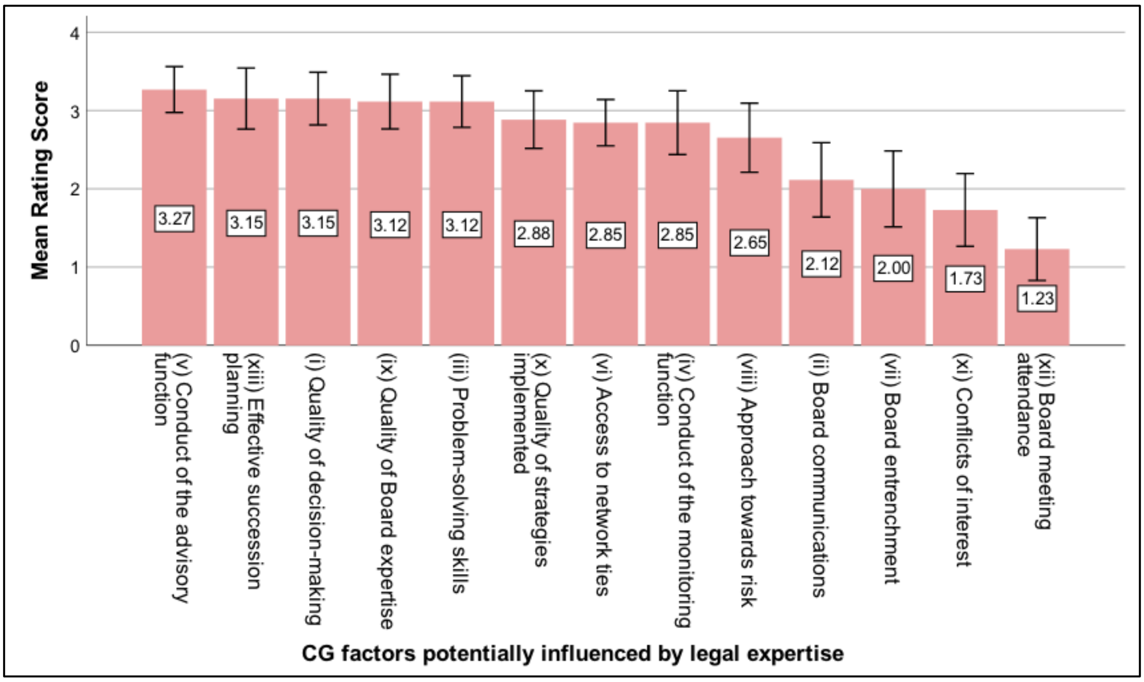


FA3.7: The influences of financial expertise (S2Qn.4a)

S2.3: The Influences of Legal Expertise

FA3.8 overleaf illustrates the level of influence that legal expertise has on the thirteen CG factors. As may be seen, the error bar of CG factor (v) does not overlap the error bars of CG factors (ii), (vii), (xi) and (xii), and it slightly overlaps the error bars of CG factors (vi) and (viii). Similarly, the error bars of CG factors (xiii), (i), (ix) and (iii) do not overlap the error bars of CG factors (ii), (vii), (xi) and (xii). Moreover, the error bar of CG factor (xi) does not overlap the error bars of most CG factors, except for the error bars of CG factors (ii), (vii) and (xii), which it overlaps. Additionally, the error bar of CG factor (xii) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xi), which it overlaps, and the error bar of CG factor (vii), which it slightly overlaps.

These observations indicate that the mean rating scores provided to such CG factors differ significantly. This is confirmed by the *p*-value of less than 0.001 *(which is less than the 0.05 level of significance)*.

