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Multiple Directorship and Financial Performance of Finnish Companies

Shriya Kumar

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Abstract

Multiple directorships have differing impacts on firms' financial performances. However, the existing research has explored the phenomenon of multiple directorship and its impact on financial performance in non-Finnish settings. This has created a need for a study that examines the impact that multiple directorships have on the financial performance of Finnish companies. The specific objectives of the investigation were to investigate how the various types of multiple directorships, namely, the executive, non-executive and independent directorships affected the firms' financial performance.

The literature review and the conceptual framework identified whether the multiple directorships of executive, non-executive and independent directors had either positive or negative influence on their respective firm's performance. The firms' financial performance was considered on the basis of Return on Investment (hereafter ROI) and the Price to Book (hereafter the P/B ratio). The study applied the positivist viewpoint and used a quantitative research design. More specifically, the study investigated 25 Finnish public companies for a period of 5 years from 2013 to 2017.

The findings established that the multiple directorships of the executive directors as well as non-executive directors affected the ROI negatively. The multiple directorships of independent directors and the ROI of the Finnish companies were positively correlated. Comprehensively, multiple directorships affected negatively the performance of the Finnish companies especially in terms of ROI.

The major weakness of the study was that it focused on measuring performance based on ROI and the P/B ratio only. However, firm performance is a comprehensive measure that also includes non-financial measures. Future research should therefore seek to assess the impact of multiple directorships on all dimensions of firm performance including non-financial measures, such as employee satisfaction and customer satisfaction.

Keywords/tags

Multiple directorships, multi directorships of non-executive directors, multiple directorships of executive directors, busy independent directors, firm performance, and Price/Book ratios.

Miscellaneous

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1 Introduction

Multiple directorships hold significant value in the world of the corporate sector. This study focused on the multiple directorships of executives, non-executives and independent directors participating in company boards and their effects on the financial performance of firms in Finland. The study was implemented by examining the recent five-year period of 25 Finnish companies in order to reach a more reliable and valid hypothesis. This section comprises three parts discussing the background information in the context of multiple directorships and the rationale of the study. Finally, this section also discusses the research aim and objectives of this research work and the related research questions.

1.1 Background Information

The composition of company boards of directors has been a subject of interest in corporate governance research as it is expected that board composition may affect and influence the firm's performance (Clements, Neill and Wertheim 2015). However, one of the features of board of directors that has raised a great deal of interest recently relates to multiple directorships. This is a consequence of globalisation, which has made it possible for directors to hold positions in various companies. The concept of multiple directorship points to the instances of directors serving in the board of more than one company. Multiple directorships are related to the agency theory and resource dependence theory (Chen, Hsu and Chang 2016). The agency theory on directorship views directors as agencies of owners who should be concerned with the regulating and overseeing the day-to-day management of the organisation (Aguilera and Crespi-Cladera 2016). The board of directors should, therefore, be committed to having oversight over the managers and ensuring that the management delivers the desired outcomes of performance envisioned by the shareholders of the company. This theory hence posits that multiple directorship is a liability to the company due to the preoccupation of directors with matters not specific to the company (Hundal 2017). In contrast to the agency theory, the resource dependency theory views multiple directorship as a resource since it

empowers the directors through interactions with other directors and firms, which equips them with networks, market information and skills that enhance the growth of the firm. These two perspectives demonstrate that the concept of multiple directorships has an ambiguous impact on the firms, as there is no consensus between the proponents of the agency model and the resource theory on whether multiple directorships have a positive or negative impact on the firm (Hundal 2016).

Likewise, the reputation and busyness hypothesis presents conflicting arguments on the impact that multiple directorships have on firms. Those who advocate the busyness hypothesis, such as Tanyi and Smith (2015), argue that directors who have multiple directorships tend to be very busy and occupied by the interests of the various companies and organizations. This affects their capacity to effectively advise and monitor the organisations on whose they serve. Nevertheless, according to Hundal (2016), multiple directorships are seen as a testament of the directors' superior skills and capabilities. The firms that have directors with multiple directorships usually benefit from their superior capabilities and experience. Mishra and Kapil (2018) maintain that multiple directorships demonstrate the director's competence since companies are known not to hire directors from failed companies or loss-making entities. This means that multiple directorships prove and enhance the directors' skills, capabilities and reputation. However, the divergent viewpoints have yet to come to a conclusion on the actual influence of multiple directorships on a firm.

Firm performance is an essential component of the organisation, and it mostly entails the company's performance with regard to its revenues, market share, and customer satisfaction as well as employee retention. According to Santoz and Brito (2012), a company's performance is mostly demonstrated by its market share in its respective industry. Companies with high performance usually have a high market share, high market valuation and high ROI compared to other companies in the same industry or in the same country (Mgbame and Ilaboya 2013).

1.2 Rationale of The Study

Theoretically, studies, such as those by Aguilera and Crespi-Cladera (2016) and Institute of Directors (2018), have explored the impact that multiple directorships have on a firm’s performance. These studies have provided varying viewpoints on how multiple directorships affect the performance of firms. However, these studies have mostly focused on multiple directorships of firms that are not Finnish (Deloitte 2017). Hundal (2017) has focused on Malaysian and Indian companies but not on firms that are located in Finland. Hence, there was a need to study how multiple directorships influence the Finnish companies. In addition, these studies have mostly identified that multiple directorships affect the firms’ performance either positively or negatively, but they have not explained whether Finnish firms are influenced positively or negatively.

This study was essential because it contributed to the body of knowledge on how various types of directors are affected by holding multiple directorships. Hundal (2016) mostly focused on the directors generally without distinguishing whether the directorships were non-executive, executive or independent. This study explored the issue of multiple directorships by examining the various types of directors and how the issue of multiple directorships affected their capability to discharge their responsibilities. This study is crucial as it helps in identifying whether the executive, non-executive and independent directors with multiple directorships affect a firm’s performance in the same way or in a variety of ways.

The Institute of Directors (2018) has studied the issues that affect and influence firms’ performance and multiple directorships. However, these studies have not identified the impact that multiple directorships have on the return on investment of Finnish companies and the P/B ratio of the companies. Therefore, this investigation was of help to Finnish companies so that they would be able to identify whether having multiple directorships enhances or slows down their performance. This study is also relevant to firms’ directors, as it informs them about whether multiple directorships affect the performance of their firms positively or negatively (Tanyi and Smith 2015). The findings of this study are helpful to the shareholders of Finnish firms for determining whether it was advantageous or disadvantageous to appoint

directors with multiple directorships. This can help shareholders to make informed decisions on whether to vote for such directors into the board of directors or not.

1.3 Research Aim and Specific Objectives

The aim of this research was to investigate the impact of multiple directorships on the performance of Finnish companies. In order to effectively investigate this, the study examined how multiple directorships affected the various types of directors who belonged to the board of directors. Therefore, the specific objectives of this study were as follows:

1. To investigate the effects of the multiple directorship of executive directors on the financial performance of Finnish companies
2. To assess the influence of multiple directorship of non-executive directors on the financial performance of Finnish companies
3. To determine how the multiple directorship of independent directors affect the financial performance of Finnish companies

The research questions of this investigation were, therefore, as follows:

1. What are the effects of the multiple directorships of executive directors on the financial performance of Finnish companies?
2. To what extent do the multiple directorships of non-executive directors affect the financial performance of Finnish companies?
3. How do the multiple directorships of independent directors affect the financial performance of Finnish companies?

2 Literature Review and Theoretical Framework

This chapter highlights and reviews the existing studies that examine and discuss the aspect of multiple directorships in Finnish companies. The section examines literature focused on the influence of the multiple directorships of executive directors, non-executive directors and independent directors on a firm’s financial performance.

2.1 The Multiple Directorship

Multiple directorships are the practice of public listed companies according to which directors serve in the boards of various companies. This has been made possible by the fact that the non-executive directors and independent directors of most firms are not involved in running the daily operations of the firms and that their responsibilities are mostly oversight based. In most companies, the directors do not hold more than ten board meetings in a year (Deloitte 2017). This provides the non-executive/independent directors with ample time that enables them to serve in the boards of other companies. Directorships in most companies are usually meant to represent various interests at the top-most decision-making organs of the company. These interests are mostly represented by directors who either serve as executive-, non-executive or independent directors (Mgbame and Ilaboya 2013).

2.1.1 Multiple Directorship of Executive Directors

Executive directors are those who are mostly involved in the day-to-day management activities of the organisation. These are mostly the managing directors or the chief executive officers of their companies, and they also happen to sit on the board of directors in order to brief the board about what is happening in the company. Executive directors are mostly tasked with running the organisation and implementing the corporate vision outlined by the board of directors (Hundal 2017). The executive directors in most companies are mostly considered employees of the

company, and they are remunerated as employees and not remunerated for serving on the board of directors because they are considered to be employees of the company. Executive directors are mostly recruited based on the controlling interests or by the controlling shareholders and stakeholders of the company since they are considered to wield plenty of power and influence in the daily management of the company operations (Murayev, Talavera and Wei 2016). Executive directors play an important role on the board of directors because they inform the board on the day-to-day operations of the company. However, the main concern about the inclusion of executive directors in the board of directors is whether they are competent enough to provide impartial judgment on the executive and managerial performance of the firm.

