

**BOARD CHARACTERISTICS, CHIEF EXECUTIVE OFFICER TRAITS
AND FINANCIAL RISK TAKING: A STUDY OF PRIVATE FIRMS IN
NAIROBI, KENYA**

BY

CHEPKWONY PROTUS KIPROP

**THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF DOCTOR OF PHILOSOPHY
IN BUSINESS MANAGEMENT (FINANCE) TO THE SCHOOL OF
BUSINESS AND ECONOMICS,
MOI UNIVERSITY, KENYA**

2024

DECLARATION

Declaration by the Candidate

This thesis is my original work and has not been presented for a degree in any other University or institution. No part of this thesis may be reproduced without prior permission of the author and/or Moi University.

Signed:

Date:.....

Chepkwony Protus Kiprop

SBE/DHIL/BM/007/15

Declaration by the Supervisors

This PhD thesis has been submitted with our approval as the university supervisors.

Dr. Joel Tenai

Department of Accounting & Finance

School of Business and Economics

Moi University, Kenya

Signed:

Date:

Dr. Joel Tuwey

Department of Accounting & Finance

School of Business and Economics

Moi University, Kenya

Signed:

Date:

DEDICATION

To begin with, I dedicate this thesis to the all-powerful God for guiding me through the writing process; second, I devote this research work to my mother Cecilia Koech, my brother Tuwei Geoffry and my children, Nancy Jepng'etich, Fabian Kipkoech, and Deon Kipchirchir together with other family members for their continued prayers, encouragements and support.

ACKNOWLEDGEMENTS

I am grateful to God for bringing me this far; without him, I wouldn't have been able to complete this thesis. I would also want to thank my supervisors, Dr. Joel Tenai and Dr. Joel Tuwey, for their moral support, assistance, excellent intellectual mentoring, and time spent on my research thesis.

I want to recognize Prof. Josephat Cheboi, Dean of the School of Business and Economics, for his encouragement, scholarly support, and establishment of an enabling environment for students to progress. I would like to express my heartfelt appreciation to Dr. Naomi Koskei, chair of the Department of Accounting and Finance, for creating an ideal setting for my academic aspirations.

I am also grateful my friend Dr. Rose Boit for her encouragement, which permitted me to focus on my thesis. I appreciate my research assistant, who assisted me with data collection, as well as my close friends, Kiptoo Rutto, Gilser Limited, and Bernard Kiboen for their time, printing, motivation, and sharing ideas.