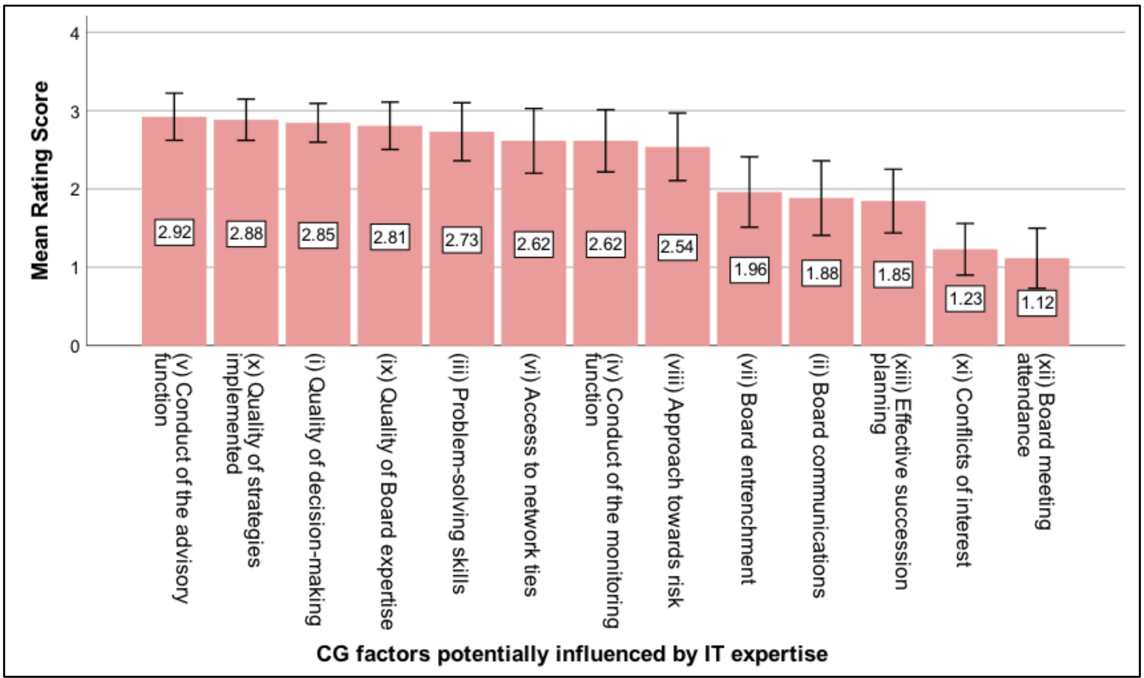


FA3.8: The influences of legal expertise (S2Qn.4a)

S2.4: The Influences of IT Expertise

FA3.9 overleaf illustrates the level of influence that IT expertise has on the thirteen CG factors. As may be seen, the error bars of CG factors (v), (x), (i) and (ix) do not overlap the error bars of CG factors (vii), (ii), (xiii), (xi) and (xii). Moreover, the error bar of CG factor (xi) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xii), which it overlaps, and the error bars of CG factors (vii), (ii) and (xiii), which it slightly overlaps. In addition, the error bar of CG factor (xii) does not overlap the error bars of most CG factors, except for the error bar of CG factor (xi), which it overlaps, and the error bars of CG factors (ii) and (xiii), which it slightly overlaps.

These observations indicate that the mean rating scores provided to such CG factors differ significantly. This is confirmed by the *p*-value of less than 0.001 *(which is less than the 0.05 level of significance)*.

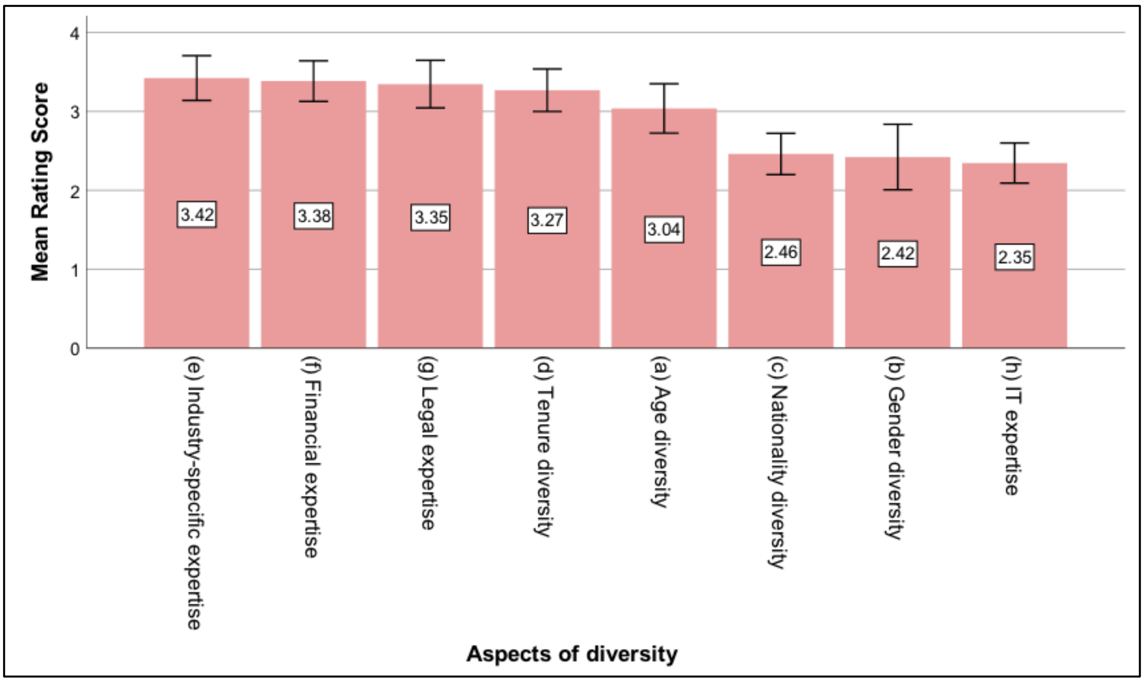


FA3.9: The influences of IT expertise (S2Qn.4a)

S3.1: The Overall Influence of Board Diversity on CG in LFBs

FA3.10 overleaf illustrates the level of influence that each diversity aspect has on CG in LFBs. As may be seen, the error bars of diversity aspects (c) and (h) do not overlap the error bars of diversity aspects (e), (f), (g), (d) and (a). Similarly, the error bar of diversity aspect (b) does not overlap the error bars of diversity aspects (e), (f), (g) and (d), whilst it slightly overlaps the error bar of diversity aspect (a).

These observations indicate that the mean rating scores provided to such diversity aspects differ significantly. This is confirmed by the *p*-value of less than 0.001 *(which is less than the 0.05 level of significance)*.