With regard to the multiple directorships of executive directors, Clements, Neill and Wertheim (2015) note that most companies forbid their executive directors from serving in multiple firms. This is because executive directors are expected to be highly involved in running the organisation and in the management activities such as meeting with the employees, motivating, setting goals, supervising and providing guidance to the employees and ensuring that the organisation is being managed appropriately. Involvement of the executive directors in the management of other firms and organizations significantly hampers their effectiveness to serve their companies. Mgbame and Ilaboya (2013), on the other hand, note that most of the organisational executive directors also serve as directors in other firms but that they mostly serve as non-executive directors. Aguilera and Crespí-Cladera (2016) stated that companies in countries, such as the UK, allow their executive directors to serve on the board of other companies in non-executive positions. This could be a result of the inclination of firms towards the resource theory that indicates that directors with multiple directorships tend to be more resourceful, more informed and networked than directors who serve in one directorship position. In most instances, the multiple directorships of executive directors are in firms that have subsidiaries and other related firms, such as those obtained by acquisitions. This has forced the executive directors to serve on the boards of the subsidiaries, mergers and acquisitions in order to enhance control over the subsidiaries or new acquisitions.

However, Murayev, Talavera and Wei (2016) maintain that that the multiple directorship of executive directors is not effective and has a negative impact on the firm since the executive directors are expected to work full-time in the organisation. Holding other positions in the firms increases the truancy and absenteeism of the directors. This was noted to affect other employees negatively as it increased their absenteeism. The multiple directorships of the executive directors were mostly determined by assessing the number of directors who held multiple directorships against the total number of executive directors in a company.

With regard to the impact that the multiple directorships of executive directors have on the firms' performance, study by James, Wang and Xie (2018) suggests that the multiple directorship of the executive directors has a negative impact on the firms' performance. This is because the directors are mostly preoccupied with activities of the other organisations, which hampers their effectiveness and capacity to discharge their duties effectively. Ferris, Jayaraman and Liao (2018) maintain that the shareholders have a raw deal in instances where the directors hold multiple board positions in other companies as it affects their ability to effectively monitor and lead the organisation. The executive directors are not only supervisors but the leaders of the organisation, and they are expected to be fully committed to the organisation. Hence, multiple directorships in other firms affect their commitment and service to the company negatively. It makes them absent and less motivating to the employees, which negatively affects the firm's performance, especially in terms of employee motivation. Yasser, Al Mamun and Rodrigs (2017) argue that employees serving under executive directors who were in multiple directorships were less motivated when compared to employees serving under executive directors who were not in multiple directorships.

O'Sullivan (2009) further argues that the multiple directorships of executive directors affect their companies' financial performance negatively. Lee and Isa (2015) noted that directors who are not fully committed to their organisations lead to negative financial performance since they do not effectively monitor costs. They also increase the cost of the company since more directors or employees have to be employed in order to the fill in the gap created by the executive directors who hold multiple directorship and thus, increase costs and emoluments, which lowered the

shareholders' profits and value (Tien, Chen and Chuang 2014). In addition, the executives in multiple directorships erode the shareholders confidence in the company, which in most instances leads to lower market capitalisation, as the shareholders are usually worried and concerned about directors with multiple directorships.

However, Crespí-Cladera and Pascual-Fust (2015) note that multiple directorships have a positive influence on a firm's performance especially in terms of the market share and market information. This is because executive directors who serve in various boards tend to have a high level of exposure and information. Executive director's exposure and experience in the service of various boards equips them with knowledge and skills that enable them to make better decisions and choices, which improve the overall performance of the company (Rampling 2011). Despite this argument, most of the previous studies that have explored the impact that the multiple directorships of the executive directors note that it affects the performance of the firm negatively since it divides attention and commitment of the directors, which influences the firms negatively in terms of revenues and growth. Lee and Isa (2015) states, executives in multiple directorships have divided attention, which affects their supervisory and management roles negatively. Rampling (2011) states that executives who are in multiple directorships do not serve in as many management committees of the firm as possible, which affects the employees' motivation negatively. This also affects the other metrics of firm's performance, such as customer satisfaction since employees who are not properly motivated do not effectively serve the customers, which leads to deterioration in customer satisfaction, which in turn affects the firm's performance negatively (Crespí-Cladera and Pascual-Fust 2015).

A study by Cooper and Uzun (2012) on the banking industry discovered that there was correlation between the appointment of the multiple directors and the bank's risk exposure. The boards whose directors were in multiple companies had higher risks compared to banks whose directors were serving only in one company. The study therefore argues that the appointment of the multiple executive directors leads to negative firm performance as it compromises the bank's leadership because of acting in the interest of another company. Yasser, Al Mamun and Rodrigs (2017)

noted that it is difficult to identify where the loyalty of the multiple directors is because they serve in the boards of multiple companies. Some of these companies can be competitors, creditors or suppliers, which can adversely affect the shareholders, as the directors in multiple directorships advance the interest of parties and interest groups other than that of the shareholders of the company.

Another issue is that it is difficult for executive directors in multiple directorships to positively influence the performance of the company as the directors are not usually motivated by the performance based rewards and metrics (Ferris, Liao and Tamm 2018). “The directors holding multiple directorships could not be motivated via performance based emoluments as their remuneration is not dependent on the performance of one company. This can negatively affect a company’s performance, as the directors do not fully dedicate themselves towards the improvement of the company’s performance since financial performance rewards do not motivate or influence them to guide the firm to higher performance. (Rampling 2011)”

2.1.2 Multiple Directorship of Non-Executive Directors

A non-executive director is a director who is not involved in the day to day management of the firm. They are not part of the company’s management and they are not considered to employees of the company (Deloitte 2013). They are usually paid some fees about are not salaried. The role of the non-executive director is to provide advisory services to the board and to provide oversight to the firm operations. They provide advisory services on issues related to the company’s executive pay. The non-executive directors are therefore seen as advisors to the firms but they do have legal responsibilities and possible liabilities that are similar and equal to those of the executive directors (Boxer, Berry and Perren 2012). The non-executive directors advise the firms and provide oversight to the company on sensitive issues such as the director’s emoluments, audit and managerial oversight. According to Goh and Gupta (2016), non-executive directors also provide advice on legal and regulatory as well as environmental issues that may affect the firm operations currently or in culture. They provide policy and guidelines and advice that are to be implemented by the executive directors and managers. The non-executive

directors were also expected to play a role in the appointment of the executive directors of the firms as well as in acting as a link between the company and third parties and other interests outside the firm (Andrés, Arranz-Aperte and Rodriguez-Sanz 2017). It is therefore expected that the non-executive directors should be persons who have wide range of experience and knowledge in order to serve the firm effectively. They are also expected to oversight the financial records of the firms and ensure that they are accurate and represented the true financial position of the firm.

In regard to the multiple-directorships of the non-executive directors, Brennan, Kirwan and Redmond (2016) noted that many firms accepted and favoured having non-executive directors who held multiple directorships or other directorships position in the other firms because it indicated that the said non-executive directors were highly experienced and reputed in their field of operations. Annuar and Rashid (2015) noted that considering as non-executive directors were not involved in running the day-to-day operations of the firms so it was in order to have non-executive directors who were multiple directors.

Proponents of multiple directorships of the non-executive directors indicated that the multiple directorships of the non-executive directors enhanced the image of the company and experience of the directors (Akpan and Amran 2014). Shareholders and the investors tended to trust directors who had reputation of serving the boards of various companies because it acted like an evidence of the director’s experience and networks that could help the company which they were serving on the board.

The multiple directorships of the non-executive directors are mostly measured as a percentage or ratio of the number of the multiple directors in the company to the number of executive directors serving on the board. A ratio of one meant that all the non-executive directors serving in the company’s board were holding multiple directorships. Kakabadse Yang and Sanders (2010) concurred that multiple directorships of a company were determined by assessing or dividing the number of the directors holding multiple directorships in a company against the actual number of non-executive directors in the company. This indicated the value of the multiple directorships among the non-executive directors.

Cullen and Brennan (2017) also agreed that multiple directorships of the non-executive directors did not always implied experience but non-commitment and a rent seeking behaviour by directors seeking for additional emoluments as directors in multiple firms. The study indicated that it was very much in order to have directors of a firm serving in multiple boards of directors as it endowed them with experience and networks that were responsible for high performance of the firms. Kakabadse, Yang and Sanders (2010) noted that the firms whose non-executive directors were serving in multiple firms tended to perform well especially in terms of revenues. The multiple directorship enabled firms' non-executive directors to network with potential customers, suppliers and regulators which provided them with market advantage.

Prettirajh (2016) noted that the multiple directors also enabled the firm to perform very well in terms of the employee commitment and motivation towards the organisation. This is because the directors were well informed and aware of the appropriate compensation standard in the industry as well as in the global standards which helped them to set employees' compensation guidelines that were very attractive and unique in the industry. This made the non-executive directors very important to the company performance (Annuar and Rashid 2015).

The non-executive directors were also linked to firm's performance in terms of return on assets. Alhaji, et al (2014) indicated that multiple directorships of the non-executive directors meant that the directors were mostly concerned with the shareholders interest and other concerns of the minority investors who were very much concerned and interested on return on the company's assets and investments. As per Borlea, Achim and Mare (2017) the experience, competence as well as the networks of the multiple non-executive directors helped them to identify ways in which they could optimise the company's assets such as the human assets, financial assets and the intellectual property assets for the shareholders and investors of the company. The skills possessed by the directors were important and crucial to the firm in providing advisory guidelines and policies that helped the managers run the organisation better (Alhaji, et al. 2014).