ABSTRACT

The private sector in Kenya is one of the growing industries and contributes significantly to the economy. Firms in the private sector face intense competition which may in turn jeopardize their existence and being driven out of operations. In this regard, it is inevitable for firms to take financial risks in order to survive and remain competitive in an unpredictable business environment. Although, corporate governance scholars' content that boards play a crucial role in risk taking, there is a dearth of empirical knowledge in the private sector. Few researches have explored the association between board characteristics and financial risk taking, the role of CEO traits as a moderator remains understudied. The General objective of the study was to determine the moderating effect of CEO narcissism and CEO Polychronicity on the relationship between board characteristics and financial risk taking among private firms in Nairobi, Kenya. Thus, the specific objectives were to establish the effect of board member expertise, motivation, diversity and independence on financial risk taking as well as CEO narcissism and CEO Polychronicity as moderators in the relationship. Prospect theory, human capital theory, upper echelons theory, and resource dependence theory guided the study. Explanatory research design and a positivist philosophical approach were used in the study. The sample size of 402 CEOs was drawn from a population of 1130 private firms in Nairobi County, Kenya using Taro Yamane sampling formula. Stratified sampling technique was used to strata firm, while simple random sampling was used to get the respondents. The survey data was collected using structured questionnaires. Hierarchical regression model was used to test hypotheses. The regression results indicated that board member's expertise had $\beta = 0.132$, $p < .05$, board member's motivation $\beta = 0.504$, $p < .05$ and board member diversity $\beta = 0.209$, $p < .05$ had a positive and significant effect on financial risk taking. The board member's independence had negative and significant relationship with financial risk taking with $\beta = -0.089$, $p < .05$. The findings on moderation shows that CEO narcissism positively and significantly moderated the relationship between board member's expertise $\beta = 0.508$, $p < .05$ and board member's independence $\beta = 0.993$, $p < .05$ and negatively moderated the relationship between board member's motivation $\beta = -0.332$, $p < .05$ and board member diversity $\beta = -0.582$, $p < .05$ on financial risk taking. CEO Polychronicity positively moderated the relationship between board member's expertise $\beta = 0.695$, $p < .05$ and board member independence $\beta = 0.194$, $p < .05$ and negatively on board member's diversity $\beta = -0.766$, $p < .05$ and board member motivation $\beta = -0.981$, $p < .05$ on financial risk taking. The study suggests that board members who are experts, motivated and diverse are more likely to influence organizations' risk-taking decisions whereas independent board members tend to limit the possibility of a company taking financial risks. Moreover, narcissistic and polychronic CEOs are endowed with unique personalities that can help persuade boards to take financial risks. Prospect, resource dependency, human capital, and upper echelons theorist hypotheses are supported by the findings. The study concluded that for privately owned companies to take financial risks in Kenya, board members ought to be experts, motivated and diverse. Furthermore, the study recommends that private-sector firms should take financial risk to remain competitive and incorporate board members' with expertise, motivated, diverse and independent to facilitate firm risk taking. Firms should consider hiring CEOs who are narcissist and polychronic to enhance risk taking. The study adds to our understanding of how corporate boards contributes to risk taking in private firms and how CEO traits influences this association notably in Kenya.

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DEFINITION OF TERMS

Financial Risk-Taking: refers to the ability of companies to take risks by investing in multiple assets at the same time in a certain industry in order to survive in an uncertain business environment (Weick & Sutcliffe, 2015).

Board Member Expertise: refers to a specialized skill or knowledge or experience that is acquired by a board member either through training or previous experience in the same industry or by sitting in boards of other companies (Liebowitz, 2019).

Board Member Motivation: refers to the process of stimulating board members to act in order to accomplish goals of an organization (Zhu, *et al.*, 2016)

Board Member Diversity: refers to board attributes that describe their age, personality, educational, industry and functional backgrounds (Walt and Ingley, 2003).

Board Member Independence: refers to a situation where a board member has no direct or indirect material relationship with the company, its subsidiaries, or any of its members other than as a board member of the company (Kurt, 2012).

CEO Traits: refers to people's characteristic or patterns of thoughts, feelings, and behaviors. The traits incorporated in the study include CEO narcissism and polychronicity (König, *et al.*, 2020).

CEO Narcissism: refers to an exaggerated, fragile self-concept of one's importance and influence on others. (O'Reilly *et al.*, 2018).

CEO Polychronicity: refers to the extent to which a CEO chooses to work on multiple projects at the same time and believes that this is the best way to do things (Chen, 2020).

Private Firms: they are firms held under private ownership, they may issue stock and have shareholders, but their shares do not trade on public exchanges and are not issued through an initial public offering (Shiferaw, 2009).

LIST OF ABBREVIATION

CEO	-	Chief Executive Officer
FDI	-	Foreign Direct Investment
GDP	-	Growth Domestic Product
CRO	-	Credit Risk Officers
CBK	-	Central Bank of Kenya
RDT	-	Resource Dependency Theory
FRT	-	Financial Risk Taking
ROA	-	Return on Assets
ROE	-	Return on Equity
VFI	-	Volunteer Function Inventory
PSDS	-	Private Sector Development Strategy
PSDSIP	-	Private Sector Development Strategy Implementation Plan
VIF	-	Variance Inflation Factor
IV	-	Independent Variable
DV	-	Dependent Variable
ANOVA	-	Analysis of Variance
MFIs	-	Microfinance Institutions
SACCOs	-	Saving and Credit Cooperative
NACOSTI	-	National Commission for Science, Technology, and Innovation
TMT	-	Top management team

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter provides the background, problem statement, research objectives, hypotheses, significance, and scope of the study.