FA3.10: The overall infuence of Board diversity on CG in LFBs (S3Qn.5)

Appendix 3.7 Statistical Data Analysis using the Spearman Test

The Spearman correlation coefficient is a non-parametric equivalent of the Pearson correlation. This measures the strength of the linear relationship between two variables and ranges from -1 to 1. A correlation coefficient close to -1 indicates a strong negative relationship, a correlation coefficient close to 0 indicates no relationship between the two variables, whereas a correlation coefficient close to 1 indicates a strong positive relationship.

The **null hypothesis (H_0)** specifies that there is no relationship between the two variables, and is accepted if the *p*-value is greater than the 0.05 level of significance.

The **alternative hypothesis (H_1)** specifies that there is a significant relationship between the two variables, and is accepted if the *p*-value is less than the 0.05 criterion.

As shown in TA3.5, the Spearman test was conducted eight times to measure the strength of the relationship between the individual detailed questions *(S2Qns.3a and 4a)*, resulting with the average mean rating scores for the influence of each diversity aspect on the thirteen CG factors, and another question *(S3Qn.5)* in the interview schedule *('Overall, how influential do you perceive each aspect of diversity to be for the corporate governance in family-controlled companies?')*, resulting in the mean rating scores for the overall influence of each diversity aspect on CG.

CG is potentially influenced by the Board diversity aspects as shown below:	**N = 26**			
	Measure 1: Average Mean Rating Scores of S2Qns.3a and 4a	**Measure 2: Mean Rating Scores of S3Qn.5**	**Spearman Correlation**	***P*-value**
Surface-level aspects:				
d. Tenure diversity	2.83 *(Qn.3a)*	3.27	0.303	**0.132**
a. Age diversity	2.82 *(Qn.3a)*	3.04	0.480	0.013
c. Nationality diversity	2.27 *(Qn.3a)*	2.46	0.518	0.007
b. Gender diversity	2.21 *(Qn.3a)*	2.42	0.656	0.000
Deep-level aspects:				
e. Industry-specific expertise	2.81 *(Qn.4a)*	3.42	0.291	**0.149**
f. Financial expertise	2.80 *(Qn.4a)*	3.38	0.205	**0.315**
g. Legal expertise	2.62 *(Qn.4a)*	3.35	0.429	0.029
h. IT expertise	2.31 *(Qn.4a)*	2.35	0.453	0.020
Scales from 0 *(Not influential at all)* to 4 *(Highly influential)*				

TA3.5: Correlation between the average mean rating scores of S2Qns.3a and 4a and the mean rating scores of S3Qn.5

The mean rating score provided to S3Qn.5d is positive but not significantly related with the average mean rating score provided to S2Qn.3a *('In your opinion, how influential are the surface-level diversity aspects of age, gender, nationality and tenure diversity on the corporate governance factors listed below?')* in terms of tenure diversity$_{(p=0.132)}$ since the *p*-value exceeds the 0.05 level of significance.

Therefore, the null hypothesis was accepted. Similarly, the mean rating score provided to S3Qn.5e is positive but not significantly related with the average mean rating score provided to S2Qn.4a *('In your opinion, how influential are the deep-level diversity aspects of industry-specific, financial, legal and information technology expertise on the corporate governance factors listed below?')* in terms of industry-specific expertise$_{(p=0.149)}$ since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis was accepted. In addition, the mean rating score provided to S3Qn.5f is positive but not significantly related with the average mean rating score provided to S2Qn.4a in terms of financial expertise$_{(p=0.315)}$ since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis was accepted. Contrastingly, for the other five diversity aspects, the relationship between the individual detailed questions *(S2Qns.3a or 4a)* and the corresponding part of the other question *(S3Qn.5)* was positive and significant since the *p*-value is less than the 0.05 level of significance. Therefore, the alternative hypothesis was accepted.

TA3.6 overleaf illustrates how the average mean rating scores for the detailed individual questions *(S2Qns.3a and 4a)* were determined.

The listed CG factors potentially influenced by the surface and deep-level aspects of Board diversity are as shown below:	**N = 26**							
	Mean rating scores of the surface-level diversity aspects *(S2Qn. 3a)*				**Mean rating scores of the deep-level diversity aspects** *(S2Qn. 4a)*			
	Age	**Gender**	**Nationality**	**Tenure**	**Industry-specific**	**Financial**	**Legal**	**IT**
i. Quality of decision-making	3.15	2.65	2.58	3.27	3.81	3.69	3.15	2.85
ii. Board communications	2.58	2.23	2.42	2.54	2.08	2.04	2.12	1.88
iii. Problem-solving skills	3.00	2.65	2.65	3.35	3.42	3.38	3.12	2.73
iv. Conduct of the monitoring function	2.65	2.19	2.35	2.92	2.92	3.38	2.85	2.62
v. Conduct of the advisory function	3.12	2.58	2.58	3.12	3.73	3.62	3.27	2.92
vi. Access to network ties	3.38	2.27	2.88	3.42	3.15	2.85	2.85	2.62
vii. Board entrenchment	3.35	2.27	2.42	3.15	2.19	2.12	2.00	1.96
viii. Approach towards risk	2.96	2.23	2.31	2.81	2.69	2.92	2.65	2.54
ix. Quality of Board expertise	2.77	2.19	2.38	2.92	3.73	3.58	3.12	2.81
x. Quality of strategies implemented	3.19	2.77	2.46	3.19	3.58	3.31	2.88	2.88
xi. Conflicts of interest	1.62	1.38	1.35	1.73	1.73	1.65	1.73	1.23
xii. Board meeting attendance	1.38	1.15	1.19	1.19	1.08	1.12	1.23	1.12
xiii. Effective succession planning	3.46	2.15	1.92	3.23	2.38	2.77	3.15	1.85
Average Mean Rating Scores	**2.82**	**2.21**	**2.27**	**2.83**	**2.81**	**2.80**	**2.62**	**2.31**