Nonetheless study by James, Wang and Xie (2018) indicated that the multiple directorship of the non-executive resulted in negative performance of the firm. The

study indicated that the multiple-directorship of the non-executive directors led to busyness of the directors which compromised their capacity to undertake oversight activities of the firm. Cooper and Uzun (2012) agreed that companies whose directors were having multiple directorships performed poorly due to significant risks exposure that came with the multiple directorship of non-executive directors. The busy directors attended less meetings and exerted lesser control and influence on the firm due to their busyness which led to negative return on investment as well as high risk exposure.

Despite these reservation on the negative impacts that multi directorship of non-executive directors had on firm's financial performance previous studies indicated that the non-executive directors were effectively carrying out oversight activities that ensure that the management was effective in attaining the organisational goals and objectives. According to Borlea, Achim and Mare (2017), the non-executive were effective in assessing and measuring the performance of the management because they were not involved in the management which helped them to provide unbiased opinion and also make crucial decision concerning the companies such as sacking non performing directors or making strategic decisions that were in line with the company's mission and vision. They therefore enhanced company's performance in terms of performance management which ensured that the company's performance was on track and that risks to company financial performance were minimised (Hossain 2010).

2.1.3 Multiple Directorship of Independent Directors

The independent directors are the directors who are not stakeholders of the company. Others that are the executive and non-executive directors are mostly stakeholders of the company or represent stakeholder's interest (Deloitte 2013). These stakeholders can either be the shareholders, the employees or the government. However, the independent directors represent neither of these stakeholders in the company's board of directors. This means that independent directors are directors who do not have any relationship with the company or persons in the company except for payment of sitting fees and allowances paid to

the director (Deloitte 2017). The independent directors should not have any pecuniary relationship with the company or with the company's auditors, suppliers and shareholders or the customers of the company. The director also should not have served as an employee of the company or the auditors, consultants or lawyers or shareholders of the company. Independent director is also a director who should not have served in the company for more than a period of three years. This implies that independent directors ought to be a director who is an outsider of the company with no links or connection to anyone or any director serving in the company (Andres et al. 2017).

The independent directors are considered to play a very significant role in the company majorly providing credibility to the company. Due to their independence or non-association with the company or the company interest, these directors are considered to provide credibility to the company (Cook and Wang 2011). In addition, they act as the public watchdog of the company by ensuring that corporate governance policies of the company are adhered to and by providing crucial oversight to the company. The independence of directors helps them to make crucial decisions concerning the company regarding its adherence to corporate governance issues that may not be in the interest of shareholders and other stakeholders such as issues to do with the corporate social responsibility activities, tax compliance and society related issues (Brennan, Kirwan and Redmond 2016). Presence of the independent directors implied that the management of the company cannot engage in malpractices such as earning management or insider trading because the presence of the outside directors and interests of the executive and non-executive directors mostly conflicted with those of the outside directors (Ye and Li 2017). The independent directors were distinct from the executive and non-executive in that they did not have any interest in the company and were there acting on the behalf of the public and not on behalf of any vested interest in or outside the company.

Multiple directorships of the independent directors is highly appreciated and regarded because it means that the directors are credible and have a reputation to protect hence could not be participants in malpractices or activities that might affect their reputation negatively (Rafel and Bartolomé 2014). Volonté (2015) agreed that most organisations selected independent directors who had multiple directorships in

the hope that the outside directors might provide experience and insights and credibility to the organisation. According to Bebchuk and Weisbach (2010), presence of independent directors in the board enhanced shareholders and investors' confidence in the company because it implied that the vested interest would not feature in the board and that the boards must service the public interest such as engaging in legal businesses and payments of taxes due and on time. Belonging to multiple boards provided the directors with experience and operations which were very necessary to the company in formulating corporate governance policies and practices when striving to ensure that the company had globally acceptable governance standards and practices (Volonté 2015). Multiple directorships of the independent directors usually demonstrated their independence and the extent to which they had been trusted by other companies to oversee their operations. The fact that the independent directors should not have any pecuniary relationship with the company or any interest makes them very effective in carrying out oversight and providing perspective to the company. The purpose of the independent was therefore to provide a neutral guidance to the management on how to deal with issues facing the company (Shi, Xu and Zhang 2018).

However, those that argued against the multiple directorship of the independent directors indicated that the independent directors' capability to oversight and discharge their roles was often times hampered by busyness and preoccupation with the affairs of other companies which reduces their information asymmetry (Cook and Wang 2011). This implied that the independent directors with multi directorships might be highly involved in other companies where they might hold executive or non-executive roles that might affect their capacities to discharge duties in organisation where they are selected as independent directors. Chen, Hsu and Chang (2016) argued that in many instances the performance of the independent directors was wanting since they were not directly linked to the compensation and were sometimes not expected to benefit from firm's performance in terms of deferred shares or bonuses or dividends. This made them less interested and committed to the organisation compared to the directors who had vested interest in the company such as non-executive directors representing the shareholders.

The multiple directorships of the independent directors were considered in instances where more than half of the independent directors on the board held multiple directorships. Iliev and Roth (2018) agreed that multiple directorships of the independent were not considered if only one director held multiple directorships. It was proved when there was more than one independent director who held multiple directorships. Chen, Hsu and Chang (2016) argued that multiple directorships of the dependent directorships were considered as a ratio of the multiple directorships against the total number of independent directors of the company. Sila Gonzalez and Hagendorff (2017) agreed that multiple directorships of the independent directors could be determined by looking at the percentage of the directors who held multiple directors in the company's board of directors.

The multiple directorships of the independent directors had its influence on the firm performance. According to Ye and Li (2017) the multiple directorships of the independent directors was two faceted which means it had both positive and negative impact on the firm's performance. From a resource based view, the independent directors in multiple directorships were invaluable resource to the organisation. Working in various companies provided them with resourcefulness in terms of work experience, organisational management capabilities, networks and information that could be used to improve and make the organisation and the company better than other organisations. Based on this, it was clear that multiple directorships influenced the firm performance positively. Previous studies by Iliev and Roth (2018) have used different metrics to measure the firm performance such as the market value of the company, return on assets and the return on investments as well as the stock value of the company indicated that multiple directorships of independent directors improved the performance of the company in regard to ROA and market value.

Study by Chen, Hsu and Chang (2016) investigated the impression that the multiple directorships of the independent directors had on the firm performance and established that directors who were working were more informed and had vast reserves of relevant information compared to directors that were not experienced. This helped them to guide the organisations into profit making. Sila, Gonzalez and Hagendorff (2017) noted that firms whose directors were in multiple directorships

had higher profits than firms whose directors were not in multiple directorships. Masulis and Mobbs (2012) intimated that the companies that had multiple directorships tended to have higher market value especially the stock value. This is because shareholders attached higher value to firms with independent directors as it implied that the firm's books of accounts and financial accounts were evaluated and audited accordingly since the independent did not have any vested interest other than the shareholders and public interest.

The other effect of the multiple directorships of independent directors on the firm performance was on the return on investments. Zhu, et al (2017) noted that companies with independent directors who were in multiple directorships experienced higher return on investments compared to companies that did not have independent directors who were in multiple directorships. This was because such directors came with connections and networks that helped the firm to find markets for its products and services. Moreover, such directors enhanced the credibility of the organisation in the eyes of the company's public and customers as such directors not only acted in the interest of the shareholder but also in the interest of the customers (Shi, Xu and Zhang 2018). Such companies with independent directors were found to have high standards of governance which protected the consumers' interests and ensured that customers were protected. This increased the sales, revenues of the businesses due to consumer confidence in the company leading to higher return on investments and higher return on the assets. Volonté (2015) agreed that the multiple directorships enhanced the performance of the organisation as it led to higher performance in terms of the market performance. Companies with independent directors tended to adhere to higher standards of production and customer satisfaction compared to those whose only interests were shareholders and employees. This resulted in higher market share and customer loyalty compared to companies that did not have multiple directors who were independent. The higher market had led to improved return on investment for the shareholders (Bebchuk and Weisbach 2010).

The multiple directorships of the independent directors also positively affected the firm's performance in terms of the employee engagement and job satisfaction. According to Nuria and Bravo (2017) the independent directors positively influenced

other non-financial parts of the performance such as the employee satisfaction with their jobs. The independent directors ensured that interests of the employees were take care of by ensuring that international standards on employees' welfare and human resource management were adhered to by the company's management (Masulis and Mobbs 2016). Since the interest of the independent directors was not just profitability but the sustainability and image of the firm. The independent directors helped the companies to enhance their performance by requesting the directors to adhere to the relevant standards and collective bargaining agreements with the workers. They monitored and audited the work conditions of the company to ensure that it was satisfactory to the employees. They also ensured that the rewards offered were up to the globally acceptable standards in order to ensure that the firm had good reputation as the reputation of the firm also affected the reputation of the independent directors in multiple directorships. Shi, Xu and Zhang (2018) agreed that multiple directorships positively influenced the employee engagement in the organisation which resulted in production of higher quality products and services that were satisfactory to customers. This consequently led to customer satisfaction that was demonstrated through increased sales revenues and growth in return on investment.