1.2 Background of the Study

Increasing attention has been paid to financial risk taking among scholars and practitioners in the recent past particularly in emerging contexts (Hoque, *et al.*, 2015; Baron, *et al.*, 2019). Scholars contend that risk-taking fosters firm's ability to remain competitive and sustainable in dynamic business conditions (Chang *et al.*, 2015). Financial risk-taking allows businesses to take risks by investing in various assets in a specific industry at the same time in attempt to continue operating in a volatile business environment (Weick & Sutcliffe, 2015). More importantly, firms take risk to salvage them from intense market competition and remain competitive, as well as increasing the market (Fiksel, 2015). Basically, if firms embrace the initiative to be risk takers, it pays off in the long-run because they are able to reduce dependence on one form of investment.

The willingness to experiment with new ideas is important to any business growth (Pratono, 2018). This is because noticeable breakthroughs are not likely to be realized by firms if they are not willing to take risks in their undertakings (Davila & Epstein, 2014). Financial risk taking is directly connected to every opportunity that a firm can capitalize in any business environment owing to changing customer demands. Thus, to meet the ever-changing customer expectations, companies are expected to be swift

to leverage on an opportunity that presents itself. Empirically evidence indicates that firms that have been found to take financial risks have competitive advantage over the others and their returns tend to increase over time (Yang, *et al.*, 2018).

There has been an on-going debate among community of scholars on what influence firms to take financial risk-taking in their economic undertakings (Harjoto & Laksmana, 2018; Mollah, *et al.*, 2017; Hoskisson, *et al.*, 2017; Nouraei, *et al.*, 2021). Recently, the role of the board has come out strongly as a key factor that is likely to influence risk-taking (Akbar *et al.*, 2017). Owing to their clearly-defined strategic roles in monitoring organizational risk-taking behaviors such as analyzing a company's investment goals, plans, and performance, as well as evaluating investment-related risks (Harjoto *et al.*, 2018). Despite the established role, few studies have been conducted to explain the influence of corporate boards on risk-taking, particularly in emerging economies (Minton *et al.*, 2011; Rachdi & Ameer, 2011; Abobakr & Elgiziry, 2017; Mohsni *et al.*, 2021; Najwa *et al.*, 2020). As such, the role of the board of governors in financial risk-taking remains an active research topic, particularly in private enterprises in developing nations.

Resource dependence theory (Pfeffer and Salancik, 1978), states that firms reduce external dependencies through board members who are likely to provide critical resources that firms may exploit in order to take strategic risks. Human capital theory, on the other hand, supplements resource dependence theory in the sense that expertise, experiences, motivation, reputation and skills of individual board members tend to influence firm strategic outcomes and key for obtaining crucial resources necessary to facilitate financial risk-taking. According to studies, board members with

extensive expertise, experience, and diverse backgrounds comprehend market conditions and may recognize opportunities in the business environment, allowing organizations to take more risk (Hsu *et al.*, 2019; Minton *et al.*, 2014).

In this respect, previous work showed that board members with certain expertise encourage risky activities. As an example, García *et al.*, (2017) found that financial experts within board tend to take risky investments. Further, knowledgeable and independent boards are equipped with competencies that enable them to understand more complex investments risks. Similarly, diverse board of directors may bring unique industry experiences, as well as educational and functional backgrounds that may facilitate firm's ability to take financial risks (Hillman *et al.*, 2000). Additionally, Board members are more inclined to act when they are motivated to accomplish board task including ability to take more risk. Hence, with these attributes, board members engage in risky activities with the belief that by doing so firm value and competitiveness' is enhanced.