TA3.6: The average mean rating scores for the influence of each diversity aspect on the CG factors

Appendix 3.8 Statistical Data Analysis using the Kruskal Wallis Test

The Kruskal Wallis test is a non-parametric test that was carried out to compare the mean rating scores provided to a CG factor *(S2Qns.3a and 4a)*, a diversity aspect *(S3Qn.5)*, and a statement *(S4Qn.6)* between three groups of respondents *(CGEs, Nfreps and Freps)*. The mean rating scores for S2Qn.3a, S2Qn.4a and S3Qn.5 range from 0 to 4, where 0 corresponds to ‘Not Influential at All’ and 4 corresponds to ‘Highly Influential’. Hence, the higher the mean rating score, the higher the influence. The mean rating scores for S4Qn.6 range from 0 to 4, where 0 corresponds to ‘Strongly Disagree’ and 4 corresponds to ‘Strongly Agree’. Hence, the higher the mean rating score, the higher the agreement.

The **null hypothesis (H_0)** specifies that the mean rating scores 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 vary significantly between the groups, and is accepted if the *p*-value is less than the 0.05 criterion.

The tables presented in this appendix indicate whether the mean rating scores for each Likert scale question differ significantly or not between the three groups of respondents.

S1.1: The Influences of Age Diversity

TA3.7 overleaf presents the level of influence that age diversity has on each of the thirteen CG factors according to the three groups of respondents. As may be seen, the mean rating scores provided to S2Qn.3a in terms of age diversity do not vary significantly among the three groups of respondents, indicating that such groups have similar views, since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis is accepted.

The listed CG factors potentially influenced by age diversity are as shown below:	Respondent Category	N	Mean	Std. Dev.	*P*-value
i. Quality of decision-making	CGEs	7	3.57	0.535	0.192
	NFreps	10	2.90	1.101	
	Freps	9	3.11	0.601	
ii. Board communications	CGEs	7	2.86	0.378	0.497
	NFreps	10	2.30	1.059	
	Freps	9	2.67	0.866	
iii. Problem-solving skills	CGEs	7	3.29	0.756	0.137
	NFreps	10	2.70	0.675	
	Freps	9	3.11	0.333	
iv. Conduct of the monitoring function	CGEs	7	2.57	1.134	0.861
	NFreps	10	2.60	1.075	
	Freps	9	2.78	0.667	
v. Conduct of the advisory function	CGEs	7	3.29	0.756	0.324
	NFreps	10	2.90	0.568	
	Freps	9	3.22	0.441	
vi. Access to network ties	CGEs	7	3.43	0.535	0.963
	NFreps	10	3.30	0.949	
	Freps	9	3.44	0.726	
vii. Board entrenchment	CGEs	7	3.43	0.535	0.332
	NFreps	10	3.50	0.527	
	Freps	9	3.11	0.601	
viii. Approach towards risk	CGEs	7	2.71	0.951	0.604
	NFreps	10	3.00	0.943	
	Freps	9	3.11	1.054	
ix. Quality of Board expertise	CGEs	7	3.14	0.900	0.376
	NFreps	10	2.70	0.675	
	Freps	9	2.56	0.726	
x. Quality of strategies implemented	CGEs	7	3.43	0.535	0.540
	NFreps	10	3.10	0.568	
	Freps	9	3.11	0.928	
xi. Conflicts of interest	CGEs	7	1.71	0.951	0.273
	NFreps	10	2.00	1.414	
	Freps	9	1.11	1.054	
xii. Board meeting attendance	CGEs	7	1.43	0.787	0.796
	NFreps	10	1.50	1.080	
	Freps	9	1.22	1.202	
xiii. Effective succession planning	CGEs	7	3.29	0.951	0.372
	NFreps	10	3.70	0.675	
	Freps	9	3.33	0.707	

TA3.7: The influences of age diversity (S2Qn.3a)

S1.2: The Influences of Gender Diversity

TA3.8 overleaf presents the level of influence that gender diversity has on each of the thirteen CG factors according to the three groups of respondents. As may be seen, the mean rating scores provided to S2Qn.3a in terms of gender diversity do not vary significantly among the three groups of respondents, indicating that such groups have similar views, since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis is accepted.