However, from busyness perspective the multi directorship of the independent directors had negative effect on the firm performance. Tanyi and Smith (2015) noted that the multiple directorship of the independent resulted in negative performance of the firm mostly due to the directors' busyness and non-availability in crucial meetings. Even in instances where they were attending the board meeting Ferris, Liao and Tamm (2018) noted that the commitment of independent directors was not reliable as they could not undertake the oversight and supervision activities effectively. This was because their attention was dividend and committed to various companies. Most significantly, multi directorship of the independent directors led to negative performance in terms of profitability, net profits and even in ROI since their payment was not linked to the performance of the company. This meant that they cared less about the performance of the company and mostly focused on the accuracy of the books of accounts instead of the financial performance of the company.

2.2 The Board Size

The other significant aspect that was used in assessing the success of the company is the board size of the company. The board size of the company mostly referred to the number of directors serving in the board of directors. According to Fauzi and Locke (2012) different companies had different board members serving in their boards depending on the corporate governance practices of the company and the number of entities that had to be represented in the board.

Small board sizes are considered to be boards which had members of 1-6 board members, those with the medium board size had a 6-9 members board memberships while large board size had 9-12 members and extra-large boards had 13-15 members or even more board members. The board's size had been a subject of investigation by studies such as that of Garg (2007) who identified that the board members who were not willing to was mostly made of ten to twelve.

According to Ghosh (2006), the board size could be assessed by looking into the agency theory which stipulated that the board members acted as agents of various interest groups in the organisation hence the need to make the board large as this made the board more inclusive and more effective because all stakeholders that had influence on the board were included in the board of directors. Resource dependency theory also concurred that a board size was highly correlated with the resource capabilities of the firm. Large board size meant that the company board had more resources and intellectual capital than companies with smaller board sizes (Kalsie and Shrivastav 2016). Companies with larger board sizes benefitted from increased access to the board of directors networks, experience and knowledge. However, the stewardship theory had a conflicting view of the board size and instead recommended companies to have smaller board sizes since the employees acted as stewards and on behalf of the shareholders and owners of the company hence there was no need to replicate the responsibilities undertaken by the management and assign them to board members.

2.3 Firm Performance

Of the many methods that are used to evaluate business performance evaluation based on financial performance was the most effective. This was so because businesses existed to make profits. If no profits were being made, then owners of the business would not have for existing. Based on that information, it was therefore prudent to be conversant with various measures of financial performance. As mentioned elsewhere, the core subject of this study was to establish the effectiveness of multiple directors on the overall performance of the firms and businesses that they oversee.

ROI is the best measure to express the extent to which an amount invested for a particular action returns as profit or loss. ROI is expressed as a ratio between operating profit that is obtained after the action of investment is taken and the total amount of capital that is invested. The resulting ratio is then multiplied by a hundred to make it a percentage. Aliabadi et al. (2013) indicated that one advantage of using ROI as a measure of the financial performance was the ease of the calculations. It was also possible to factor in the cost of inflation calculation and thus be in a position to depict the actual position of the company. However, ROI had a major drawback in that ROI could not be used for comparison in investment projects having different economic timescales. The other limitation of using ROI as a method of evaluating a company's performance was its concern with only the financial aspect of the company (Hinterhuber and Liozu 2015). Other important things such as customer relations, employees' motivation and image of the company were ignored.

The use of return on assets (ROA) focused on the assets that are owned by a business and profits are measured against these profits. ROA is expressed as a ratio between net income and the average total assets that are owned by a firm (Al-Matari,et al. 2014). The resulting ratio is then multiplied by a hundred in order to express it as a percentage. One advantage of ROA is that it focused on the assets that a company had to explore whether they were being utilized for maximum productivity. This had an edge over ROI which focused on the profits that a firm is making. If managers for example are rewarded for increased ROI then it is possible for them to doctor an increasing picture of profits without considering the profits that are involved. Here,

according to Hatem (2014) the best choice to be implemented was the one that increases profits while lowering assets cost. A typical example showed a company that expanded its system and its net profit increased but ROA remained the same due to the resulting increase of average assets. On the other hand, when a new system was implemented, profits and ROA increased. A company's net worth information was another trove that contains insight into the financial performance of a business. The net worth of a company is defined as the amount by which assets exceed liabilities.

Firm performance could also be considered to be the market value of the company. According to Batchimeg (2017) market value is the value obtained by multiplying a company's total outstanding shares by their corresponding market price. This is also known as market capitalization. Market capitalization is an easy way of evaluating the worth of exchange traded instruments such as stocks and futures as their market prices are easily available as they are widely disseminated. Some of the challenges that were associated with the use of market value as a measure of financial performance were on how to ascertain over-the-counter instruments such as income securities. The greatest difficulty however, lied in approximating the value of illiquid assets like real estates and businesses.

However, firm's performance was not solely based on financial performance. Surroca, Tribo and Waddock (2010) analysed the effects of intangible assets of a company on mediating the relationship between corporate responsibility and financial performance in 28 countries. The results from the study indicated that there was no direct relationship between corporate responsibility and performance in only indirect financial relationships. Chiarello et al (2016) was of the opinion that one of the attributes leading to a company's competitive advantage referred to intangible assets which were represented by innovation, human resources, organizational culture, and reputation among other intangible resources. These intangible resources might not be visible to someone who was solely interested in analysing the financial metrics of performance, yet all these factors contributed to the wellbeing of the firm.

Various studies have investigated the influence that the board size had on firm's performance. Prior studies such as that of Ghosh (2006) and Kalsie and Shrivastav (2016) noted that the board size had its significant impact on firm performance

metrics such as return on investment and return on the company's assets and market to book value ratio. The study identified that the board size had positive impact on the return on assets and firm's financial performance based on Tobin Q. The larger the board size, the higher the performance of the company due to increase in the resources available and human capital which enhanced the performance of the company. Garg (2007) supported this by identifying that companies whose board size was large had better outcomes since it was difficult to have undue influence on a large board. Furthermore, large board members had diversity of opinions and experiences which made them to be more effective. Nonetheless Bennedsen, Kongsted and Nielsen (2008) indicated that large board size led to poor performance since it was difficult to listen and hear out all board members hence some board did not make any contribution. This means that in large boards only a few members who were very involved in decision making as most of directors did not fully participate in the board's decision making process leading to negative outcomes for the company.

Based on the examination of the previous studies showing the interconnection between the multiple directorships and the firm performance variables, the following is the conceptual framework of the study:

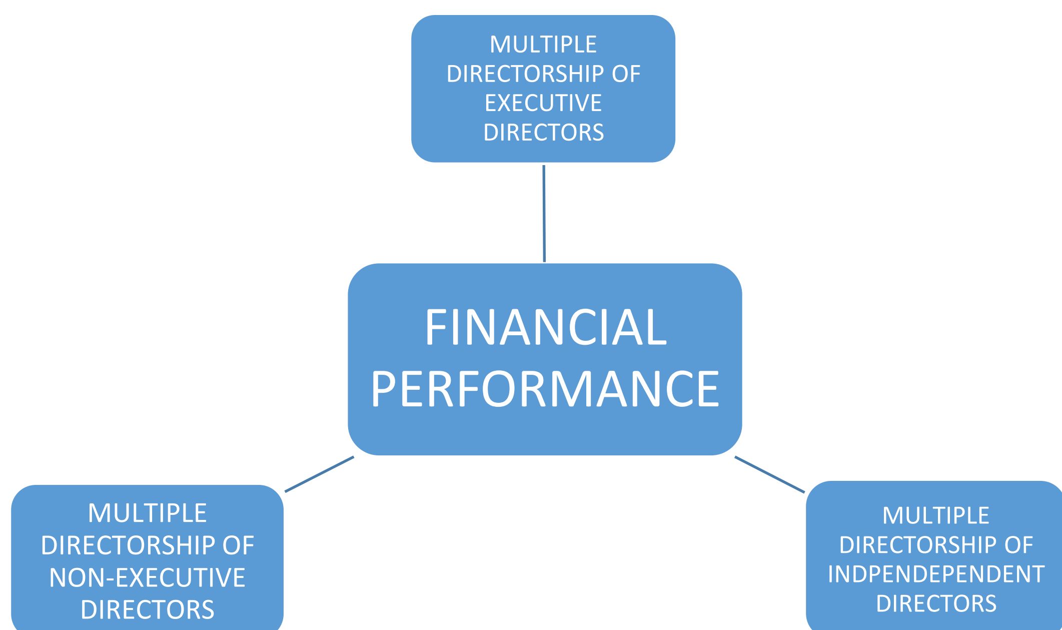

Figure 1: Multiple directorship and firm performance

The above picture summarised the discourse on the multiple directorships and firm performance. It presented a summary of the previous studies findings regarding the theoretical framework of the study. It showed that the independent variables of the study were the multiple directorships of executive directors, multiple directorships of the non-executive directors, and the multiple directorships of the independent directors. The dependent variable was the financial performance of the Finnish companies which was computed on the basis of return on investment and price/book ratio. This model posed that how the independent variables i.e. multiple directorships of directors were responsible for influencing the dependent variable i.e. the firm's financial performance. Based on the above model these hypotheses could be deduced:

H_1. Multiple directorships of executive directors negatively affected the financial performance of Finnish companies

H_2. Multiple directorships of the non-executive directors positively impacted the financial performance of Finnish companies

H_3. Multiple directorships of the independent directors positively influenced the financial performance of Finnish companies

Multiple directorships of the non-executive directors was found by most of the investigation as having positive impact on the performance due to the exposure and experience acquired by directors in multiple positions. The extant theoretical literatures on the impacts of independent directors in multiple directorships indicated that it resulted in positive firm performance due to the director's tendency to defend their reputation by ensuring that the firm where they were seating on the board were profitable and had positive returns to the investors.