Corporate governance relies heavily on the interaction between the CEO and the members of the board. Additionally to the disparity between shareholder ownership and executive oversight in publicly traded and privately owned firms, the Chief executive officer-board members interactions have been suggested to possess crucial administrative ramifications (Madhani, 2017; Larcker & Tayan, 2020; Baysinger, & Butler, 2019; Garg, & Eisenhardt, 2017). Using a financial framework of CEOs who sees board members as irrational agents aiming for optimal shareholder wealth, agency theorists claim a component of granted the chance to succeed; CEOs will seek to maximize their personal pleasures at the cost of investors' wealth (Jensen &

Meckling, 1976). According to agency theorists, the major responsibility of the members of the boards is to curb management opportunistic and guarantee that chief executive officers perform their managerial and administrative obligations in the greatest possible way for investors (Zalata, *et al.*, 2019; Buchanan, *et al.*, 2021). Though qualitative analysis reveals that members of the boards advise and guide chief executive officers, the oversight responsibility tends to be regarded as to be the greatest significant board members job (Krause, 2017; Mathew, *et al.*, 2016; Baysinger, & Butler, 2019).

The involvement of the CEO cannot be disregarded in order to validate the understanding of how boards contributes to the firm's risk taking. In general, CEOs have significant decision-making authority and are in charge of all corporate activities. Initial analysis indicates that their personality traits make them more productive and efficient in the companies they lead (Hambrick, 2007). Upper echelons' theory argued that CEO's experiences, values, and personality are reflected in the company's performance (Hambrick, 1984). Therefore, the firm's ability to take risks could be largely be influenced by the CEO personality. Extant studies have linked traits such as CEO optimism, hubris, humility, narcissism, polychronicity and overconfidence with different firm outcomes (Meisel *et al.*, 2016; Nouraei *et al.*, 2021; Farag and Mallin, 2018; Owen *et al.*, 2019; Chen, 2022, Ling *et al.*, 2016). Whereas these strands of studies have been examined in the context of how each individually influence different firm outcomes, limited research has been conducted on the role of CEO narcissism and CEO polychronicity in the nexus between board characteristics and financial risk taking in private firms.

Although corporate boards may give valuable pathways and contacts for soliciting critical resources that may support undertaking of financial risks, the decision to harness such resources to a greater extent depends on the CEO with particular traits (Nicholson & Kiel, 2004; Malatesta & Smith, 2014). For instance, narcissistic CEOs are aggressive and desire to leave a legacy, so they may present proposals to the board to take financial risks (Strike *et al.*, 2015); however, the board may be hesitant to approve such proposals due to their risk-averse attitude and obligation to protect the firm's reputation. Consequently, such CEOs may become dissatisfied restricting their willingness to take financial risks. A polychronic CEO, on the other hand, with their multitasking mindset, is more versatile and can handle multiple investment ideas at the same time (Chen, 2022). This attitude may therefore inspire board members to take financial risks. Thus, CEO personality traits are crucial in curtailing or supporting a firm's ability to take financial risks.

Globally, financial risk-taking strategies in private firms have been manifested through diversified investments to buffer the intense competition that has continued to be witnessed. For instance, KFC, a privately held company that began as a single business unit in the United States, has expanded to over 22,000 outlets in 150 countries. McDonald's, on the other hand, now has over 40,000 branches in over 100 countries worldwide. With this kind of willingness to invest worldwide is a manifestation of calculated financial risks (Chinomona *et al.*, 2014; Shane *et al.*, 2003). Furthermore, to understand how most of these businesses take risks in their operations, distinctive innovations such as online ordering and door-to-door delivery have helped them stand out in the market (Waldron *et al.*, 2022). African Finance Corporation, a private African firm, has also demonstrated a substantial level of

calculated risk in its operations through expansions and innovations in 40 different countries. Despite increased academic interest in governance and financial risk taking in emerging contexts, research on CEO traits, board characteristics, and financial risk taking in the private sector is sparse. As a result, the study was conducted in Kenya.

1.2.1 Private Sector in Kenya

Kenya's economy is made up of the private and public sectors, with the private sector accounting for 80% of total GDP (Kiriga *et al.*, 2020). Kenya's private sector is larger and more established than surrounding East African countries in terms of size and development. The private sector includes the following industries: transport and communication, tourism, agriculture, trade, manufacturing, and financial services. The private sector provides entrepreneurial opportunities and is praised as a critical accelerator for achieving Vision 2030. Companies Act Cap 486 legislation of Kenya regulate the sector, defining its structure and how it operates within the business atmosphere. To supplement the provisions of the Act, corporate governance guideline of 2002 in Kenya has stipulated the structure, responsibilities and powers of the board of directors regarding strategic decisions’.