The listed CG factors potentially influenced by gender diversity are as shown below:	Respondent Category	N	Mean	Std. Dev.	*P*-value
i. Quality of decision-making	CGEs	7	3.14	1.215	0.080
	NFreps	10	2.10	0.876	
	Freps	9	2.89	0.782	
ii. Board communications	CGEs	7	2.43	0.787	0.417
	NFreps	10	1.90	0.994	
	Freps	9	2.44	0.882	
iii. Problem-solving skills	CGEs	7	3.29	0.756	0.051
	NFreps	10	2.30	0.823	
	Freps	9	2.56	0.726	
iv. Conduct of the monitoring function	CGEs	7	2.43	0.976	0.170
	NFreps	10	1.80	0.919	
	Freps	9	2.44	0.882	
v. Conduct of the advisory function	CGEs	7	3.14	0.900	0.076
	NFreps	10	2.20	0.632	
	Freps	9	2.56	0.726	
vi. Access to network ties	CGEs	7	2.29	1.254	0.157
	NFreps	10	1.90	0.738	
	Freps	9	2.67	0.866	
vii. Board entrenchment	CGEs	7	3.00	1.155	0.123
	NFreps	10	2.00	0.816	
	Freps	9	2.00	1.000	
viii. Approach towards risk	CGEs	7	2.14	1.069	0.495
	NFreps	10	2.00	0.943	
	Freps	9	2.56	1.130	
ix. Quality of Board expertise	CGEs	7	2.57	0.787	0.224
	NFreps	10	2.00	0.471	
	Freps	9	2.11	0.601	
x. Quality of strategies implemented	CGEs	7	3.14	0.900	0.064
	NFreps	10	2.30	0.675	
	Freps	9	3.00	0.866	
xi. Conflicts of interest	CGEs	7	1.43	0.787	0.808
	NFreps	10	1.50	1.179	
	Freps	9	1.22	1.202	
xii. Board meeting attendance	CGEs	7	1.43	0.787	0.270
	NFreps	10	1.30	0.949	
	Freps	9	0.78	0.833	
xiii. Effective succession planning	CGEs	7	2.43	1.272	0.642
	NFreps	10	2.20	1.135	
	Freps	9	1.89	1.054	

TA3.8: The influences of gender diversity (S2Qn.3a)

S1.3: The Influences of Nationality Diversity

TA3.9 overleaf presents the level of influence that nationality diversity has on each of the thirteen CG factors according to the three groups of respondents. As may be seen, the mean rating scores provided to S2Qn.3a in terms of nationality diversity do not vary significantly among the three groups of respondents, indicating that such groups have similar views, since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis is accepted.

The listed CG factors potentially influenced by nationality diversity are as shown below:	Respondent Category	N	Mean	Std. Dev.	*P*-value
i. Quality of decision-making	CGEs	7	2.71	0.756	0.568
	NFreps	10	2.40	0.699	
	Freps	9	2.67	0.707	
ii. Board communications	CGEs	7	3.00	0.000	0.055
	NFreps	10	2.20	1.135	
	Freps	9	2.22	0.667	
iii. Problem-solving skills	CGEs	7	2.71	0.488	0.933
	NFreps	10	2.70	0.483	
	Freps	9	2.56	0.726	
iv. Conduct of the monitoring function	CGEs	7	2.29	1.113	0.959
	NFreps	10	2.40	0.966	
	Freps	9	2.33	0.707	
v. Conduct of the advisory function	CGEs	7	2.86	0.690	0.627
	NFreps	10	2.50	0.707	
	Freps	9	2.44	0.882	
vi. Access to network ties	CGEs	7	3.14	0.690	0.587
	NFreps	10	2.80	0.789	
	Freps	9	2.78	0.833	
vii. Board entrenchment	CGEs	7	2.43	1.397	0.844
	NFreps	10	2.50	1.080	
	Freps	9	2.33	0.866	
viii. Approach towards risk	CGEs	7	2.00	0.816	0.484
	NFreps	10	2.50	0.972	
	Freps	9	2.33	0.866	
ix. Quality of Board expertise	CGEs	7	2.57	0.976	0.650
	NFreps	10	2.30	0.675	
	Freps	9	2.33	0.707	
x. Quality of strategies implemented	CGEs	7	2.71	0.588	0.570
	NFreps	10	2.40	0.699	
	Freps	9	2.33	1.000	
xi. Conflicts of interest	CGEs	7	1.86	0.690	0.127
	NFreps	10	1.30	1.160	
	Freps	9	1.00	1.000	
xii. Board meeting attendance	CGEs	7	1.43	0.787	0.230
	NFreps	10	1.40	0.966	
	Freps	9	0.78	0.833	
xiii. Effective succession planning	CGEs	7	2.14	1.069	0.783
	NFreps	10	1.90	0.994	
	Freps	9	1.78	0.833	

TA3.9: The influences of nationality diversity (S2Qn.3a)

S1.4: The Influences of Tenure Diversity

TA3.10 overleaf presents the level of influence that tenure diversity has on each of the thirteen CG factors according to the three groups of respondents. As may be seen, the mean rating score provided to S2Qn.3a in terms of the influence of tenure diversity on the CG factor of the conduct of the advisory function$_{(p=0.036)}$ varies significantly among the three groups of respondents, indicating that such groups do not have similar views, since the *p*-value is less than the 0.05 criterion. Therefore, the alternative hypothesis is accepted. Contrastingly, the mean rating scores provided to S2Qn.3a in terms of the influences of tenure diversity on the other twelve CG factors do not vary significantly among the three groups of respondents, indicating that such groups have similar views, since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis is accepted.