3 Research Methodology

This chapter presents a step-by-step account on how the data was collected and the theoretical underpinnings that influenced the methods used to collect the data from the sources. It presents an explanation of the research methodology applied in the investigation. It discusses the research philosophy and the research approach as well as the data collection and the data analysis strategy that are applied in the investigation in order to establish the findings of the study. The first section highlights the research philosophy that was applied in this study and accounts for the research approach applied in the investigation. The other section shows the research strategy applied. The following part indicates the data collection methods and the data collection strategies that are applied in the investigation as well as the manner in which the data was analysed. The final part presents a summary of the findings of the study and the extent of its reliability and validity.

3.1 Research Philosophy and Approach

The research philosophy is the paradigm that the researcher applies in order to guide the processes and the outcomes of the investigation. The major research outlooks that can guide academic investigations are mostly the interpretivist paradigms. The interpretivist philosophy in academic investigation holds that reality is subjective and dependent on the phenomenon and the researcher's perception of the phenomena (Bryman and Bell 2011). Therefore, in order to make a comprehensive investigation, the interpretivist approach indicates that the researcher has to contextualise the phenomena and the findings of the study because the phenomenon is affected and influenced by the context as well as other variables. The main challenge with this interpretivist paradigm is that the findings and the results of the study are mostly subject to the researcher's biases during the interpretation. The positivist's viewpoint holds that investigations should be scientific and that there is only one reality (Fiegen 2010). Therefore, the aim of the research should be to establish a new reality. In order to establish this reality, the researcher has to apply facts that are observable, verifiable and immune to the researchers' biases.

This investigation had high preference for the positivist paradigm since the focus of this investigation was on a scientific analysis of the impact that multiple directorships had on firms' performance (Jarvis 2010). The concept of multiple directorships and that of a firm's financial performance had to be based on actual facts. Hence, the need to use a paradigm that supported the use of factual information. In addition, positivism enabled the author to critically assess the impact that one variable had on another in a manner that eliminated the author's or participant's biases.

The research approach is the plan used by the researcher to arrive at the research findings. The major approaches that can be applied in an empirical investigation are the inductive approach and the deductive approach. The deductive approach holds that empirical investigations ought to start with the investigation of the related theories, which should be followed by applying the theories to a specific context (Kuada 2012). The deductive approach insists that the aim of the study should be to test whether the general theories can be applied in specific contexts and situations. On the other hand, the inductive approach holds that the investigations ought to commence from a specific context or specific issue and advance to a general level. This means that academic investigations should start by identifying and investigating issues that are context specific. The findings from the specific context can then be applied to a general context. This approach is highly recommended when investigating or seeking to establish new theories. This investigation applied the deductive approach because the area under investigation, which was multiple directorships, already had existing theories, such as the busyness of directors and resourcefulness of the directors (Punch 2013). The deductive approach was highly effective in this investigation because the major focus of the investigation was to identify the impact on and application of multiple directorships to Finnish companies. This meant that this research pursued to test whether the theories on multiple directorships were applicable to Finnish companies.

3.2 Research Design and Strategy

The research strategy is the predetermined processes that researcher intends to follow during the research investigation in order to obtain findings and the research conclusions. The major research strategies that can be applied in the empirical investigation are the case study, observation, experiments and survey. The case study is a strategy that involves phenomena that are rare or so scarce so that the researcher prefers to investigate only one case. They are advantageous because they provide in-depth information about the phenomena which can be generalised to other similar studies (Bryman and Bell 2011). The observation involves undertaking surveillance or watching phenomena without its awareness in order to identify its behaviour. The strategy is appropriate when it is necessary to obtain information without involving the phenomena or for covert studies. The experiments involve subjecting phenomena to predetermined conditions in order to identify how the phenomena being investigated will behave under certain conditions (Cohen, Manion and Morrison 2011). The major challenge with experiments is that they are extensive and time consuming and are mostly effective for non-human phenomena. The surveys involve investigating or identifying a subsection of the phenomena which is representative of the whole phenomena. The surveys are preferred in instances where the phenomenon being investigated is very huge and difficult to investigate every part of the phenomena. This study prefers to use study and analyse the data of Finnish companies in order to effectively study and obtain in-depth information about multi directorship of the Finnish companies.

There are two main research designs and they are the qualitative research design and the quantitative research design. The qualitative research design involves investigation or collecting qualitative data. The qualitative data is mostly data which in non-measurable or non-quantifiable such as emotions, perceptions and behaviours. This kind of data is used in studies which are explorative of which are seeking to identify the reasons why phenomena or subject of interest behaves in a particular manner (Ayiro 2012). Quantitative research design involves collection of data which is measureable and verifiable. The quantitative research design is applied in instances where the researcher is interested in obtaining facts that explain the phenomena characteristics and descriptions and how the phenomena relates with

another phenomena. This investigation applied the quantitative research design because the study needed findings that were accurate, measurable and verifiable which was only possible through quantitative research design (Fiegen 2010). Other than this, considering that the study investigated companies in Finland especially firms' financial performance which had to be quantified, the most effective research design was to be the quantitative research design because it demonstrated the effectiveness of the research and showed how accurate and verifiable results on the way the multiple directorship of Finnish companies affect the performance of those companies.

3.3 Data Collection and Analysis

There are two main data collection methods which are primary data collection method and the secondary data collection process. The primary data collection method involves collecting data from the actual sources (Kuada 2012). It is highly preferred in instances where the actual sources are accessible and there is ample time to undertake the study. It is however costly and time conscious and preferred when not investigating a large data set or phenomena. On the other hand, secondary data collection involves collection of data from derived sources or other sources other than the primary source. It is applicable in instances where the population of interest is too large to collect data from the actual sources or there are time constraints that would not allow the data to be collected from actual sources (Ayiro 2012). This study preferred to apply the secondary data mostly due to time constraints that make it difficult to investigate and collect all the data on the multiple directorships and firm performance from the primary sources. In addition, the data on the information being investigated can be obtained from secondary sources which assist in saving the researcher's time and resources that would have been used in undertaking primary investigation.

To collect the data, the researcher first identified the companies that were to be included in the study. The main criteria, that was used to determine the companies that were supposed to be included in the study was that the companies had to be

located in Finland and they had to be Finnish companies. In addition, these companies had to be public companies that are listed on exchanges such as NASDAQ. This implied that their financial reports and firm's financial performance as well as the details concerning the companies had to be publicly listed since they were public companies. The main challenge with the secondary data was that too much irrelevant data was collected which complicates the data analysis and makes the secondary data collection process tedious and time consuming. To eliminate this challenge, the researcher decided to use financial and annual reports that were not older than 2008. Financial reports were selected from 25 that were publicly listed in the stock exchanges for a period of 5 years. Therefore the study covered 125 firm years (observations) with financial years commencing from January 2013 to December 2017. The data was collected from financial statements that were listed on the company's website and from other public sources such as Securities and Exchange Commission where NASDAQ companies publicly filed their annual reports.

Data analysis is the process of extracting information or relevant information from a heap of disorganised data and information (Kuada 2012). Once the researcher had identified the companies whose financial reports was to be used to in this investigation. The researcher combed through the financial reports and compiled data from the selected companies. To identify the multiple directorships the researcher noted the number of directors in each company and the number of executive, non-executive and the independent directors. The number of multiple directors in each director category was divided against the total number of directors for that category. Once the values of multi directorships for each company were identified, the researcher then soughed to identify the firm's performance values such as the return on investment, the return on assets and the market value figures. The researcher then carried out a multiple regression between the multi directorships of the directors of various companies and firm's performance values such as ROI, ROA and the market value.

Regression analysis was applied to demonstrate the relationship that existed between the multiple directorships and the firm performance. The following model was applied to demonstrate the relationship and impact that the multiple

directorships of the executive directors, non-executive directors, and the independent directors and firm's financial performance: as follows:

Y_{it}= β_0 + β_1 ($MPDEXE_{it}$) + β_2 ($MPDNEXE_{it}$) + β_3 ($MPDIND_{it}$) + B_4 (ROI_{it}) + B_5 (P/B $ratio_{it}$) + εrror term

Where:

Y – Firm Performance (Dependent variable)

MPDEXE- Multiple directorships of executive directors

MPDNEXE- Multiple directorships of non-executive directors

MPDIND- Multiple directorships of independent directors

ROI- Return on investment

P/B ratio- Price to book ratio

β_0 - the constant of the model

β_1- β_5 - the regression coefficients

$_i$- Number of firms

$_t$- Time period in years

ε – Stochastic error term estimate

To enhance the reliability of the study, the study included several control variables which were; the board size, the CEO Duality, board independence and number of non-executive directors. In consideration of the control variables, the functional model is as follows:

$Y_{it} = \beta_0 + \beta_1 (MPDEXE_{it}) + \beta_2 (MPDNEXE_{it}) + \beta_3 (MPDIND_{it}) + \beta_4 (ROI_{it}) + \beta_5 (P/B\ ratio_{it}) + \beta_6 (BOARDSZ_{it}) + \beta_7 (CEODUALITY_{it}) + \beta_8 (BOARDIND_{it}) + \beta_9 (NON\ EXECUTIVE_{it}) + \varepsilon rror\ term$