The listed CG factors potentially influenced by tenure diversity are as shown below:	Respondent Category	N	Mean	Std. Dev.	*P*-value
i. Quality of decision-making	CGEs	7	3.43	0.787	0.092
	NFreps	10	2.90	0.738	
	Freps	9	3.56	0.527	
ii. Board communications	CGEs	7	3.00	0.577	0.314
	NFreps	10	2.20	1.229	
	Freps	9	2.56	0.882	
iii. Problem-solving skills	CGEs	7	3.57	0.535	0.108
	NFreps	10	3.10	0.316	
	Freps	9	3.44	0.527	
iv. Conduct of the monitoring function	CGEs	7	3.29	0.756	0.122
	NFreps	10	2.50	0.972	
	Freps	9	3.11	0.333	
v. Conduct of the advisory function	CGEs	7	3.43	0.535	***0.036***
	NFreps	10	2.80	0.422	
	Freps	9	3.22	0.441	
vi. Access to network ties	CGEs	7	3.43	0.535	0.967
	NFreps	10	3.40	0.843	
	Freps	9	3.44	0.726	
vii. Board entrenchment	CGEs	7	3.14	0.690	0.627
	NFreps	10	3.30	0.675	
	Freps	9	3.00	0.707	
viii. Approach towards risk	CGEs	7	2.71	0.951	0.833
	NFreps	10	2.80	0.919	
	Freps	9	2.89	1.167	
ix. Quality of Board expertise	CGEs	7	3.14	0.900	0.489
	NFreps	10	3.00	0.667	
	Freps	9	2.67	0.707	
x. Quality of strategies implemented	CGEs	7	3.57	0.535	0.133
	NFreps	10	3.00	0.471	
	Freps	9	3.11	0.928	
xi. Conflicts of interest	CGEs	7	2.43	0.976	0.095
	NFreps	10	1.80	1.229	
	Freps	9	1.11	1.054	
xii. Board meeting attendance	CGEs	7	1.29	0.756	0.260
	NFreps	10	1.50	1.080	
	Freps	9	0.78	0.833	
xiii. Effective succession planning	CGEs	7	3.57	0.787	0.280
	NFreps	10	3.20	1.033	
	Freps	9	3.00	0.707	

TA3.10: The influences of tenure diversity (S2Qn.3a)

S2.1: The Influences of Industry-Specific Expertise

TA3.11 overleaf presents the level of influence that industry-specific expertise has on each of the thirteen CG factors according to the three groups of respondents. As may be seen, the mean rating score provided to S2Qn.4a in terms of the influence of industry-specific expertise on the CG factor of access to network ties$_{(p=0.040)}$ varies significantly among the three groups of respondents, indicating that such groups do not have similar views, since the *p*-value is less than the 0.05 criterion. Therefore, the alternative hypothesis is accepted. Contrastingly, the mean rating scores provided to S2Qn.4a in terms of the influences of industry-specific expertise on the other twelve CG factors do not vary significantly among the three groups of respondents, indicating that such groups have similar views, since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis is accepted.

The listed CG factors potentially influenced by industry-specific expertise are as shown below:	Respondent Category	N	Mean	Std. Dev.	*P*-value
i. Quality of decision-making	CGEs	7	4.00	0.000	0.098
	NFreps	10	3.60	0.516	
	Freps	9	3.89	0.333	
ii. Board communications	CGEs	7	2.14	1.345	0.747
	NFreps	10	1.90	1.197	
	Freps	9	2.22	1.093	
iii. Problem-solving skills	CGEs	7	3.57	0.787	0.686
	NFreps	10	3.40	0.699	
	Freps	9	3.33	0.707	
iv. Conduct of the monitoring function	CGEs	7	3.29	0.951	0.551
	NFreps	10	2.90	1.197	
	Freps	9	2.67	1.225	
v. Conduct of the advisory function	CGEs	7	3.86	0.378	0.477
	NFreps	10	3.60	0.516	
	Freps	9	3.78	0.441	
vi. Access to network ties	CGEs	7	3.57	0.535	***0.040***
	NFreps	10	3.30	0.675	
	Freps	9	2.67	0.707	
vii. Board entrenchment	CGEs	7	2.29	1.496	0.669
	NFreps	10	2.40	1.174	
	Freps	9	1.89	1.054	
viii. Approach towards risk	CGEs	7	2.71	1.604	0.368
	NFreps	10	2.90	0.568	
	Freps	9	2.44	0.726	
ix. Quality of Board expertise	CGEs	7	4.00	0.000	0.254
	NFreps	10	3.60	0.699	
	Freps	9	3.67	0.500	
x. Quality of strategies implemented	CGEs	7	3.57	0.787	0.616
	NFreps	10	3.50	0.527	
	Freps	9	3.67	0.707	
xi. Conflicts of interest	CGEs	7	1.57	0.787	0.633
	NFreps	10	2.00	1.414	
	Freps	9	1.56	1.014	
xii. Board meeting attendance	CGEs	7	1.00	0.816	0.132
	NFreps	10	1.50	0.972	
	Freps	9	0.67	0.707	
xiii. Effective succession planning	CGEs	7	2.86	0.900	0.307
	NFreps	10	2.00	1.155	
	Freps	9	2.44	1.130	

TA3.11: The influences of industry-specific expertise (S2Qn.4a)

S2.2: The Influences of Financial Expertise

TA3.12 overleaf presents the level of influence that financial expertise has on each of the thirteen CG factors according to the three groups of respondents. As may be seen, the mean rating score provided to S2Qn.4a in terms of the influence of financial expertise on the CG factor of the quality of Board expertise$_{(p=0.028)}$ varies significantly among the three groups of respondents, indicating that such groups do not have similar views, since the *p*-value is less than the 0.05 criterion. Therefore, the alternative hypothesis is accepted. Contrastingly, the mean rating scores provided to S2Qn.4a in terms of the influences of financial expertise on the other twelve CG factors do not vary significantly among the three groups of respondents, indicating that such groups have similar views, since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis is accepted.