The model for ROI is as follows:

$ROI = \beta_0 + \beta_1 (MPDEXE_{it}) + \beta_2 (MPDNEXE_{it}) + \beta_3 (MPDIND_{it}) + \beta_4 (P/B\ ratio_{it}) + B_5 (Y_{it}) + \beta_6 (BOARDSZ_{it}) + \beta_7 (CEODUALITY_{it}) + \beta_8 (BOARDIND_{it}) + \beta_9 (NON\ EXECUTIVE_{it}) + \varepsilon rror\ term$

The model for P/B ratio is as follows:

$P/B\ Ratio = \beta_0 + \beta_1 (MPDEXE_{it}) + \beta_2 (MPDNEXE_{it}) + \beta_3 (MPDIND_{it}) + \beta_4 (ROI) + B_5 (Y_{it}) + \beta_6 (BOARDSZ_{it}) + \beta_7 (CEODUALITY_{it}) + \beta_8 (BOARDIND_{it}) + \beta_9 (NON\ EXECUTIVE_{it}) + \varepsilon rror\ term$

Where:

Y_{it} – Firm Performance (Dependent variable)

MPDEXE- Multiple directorships of executive directors

MPDNEXE- Multiple directorships of non-executive directors

MPDIND- Multiple directorships of independent directors

ROI- Return on investment

P/B Ratio- Price to book ratio

BOARDSZ- Board size

CEODUALITY – CEO Duality

BOARDIND- Board Independence

NON EXECUTIVE- Non executive board members

β_0 - the constant of the model

β_1- β_7 – Ordinary Least Squares (OLS) regression coefficients

ε – Stochastic error term estimate

Table 1: The table below shows the definition of each variable and how each value was defined and calculated.

Variables	Label	Definition
Independent variables		
Multiple directorships of executive directors	MPDEXE	Ratio of the number of executive directors holding multiple directorship among executive to the total number of executive directors
Multiple directorships of non-executive directors	MPDNEXE	Ratio of the number of non-executive directors holding multiple directorship among non-executive directors to the total number of non-executive directors
Multiple directorships of independent directors	MPDIND	Ratio of the number of independent directors holding multiple directorship among independent to the total number of independent directors
Dependent variables		
Return on Investments	ROI	Net income divided by the total assets
Price to Book ratio	P/B ratio	Closing price/ book value of assets where book value is the total shareholders equity divided by total volume of

		shares traded by close of the year
Control variables		
Board Size	BOARDSZ	Log of the total number of board members
CEO Duality	CEODUALITY	Its 1 for companies where CEO serves as the chair of the board and 0 for companies where CEO is not chair of the board
Board Independence	BOARDIND	Ratio of the independent directors to the total number of board of directors
Non-executive directors	NON EXECUTIVE	Ratio of the non-executive directors to the total number of board members

3.4 Reliability and Validity of the Study

Reliability aspect of the study is concerned with whether the research can produce results that are consistent. The reliability helps the researcher eliminate biases, subjectivity and inaccurate sources. To enhance the reliability of the data the researcher ensured that the models used were consistent with the models used in other previous studies. In addition, the researcher ensured that the data was collected from verifiable sources such as the company website or from government sources that were reputed for publishing credible company information. The researcher ensured that the data tabulation and data analysis processes were transparent and verifiable to enhance consistency of the study.

Validity was the extent to which the findings of the study were considered accurate in measuring the objectives of the study. There are two types of validity that

determine the validity of the investigation and they are internal validity and the external validity. External validity focuses on the extent to which the findings of the research can be generalised. External validity is enhanced by using a large number of cases with diverse attributes in order to make the findings generalizable. To enhance validity the researcher ensured that the data could be replicated for several years. This study used five year data of the twenty five companies. In addition, the companies involved were from different sectors and industries which enhanced the validity of the study since the data was representative of the various industries in Finland. Internal validity of the study was enhanced by ensuring that the research constructs were in tandem with the objectives of the study.

The above chapter identified that this study applied the positivist's viewpoint; the deductive approach was used while the case study strategy was applied in the investigation. The quantitative research design was used in the investigation and secondary data collection was used to collect data from the various companies. The data was analysed identifying the descriptive of each variable that is; multiple directorships of the executive directors, the multiple directorships of the non-executive directors and the multiple directorship of independent directors as well the descriptive of the firm performance variables such as the ROI, and P/B ratios. The data was then analysed by looking at regression of the multiple directorships variables and the firm performance variables to identify how the various kinds of multiple directorships affects the firm performance.

4 Results

This chapter contains the results of the study and it discusses its findings. It shows the relationship between the various multiple directorship variables and the firms' performance variables. The second part of results shows the descriptive findings on how the Finnish companies in the study fared in terms of multiple directorships of the executive, non-executive and independent directors. It also highlights the findings related to the two major aspects of firm performance, which were the Return on Investment and Price to Book Value ratio. The third part shows the impact

that various types of directorships had on the firm performance. Specifically, it shows how the multiple directorship values of executive directors in the Finnish companies affected the ROI and P/B ratio of these companies. The results also demonstrate findings on how the multiple directorships of non-executive directors in the Finnish companies affected the companies' performance in terms of their ROI and P/B ratio. The findings also indicate the impact that the multiple directorships of the independent directors had on the firm performance. Other variables explored by the study were the board size, CEO duality, and independence of the board and the non-executive directorship of the board.

4.1 Descriptives

The descriptive part highlights the mean of each item and shows each item's mean, standard deviation as well as the maximum and minimum scores. The table below shows the descriptive findings of the study.

Table 2: The descriptive results of the Finnish companies

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Multiple directorship of executive directors	125	.10	.80	.3621	.22606
Multiple directorship of non executive directors	125	.00	1.00	.4110	.19413
Multiple directorship of independent directors	125	.00	1.00	.4852	.34162
Board size	125	.10	1.20	.4332	.25239
CEO Duality	125	.00	1.00	.4400	.49838
Board indepedence	125	.10	.80	.3640	.16800
Non executive directors	125	.10	.80	.3109	.19943
Valid N (listwise)	125				

The overall mean of the multi directorship of the executive directors was 0.3621 which was slightly lower than 0.5 and it demonstrated that Finnish companies had executive directors serving in multiple directorships. However, these directors were not the majority or did not make more than half of the number of the non-executive directors. With the non-executive directors who were serving in the boards of Finnish companies, the mean was 0.411 and it indicated that less than half of the non-executive directors served in the boards of Finnish companies.

On the independent directors, the study also investigated the extent or value of those in multiple directorships and serving as independent directors in Finnish companies. The mean of the multiple directorships of the independent directors was 0.4852, and it was below 0.5 indicating that some of the independent directors in the Finnish companies were multiple directors, but that the majority of them were not.

The other aspect that was used to assess the board characteristics of the Finnish companies was the board size of the companies. The board size was assessed by using the log of the number of the board members. The total average for board size for the Finnish companies in this study was 0.4332, and this meant that most of the companies had boards with an average of about four board members, which implied that the board sizes were smaller or less than the average of five members.

The other independent variable used to assess the board characteristics of the Finnish companies was that of the CEO duality. As indicated earlier, the CEO duality was about whether there was a CEO who also served as the chair of the board. The mean of this item was also 0.44, and it implied that there was CEO duality but it was not for most companies as the mean was less than 0.5.

With regard to the independence of the board of directors, the mean of the item was 0.36, and it implied that 0.36 or about 36% of the board members were independent directors. The mean for the non-executive directors was 0.310 and it implied that about a third of the board members in these Finnish companies were non-executive directors.

The performance was examined using the main performance metrics which were the ROI and the Price to Book Value ratio. Positive ROI figures indicated that the company performance was positive, while a negative ROI indicated that the company was making losses instead of profits, which indicated poor performance. Price to book value that was below 1 indicated that the company was undervalued in the market, which indicated that investors' confidence in the company was very low. Companies with P/B ratio of more than 1 were considered to be performing well as investors were confident that the company would perform well in future.

On the ROI, the ROI was identified by calculating the average ROI for all the companies in the study. The average ROI for the Finnish companies was 0.07, which demonstrated that most of the companies had positive return on investment.

The other firm performance metric that was used in the investigation was the price to book value ratio. The price to book value was used to measure how investors perceived the company. Companies that were perceived as likely to perform better or as having good performance had a high price to book ratio, while those whose performance was less than 1 indicated that investors lacked confidence in the company. The overall average book value of the assessed 25 Finnish companies was 7.6 indicating that the most of the Finnish companies were overvalued by the investors. This indicated good performance in future, as investors tended to overvalue companies that they considered likely to perform better or provide returns in future. It could also be attributed to the overvaluation of companies because, for example, Nokia had an extremely high P/B ratio.

4.2 Results Based on Correlation

This section further evaluated the impact that the multiple directorship of the Finnish board of directors had on the firm performance of Finnish companies. The section evaluated how the multi directorship of the companies would affect their performance. In order to effectively obtain these findings from the data from the 25 companies used in the investigation, the researcher did a correlation between the multiple directorship values and the ROI values. The researcher also sought for the

regression coefficient in order to determine the impact that multiple directorship values had on the Finnish companies' firm performance. The impact of multi directorship was considered to be existent or to be positive if both correlation of multi directors and ROI and P/B value were not positive. It was neutral if it only affected one of the factors positively and the other negatively while it was negative if it affected both ROI and P/B value negatively.