The listed CG factors potentially influenced by financial expertise are as shown below:	Respondent Category	N	Mean	Std. Dev.	*P*-value
i. Quality of decision-making	CGEs	7	3.71	0.488	0.706
	NFreps	10	3.60	0.516	
	Freps	9	3.78	0.441	
ii. Board communications	CGEs	7	2.14	1.345	0.656
	NFreps	10	1.80	1.229	
	Freps	9	2.22	1.093	
iii. Problem-solving skills	CGEs	7	3.43	0.787	0.829
	NFreps	10	3.30	0.675	
	Freps	9	3.44	0.726	
iv. Conduct of the monitoring function	CGEs	7	3.43	0.787	0.977
	NFreps	10	3.50	0.527	
	Freps	9	3.22	1.394	
v. Conduct of the advisory function	CGEs	7	3.57	0.535	0.458
	NFreps	10	3.50	0.527	
	Freps	9	3.78	0.441	
vi. Access to network ties	CGEs	7	3.14	0.900	0.333
	NFreps	10	2.90	0.994	
	Freps	9	2.56	0.527	
vii. Board entrenchment	CGEs	7	2.29	1.496	0.638
	NFreps	10	2.30	1.160	
	Freps	9	1.78	0.972	
viii. Approach towards risk	CGEs	7	2.57	1.618	0.779
	NFreps	10	3.20	0.632	
	Freps	9	2.89	0.928	
ix. Quality of Board expertise	CGEs	7	3.43	0.787	***0.028***
	NFreps	10	3.30	0.675	
	Freps	9	4.00	0.000	
x. Quality of strategies implemented	CGEs	7	3.43	0.787	0.772
	NFreps	10	3.30	0.675	
	Freps	9	3.22	0.667	
xi. Conflicts of interest	CGEs	7	1.57	0.787	0.995
	NFreps	10	1.70	1.337	
	Freps	9	1.67	1.000	
xii. Board meeting attendance	CGEs	7	1.00	0.816	0.117
	NFreps	10	1.60	1.075	
	Freps	9	0.67	0.707	
xiii. Effective succession planning	CGEs	7	3.14	0.900	0.535
	NFreps	10	2.60	1.174	
	Freps	9	2.77	0.866	

TA3.12: The influences of financial expertise (S2Qn.4a)

S2.3: The Influences of Legal Expertise

TA3.13 overleaf presents the level of influence that legal expertise has on each of the thirteen CG factors according to the three groups of respondents. As may be seen, the mean rating scores provided to S2Qn.4a in terms of the influence of legal expertise on the CG factors of the quality of decision-making$_{(p=0.008)}$ and the access to network ties$_{(p=0.025)}$ vary significantly among the three groups of respondents, indicating that such groups do not have similar views, since the *p*-value is less than the 0.05 criterion. Therefore, the alternative hypothesis is accepted. Contrastingly, the mean rating scores provided to S2Qn.4a in terms of the influences of legal expertise on the other eleven CG factors do not vary significantly among the three groups of respondents, indicating that such groups have similar views, since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis is accepted.

The listed CG factors potentially influenced by legal expertise are as shown below:	Respondent Category	N	Mean	Std. Dev.	*P*-value
i. Quality of decision-making	CGEs	7	3.57	0.535	***0.008***
	NFreps	10	2.50	0.850	
	Freps	9	3.56	0.527	
ii. Board communications	CGEs	7	2.14	1.345	0.895
	NFreps	10	2.00	1.247	
	Freps	9	2.22	1.093	
iii. Problem-solving skills	CGEs	7	3.43	0.787	0.286
	NFreps	10	2.80	0.919	
	Freps	9	3.22	0.667	
iv. Conduct of the monitoring function	CGEs	7	3.29	0.951	0.249
	NFreps	10	2.90	0.994	
	Freps	9	2.44	1.014	
v. Conduct of the advisory function	CGEs	7	3.57	0.535	0.349
	NFreps	10	3.00	0.943	
	Freps	9	3.33	0.500	
vi. Access to network ties	CGEs	7	3.29	0.756	***0.025***
	NFreps	10	3.00	0.667	
	Freps	9	2.33	0.500	
vii. Board entrenchment	CGEs	7	2.29	1.496	0.765
	NFreps	10	2.00	1.247	
	Freps	9	1.78	0.972	
viii. Approach towards risk	CGEs	7	2.71	1.604	0.640
	NFreps	10	2.50	0.850	
	Freps	9	2.78	0.972	
ix. Quality of Board expertise	CGEs	7	3.43	0.787	0.075
	NFreps	10	2.60	0.966	
	Freps	9	3.44	0.527	
x. Quality of strategies implemented	CGEs	7	3.43	0.787	0.126
	NFreps	10	2.50	0.972	
	Freps	9	2.89	0.782	
xi. Conflicts of interest	CGEs	7	1.57	0.787	0.944
	NFreps	10	1.90	1.524	
	Freps	9	1.67	1.000	
xii. Board meeting attendance	CGEs	7	1.43	0.976	0.103
	NFreps	10	1.60	1.075	
	Freps	9	0.67	0.707	
xiii. Effective succession planning	CGEs	7	3.57	0.535	0.406
	NFreps	10	2.80	1.229	
	Freps	9	3.22	0.833	

TA3.13: The influences of legal expertise (S2Qn.4a)

S2.4: The Influences of IT Expertise

TA3.14 overleaf presents the level of influence that IT expertise has on each of the thirteen CG factors according to the three groups of respondents. As may be seen, the mean rating scores provided to S2Qn.4a in terms of IT expertise do not vary significantly among the three groups of respondents, indicating that such groups have similar views, since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis is accepted.