Table 3: Multivariate correlation

	Correlation								
	MPDEXD	MPDNEXD	MPDIND	BoardSz	CEODUALITY	BOARDIND	NEXD	ROI	P/B ratio
MPDEXD	1	-0.351	-0.351	-0.282	0	-0.289	-0.201	-0.108	0.127
MPDNEXD	-0.351	1	0.168	0.081		-0.039	-0.12	-0.163	-0.393
MPDIND	-0.351	0.168	1	0.353	0.092	0.417	0.462	-0.46	0.286
BoardSz	-0.282	-0.036	0.353	1	0.061	0.588	0.579	0.18	0.386
CEODUALITY	0	0.081	0.092	0.061	1	0.005	-0.092	-0.039	-0.033
BOARDIND	-0.289	-0.039	0.417	0.588	0.005	1	0.721	0.303	0.276
NONEXEC	-0.201	-0.12	0.462	0.579	-0.092	0.721	1	0.16	0.401
ROI	-0.108	-0.163	-0.46	0.18	-0.039	0.303	0.16	1	-0.021
P/B ratio	0.127	-0.393	0.286	0.386	-0.033	0.276	0.401	-0.021	1

For correlations, positive correlation indicated that the impact of multi directorship on the firm’s performance was positive while the negative correlation indicated negative relationship between the multi directorship of the executive directors and the ROI and the P/B ratio. In addition, correlation above 0.5 indicated strong relationship between variables while those below 0.5 demonstrated weak relationship.

On the correlation between multiple directorships of executive directors (MPDEXD) and the ROI, the correlation was -0.108 which demonstrated that there was little relationship between multiple directorships of the executive directors and the company’s ROI. This could be attributed to the fact that the executive directors were expected to play full time roles and having multi directorship impacted the company negatively as they were not able to pay adequate attention to the company leading to poor returns.

On the relationship between the multiple directorships of the executive directors and the P/B ratio the correlation value was 0.127 which was a low positive correlation and indicated that multiple directorships of executive directors had positive relationship with the firm performance. This could be attributed to the fact that it was probable for investors to consider companies with multiple directors as more valuable than companies without multiple directors due to experience and networks that came with holding multiple directorship positions.

The correlation between the multiple directorships of non-executive directors and the ROI was negative 0.163 which indicated that multiple directorships of non-executive directors negatively affected the ROI of the company. On the correlation between multiple directorship of non-executive directorship and the P/B ratio the study identified that the correlation was negative 0.393 which demonstrated very high negative correlation between the multiple directorships of the non-executive directors and the firm performance. This implied that higher multiple directorships resulted in lower P/B ratio for the company.

From the above results on correlation, it had been identified that multiple directorship of the non-executive directors was negatively correlated with the firm performance in regard to the ROI and the P/B ratios thus demonstrating that there

was strong negative relationship between the multiple directorships of the non-executive directors and the firm performance.

On the correlation between the multiple directorships of independent directors and the ROI the investigation noted that the correlation was -0.46 which demonstrated that there was positive relationship between the firm's performance and the multi directorship of the independent directors.

On the relationship between MPDIND and the P/B ratio the correlation value was 0.286 which demonstrated that there was positive relationship between the MPDIND and the P/B ratio. This meant that the actual performance of firms whose independent directors were multiple directors was negative but the investors still valued such firms due to the credibility that was accorded to independent directors who held multiple directorship positions in the firm.

From the correlations, it was also evident that there was very strong correlation between the board size and the return on investment as the correlation was 0.18. However, the correlation between the board size and P/B ratio was 0.386 which indicated that the correlation between board size and P/B ratio was negative. This implied that board size positively impacted the ROI while negatively influencing the P/B ratio.

The investigation further explored the impressions that the company's structure or the duality of the CEO of the Finnish companies had on the financial performance of those companies. Using the correlation values, the study identified that there was strong positive correlation between the CEO duality and the ROI as the value was -0.039. However, there was negative correlation between the board structure and P/B ratio was the correlation was negative 0.033.

The other aspect of the board whose impact on the firm performance was investigated by this study is that of board independence. The study used the correlations figures to assess the relationship between board independence and firm performance. From the investigation, there was negative correlation between the board independence and the ROI which was 0.303. The correlation between the board independence and the P/B ratio was 0.276 as indicated by the figure below

showed that there was positive relationship between the board independence and P/B ratio.

4.3 Results Based on Regression

On the impact that the multiple directorships of the executive directors had on the firm's performance, the researcher applied Ordinary Least Squares (p) of the two variables.

Table 4: Ordinary Least Squares (p) of two variables

	Dependent variables	
	ROI	P/B ratio
Constant	0.067 (1.687)	-8.55
MPDEXE	0.038 (-0.846)	31.685
MPDNEXD	-0.073	-48.991
MPDIND	0.058 (-1.765)	22.509
BoardSz	0.019 (0.395)	29.6
CEODUALITY	0.05	-1.793
BOARDIND	0.255	-8.54
NONEXEC	-0.055	15.994

On the regression identified the p value between the multiple directorship and the ROI was negative 0.038 which demonstrated that multiple directorship of executive directors had small positive impact on the company's return on investment. The regression value between multi directorship of executive directors and the P/B ratio was negative 31.68 which demonstrated that multiple directorships of executive directors had significant positive impact on the P/B ratio of the company.

Concerning that the impact of the multiple directorship of executive directors on ROI was negative (0.038) and the impact of the executive directors on P/B ratio was positive 31.685 it can be deduced that there was a positive impact of multiple directorship of the executive directors on the performance of Finnish companies. This was because the multiple directorships of the executive directors had significantly higher positive impact on P/B ratios which neutralised the negative impact of executive directorship on the P/B ratios. The realisation that multiple directorships of executive directors had positive impact on ROI aspect of company performance was in line with the previous study of Crespí-Cladera and Pascual-Fust (2015) that noted that multiple directorships had positive influence on the firm's performance especially in terms of the market share and market information executive directors who were serving in various boards tended to have high level of exposure and information. Executive director's exposure and experience in service in various boards equipped them with knowledge and skills that enabled them to make better decisions and choices that improved the overall performance of the company (Rampling 2011). However, the findings were in contradiction with the previous study of Lee and Isa (2015) that the executives in multiple directorships had divided attention which affected their supervisory and management roles negatively. O'Sullivan (2009) further argued that the multiple directorships of the executive directors affected the company financial performance negatively. Tien, Chen and Chuang (2014) noted that directors who were not fully committed to the organisations led to negative financial performance since they did not effectively monitor costs. They also increased the cost of the company since more directors or employees had to be employed in order to fill in the gap created by the executive directors who held multiple directorship thus increasing directors costs and emoluments which lowered shareholders profits and value In addition, the executives in multiple directorships eroded the shareholders confidence in the company which in most instances led to lower market capitalisation as shareholders were usually worried and concerned about directors in multiple directorships.

On the impact that the multiple directorship of the non-executive directorship had on the ROI and the P/B ratios, the research investigation used the linear regression to

examine the impact. The regression was examined using the OLS values. The regression value was negative 0.073.

The OLS regression value of MPDNEXD & P/B was -48.991 and it demonstrated that there was slight positive impact between the multiple directorships of the non-executive directors and the P/B ratio where an increase in the one aspect of multi directorship increasing the P/B ratio of the company. From the above results, it was clear that the multiple directorships of the non-executive directors affected the performance of Finnish companies negatively both for ROI and for P/B ratios. The study found that multiple directorship of non-executive directors negatively affected firm performance in terms of ROI. The finding that the multiple directorship of the non-executive directors negatively affected ROI was in agreement with line with the previous study of Tanyi and Smith (2015) who argue that directors who have multiple directorship tended to be very busy and occupied by the interests of the various companies and organisations which affect their capacity to advise and monitor the organisations which they serve on the board effectively. Cullen and Brennan (2017) also agreed that multiple directorships of the non-executive directors did not always imply experience but non-commitment and a rent seeking behaviour by directors seeking for additional emoluments as directors in multiple firms affected by firm performance. James, Wang and Xie (2018) indicated that the multiple directorship of the non-executive resulted in negative performance of the firm. The study indicated that the multiple directorships of the non-executive directors led to busyness of the directors which compromised their capacity to undertake oversight activities on the firm.

The findings were however contrary to the previous study of Alhaji, et al (2014) indicated that multiple directorships of the non-executive directors meant the directors were mostly concerned with the shareholders interest and other concerns of the minority investors who were very much concerned and interested on return on the company’s assets and investments. As per Borlea, Achim and Mare (2017) the experience, competence and as well as the networks of the other non-executive directors helped them to identify ways in which they could optimise the company assets such as the human assets, financial assets and the intellectual property assets for the shareholders and investors of the company. The skills possessed by the

directors were important and crucial to the firm in providing advisory guidelines and policies that helped the managers run the organisation better.

The investigation further investigated the impact that the multiple directorships of the non-executive directors of the Finnish companies had on the performance of Finnish companies. The study applied the correlation and regression values to identify whether the relationship was positive and whether its impact was positive or negative. The impacts of multiple directorships of independent directors were further assessed by looking into the linear regression coefficients in order to identify whether the impact was either positive negative or neutral. The regression of the MPDIND and the ROI was 0.058 which demonstrated that the multiple directorships of independent directors had a little positive influence on the ROI of the Finnish companies. The regression value of MPDIND & P/B was -48.991 which demonstrated that the multiple directorships of the independent directors resulted in positive change in the P/B value of the Finnish companies.