The listed CG factors potentially influenced by IT expertise are as shown below:	Respondent Category	N	Mean	Std. Dev.	*P*-value
i. Quality of decision-making	CGEs	7	3.14	0.378	0.161
	NFreps	10	2.60	0.699	
	Freps	9	2.89	0.601	
ii. Board communications	CGEs	7	2.14	1.345	0.234
	NFreps	10	1.40	1.075	
	Freps	9	2.22	1.093	
iii. Problem-solving skills	CGEs	7	3.14	0.690	0.210
	NFreps	10	2.30	1.059	
	Freps	9	2.89	0.782	
iv. Conduct of the monitoring function	CGEs	7	3.29	0.951	0.073
	NFreps	10	2.60	0.843	
	Freps	9	2.11	0.928	
v. Conduct of the advisory function	CGEs	7	3.29	0.488	0.291
	NFreps	10	2.70	0.949	
	Freps	9	2.89	0.601	
vi. Access to network ties	CGEs	7	3.29	0.756	0.089
	NFreps	10	2.40	1.350	
	Freps	9	2.33	0.500	
vii. Board entrenchment	CGEs	7	2.57	1.134	0.278
	NFreps	10	1.80	1.229	
	Freps	9	1.67	0.866	
viii. Approach towards risk	CGEs	7	2.29	1.704	0.424
	NFreps	10	2.90	0.738	
	Freps	9	2.33	0.707	
ix. Quality of Board expertise	CGEs	7	3.29	0.756	0.151
	NFreps	10	2.60	0.843	
	Freps	9	2.67	0.500	
x. Quality of strategies implemented	CGEs	7	3.14	0.690	0.343
	NFreps	10	2.90	0.568	
	Freps	9	2.67	0.707	
xi. Conflicts of interest	CGEs	7	1.43	0.787	0.652
	NFreps	10	1.20	1.033	
	Freps	9	1.11	0.601	
xii. Board meeting attendance	CGEs	7	1.00	0.816	0.117
	NFreps	10	1.60	1.075	
	Freps	9	0.67	0.707	
xiii. Effective succession planning	CGEs	7	2.57	0.787	0.089
	NFreps	10	1.50	1.080	
	Freps	9	1.67	0.866	

TA3.14: The influences of IT expertise (S2Qn.4a)

S3.1: The Overall Influence of Board Diversity on CG in LFBs

TA3.15 overleaf presents the overall influence that each diversity aspect has on CG in LFBs according to the three groups of respondents. As may be seen, the mean rating scores provided to S3Qn.5 in terms of the overall influence of financial expertise$_{(p=0.039)}$ and legal expertise$_{(p=0.049)}$ on CG in LFBs vary significantly among the three groups of respondents, indicating that such groups do not have similar views, since the *p*-value is less than the 0.05 criterion. Therefore, the alternative hypothesis is accepted. Contrastingly, the mean rating scores provided to S3Qn.5 in terms of the overall influence of the other six diversity aspects on CG in LFBs do not vary significantly among the three groups of respondents, indicating that such groups have similar views, since the *p*-value exceeds the 0.05 level of significance. Therefore, the null hypothesis is accepted.

Aspects of Diversity	Respondent Category	N	Mean	Std. Dev.	*P*-value
Surface-level diversity aspects:					
a. Age diversity	CGEs	7	2.71	0.951	0.525
	NFreps	10	3.20	0.789	
	Freps	9	3.11	0.601	
b. Gender diversity	CGEs	7	2.71	1.113	0.268
	NFreps	10	2.00	1.054	
	Freps	9	2.67	0.866	
c. Nationality diversity	CGEs	7	2.43	0.787	0.719
	NFreps	10	2.60	0.516	
	Freps	9	2.33	0.707	
d. Tenure diversity	CGEs	7	3.14	0.690	0.209
	NFreps	10	3.10	0.568	
	Freps	9	3.56	0.726	
Deep-level diversity aspects:					
e. Industry-specific expertise	CGEs	7	3.14	0.900	0.171
	NFreps	10	3.30	0.675	
	Freps	9	3.78	0.441	
f. Financial expertise	CGEs	7	3.00	0.577	***0.039***
	NFreps	10	3.30	0.675	
	Freps	9	3.78	0.441	
g. Legal expertise	CGEs	7	3.43	0.535	***0.049***
	NFreps	10	2.90	0.876	
	Freps	9	3.78	0.441	
h. IT expertise	CGEs	7	2.57	0.787	0.372
	NFreps	10	2.33	0.632	
	Freps	9	2.44	0.500	

TA3.15: The overall influence of Board diversity on CG in LFBs (S3Qn.5)