Based on the above findings from both the regression values it was clear that the MPDIND affected the ROI positively, while the multiple directorships of the independent directors affected the P/B ratio negatively. This means that the impact of MPDIND on the firm performance was negative due to the overwhelming negative impact of multiple directorships of independent directors on P/B ratio. This realisation was in line with the previous study of Zhu, et al (2017) noted that companies with independents directors who were in multiple directorships experienced higher return investments compared to companies that did not have independent directors that were in multiple directorships. This was because such directors came with connections and networks that helped the firm to find markets for its products and services. Furthermore, such directors enhanced the credibility of the organisation in the eyes of the company’s publics and customers as such directors not only acted in the interest of the shareholder about also in the interest of the customers (Shi, Xu and Zhang, 2018). Such companies with independent directors were found to have high standards of governance which protected the consumers’ interests and ensured that customers were protected. This increased the sales and revenues of the businesses due to consumer confidence in the company leading to higher return on investments and higher return on the assets.

However, this finding was contrary to other studies such as that of Cook and Wang (2011) who argued against the multiple directorship of the independent directors indicated that the independent directors' capability to oversight and discharge their roles is often times hampered by business and preoccupation with the affairs of other companies which reduces their information asymmetry. This implied that they may be highly involved in other companies where they may hold executive or non-executive roles that may affect their capacities to discharge duties in organisation where they are selected as independent directors. Chen, Hsu and Chang (2016) argued that in many instances the performance of the independent directors since they were not directly linked to be expected to benefit from performance in terms of deferred shares or bonuses or dividends. This made them less interested and committed to the organisation compared to the directors who had vested interest in the company such as non-executive directors representing the shareholders.

The investigation further to ascertain the impacts of board size on the firms, the researcher searched for the model summary and regression co-efficient of the board size and firm performance variables (ROI and P/B ratio). From the investigation, regression value between the OLS value was negative 0.019.

In summary, this section presented the findings on the aspect of multi directorship and the impact which they had on the Finnish companies. From the study, it was identified that the multi directorships of executive directors in the Finnish companies was very low. The multiple directorships of the non-executive directors were medium while the multiple directorships of the independent directors were high. On the impact that the multiple directorship had on the company's performance the study identified that multiple directorship of executive directors affected the ROI and P/B ratio positively. The multiple directorships of non-executive directors affected both the ROI negatively but affected the P/B ratio positively proving that multiple directorship of non-executive directors negatively influenced firm performance of Finnish companies in terms of ROI. The investigation further assessed the impact of multiple directorships of the executive directors and identified that multiple directorship of the independent positively affected the ROI and the P/B ratio of Finnish companies.

5 Conclusion

This section presents the conclusion of the study and it highlighted the strengths of the study. The conclusion further highlights the limitations of the study. The section further showed the recommendations of the research to the Finnish companies on whether they should adopt multiple directors or not and the specific areas that future research should endeavour to investigate and focus on.

5.1 Strengths of the Study

The investigation was considered to have been effective based on its capacity to attain each of the research objectives of the investigation. In the case of this research, it was considered to have been effective and appropriate because of its ability to achieve the first research objective of determining the impact that the multiple directorships of the executive directors had on the performance of Finnish companies. This investigation established that the multiple directorships of the executive directors in Finnish companies had a neutral effect on the performance of the company. This was because it negatively affected the ROI of the company but positively affected the P/B ratio of the company. Therefore, the negative effect was negative performance in terms of ROI was negated by gains in the market value of the publicly traded shares and stock of the company. The finding was found to be in agreement with the previous study of Cooper and Uzun (2012) that identified that multiple appointment of the directors resulted in risk exposure as the boards whose directors were on multiple companies had higher risks compared to banks whose directors were serving only in one company. However, this finding contradicted the previous research of Crespí-Cladera and Pascual-Fust (2015) noted that multiple directorships had positive influence on the firm's performance especially in terms of the market share and market information executive directors who were serving in various boards tendency to have high levels of exposure and information. Executive director's exposure and experience in service in various boards equipped them with knowledge and skills that enabled them to make better decisions and choices that improved the overall performance of the company (Rampling 2011).

The second strength of the investigation was in succeeding to identify the influence that the multiple directorship of the non-executive directorship had on performance of Finnish companies. The studies identified that the multiple directorship of the non-executive directors impacted the performance of the companies negatively. This was because there was negative correlation between the multi directorship of the non-executive directors and the ROI and the P/B ratio of Finnish companies. The finding was supported by the previous studies of Cullen and Brennan (2017) who had established that multiple directorships of the non-executive directors did not always imply experience but non-commitment and a rent seeking behaviour by directors seeking for additional emoluments as directors in multiple firms. The research findings contradicted findings of Alhaji, et al (2014) indicated that multiple directorships of the non-executive directors meant the directors were mostly concerned with the shareholders interest and other concerns of the minority investors who were very much concerned and interested on return on the company's assets and investments.

The other major strength of this research was its realisation of the third research objective of investigating the impact that the multi directorship of the non-executive directors on the performance of Finnish companies. The investigation identified that the multiple directorship of the independent directors had a negative effect on the performance of the Finnish companies. The multiple directors affected the ROI negatively but had positive effect on the P/B ratio of the company which was considered to be a neutral effect. This finding that multi directorship of the independent directors affected the ROI of the companies negatively was in agreement with the previous study of Chen, Hsu and Chang (2016) argued that in many instances the performance of the independent directors since they were not directly linked to benefit from performance in terms of deferred shares or bonuses or dividends. Lack of link between performance and rewards made the independent directors less interested and committed to the organisation as compared to the directors who had vested interest in the company such as non-executive directors representing the shareholders. Nonetheless, the findings of this investigation were contrary to the study of Zhu, et al (2017) noted that companies with independents directors who were in multiple directorships experienced higher return investments

compared to companies that did not have independent directors that were in multiple directorships.

Overall this investigation established that multi directorship of the Finnish affected the companies negatively because the average correlation of the multi directorship and ROI was negative. This could be attributed to the theories of busyness which indicated that multiple directorship increased the directors business and minimised their focus on the company which resulted to negative performance in regard to the return on investment. However, shareholders usually perceived multi directorship as advantageous which was why the value of the companies was higher even though such companies were performing poorly.

5.2 Weaknesses of the Study

The major weakness of this study is that it focused on assessing the performance of the companies based on the ROI and the financial measures of performance only. The study did not focus on how the performance of the companies in regard to the non-financial measures such as the company's corporate governance practices, employee job satisfaction and customer satisfaction which were also very important aspects of firm performance. The other weakness of this investigation was that it mostly utilised secondary data from the company's annual reports. Most significantly the secondary data had major weakness of having incomplete information or irrelevant information which could not provide a clear picture and information about the company, this was especially in regard to the multiple directorship position of the directors as the information on the directors' profile and position was mostly scanty and dependent only one source which was the company's Annual Reports. This meant that the information could have been subjective thus making the findings of the investigation subjective.

Future research should endeavour to overcome the weaknesses of this study by ensuring that the study had not only focused on the financial aspects of the firm performance but also on the non-financial aspects of firm performance such as adherence to corporate governance practices. CSR practices had the company,

employees' job satisfaction and customer satisfaction. This would help the study have an in-depth comprehension of the impact that multi directorship had on the firm's performance both in terms of financial performance and non-financial performance of the firm. In addition, the future studies should seek to overcome the limitation of this study of using secondary data by utilising primary data instead. This will help in identifying actual and accurate information on the multi directorship of the company as well as in obtaining relevant information about the current performance of the company from the actual sources.

5.3 Recommendations of the Study

These are the recommendations of the study which are founded on the findings of this investigation. The first recommendation suggests Finnish companies not to adopt multi directorship of the executive directors especially the companies whose focus is having higher ROI. In order to be profitable, the companies should ensure that their executive directors do not hold other directorship positions. This is to ensure that these directors only focused on the company operations. The focused attention of the executive directors led to profitability and high return on investments, However, if the focus of the company was making shareholders perceive the company as valuable and likely to make profits in future, the company should then have executive directors who hold multi directorship position because the shareholders were found to value companies that had executive directors with multiple directors as it demonstrated their competence and resourcefulness to the organisation.

The second recommendation is that the company should not hire or should release non-executive directors who hold multiple directorships position. The study established that the directors of the non-executive directors led to negative ROI and negative P/B ratio. This meant that the presence of non-executive directors led to negative performance of the company both in terms of investment and in market valuation of the company. To ensure higher performance, the company need to eliminate or revoke appointment of non-executive directors who helped multiple

directorships. This would enhance the performance of the company and increase investor confidence in the company.

The third recommendation of the study is for Finnish companies to not to hire independent directors with multi directorships if their focus is having higher return on investments because the study identified that the multiple directorship of the independent directors was negatively correlated with ROI of the Finnish companies. However, if the focus of the company was to have higher market valuation it was necessary to have the independent directors who held multiple directorship position because the companies that had higher multiple directorship positions of independent directors were overvalued or highly valued by the investors compared to those that did not have multiple directorships of independent directors.

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