Kenya's private sector is highly concentrated, with a varied range of enterprises that are both tumultuous and fertile ground for new inventions (Korir, 2018). In particular, the dynamism of the business has increased the level of competition among privately held firms in Kenya. As a result, the private sector has been forced to take substantial financial risks in order to thrive in a competitive environment and maintain its market position (Mansor *et al.*, 2016). Further, in order to overcome this difficulty, several organizations have resorted to leveraging the capabilities of corporate executives to

make strategic decisions (Tuwey & Tarus, 2016). Some research scholars have also attempted to examine how boards affect risk taking from the perspective of publicly traded banks rather than private companies (Soi *et al.*, 2021; Nduati, 2023); hence, the private sector in Kenya provides a fertile ground to understand how corporate boards and executives interact to engage in financial risks.

The Kenyan private sector is regulated by strong corporate governance principles and a code of best practice produced by the Private Sector Initiative for Corporate Governance, which specifies how such companies are governed. These principles define the board's structure, composition, and specific roles (CMA, 2015). Most private corporations have established boards to facilitate meaningful and varied strategic decisions at the apex of the organizations they manage in order to comply with the provisions of these best practices. In this sense, their strategic position in decision making helps to the development of value in the form of increased investment and a high degree of innovation that has been observed in the sector. Most of these investment expansions and innovations are a result of financial risks committed by both corporate board members and CEOs.

Kenya's private sector is extremely dynamic in terms of the business environment, as indicated by its inventive and expanding capacities (Tuwey & Tarus, 2016). Because of these unique features, the private sector has significantly contributed to the creation of job opportunities, building human capital and the promotion of economic activities in many regions across the country (Omolo, 2010; Oduor & Tabuche, 2018; Muchira, 2023). Firms within the sector have taken advantage of the innovative human capital to come up with unique strategies for innovations and expansion. Many people in

Kenya, for example, can use mobile financial services to conduct point-of-sale transactions, pay utility bills like government services, water and electricity bills, cash and carry, smart cards, and purchase airline tickets, among other things (Lashitew *et al.*, 2019; Ngana, 2022). Equally, with the many branches and outlets witnessed in the sector, it has been possible for many people to secure jobs and accelerated the growth of economic activities (Atwine *et al.*, 2023; Nduati, 2023).

To be able to develop innovative strategies for both innovation and expansion in the sector, various actors must participate, each with resources such as the ability to search for information and provide diverse insights, critical thinking, decisiveness, objective judgment, and motivation to take on multiple projects. Board members function as catalysts for strategic decision making in this context, and can advise CEOs on the most effective options in ever-changing and aggressive corporate contexts that may need financial risks. To accomplish this, board directors must be independent, committed, knowledgeable, and diverse in their backgrounds. Board activities should be supported by the CEO's characteristics, which are significant in aiding strategic decisions including financial risks. Therefore, the study sought to examine the moderating effect of CEO Narcissism and Polychronicity on the association between board characteristics and financial risk taking in private sector in Kenya.

1.3 Statement of the Problem

Previous research has shown that a firm's propensity to take risks significantly influences strategic decision making and, as such, stimulates competitiveness and sustainability in a volatile economic environment (Florio & Leoni, 2017). Although

financial risk taking is a growing phenomenon in the context of private companies in emerging economies, it requires a competent executive arm of the company to generate ideas and uncover opportunities for firms to take risks (Mollah *et al.*, 2021; Abobakr & Elgiziry, 2017; Allini, *et al.*, 2016; Mayur, & Saravanan, 2017; Adams *et al.*, 2015). Thus, the combined effort and competencies of board members and CEOs are crucial for a firm's willingness to take financial risks.

Although research has indicated that corporate boards influence risk taking (Minton *et al.*, 2011; Akbar *et al.*, 2017; Ozdemir *et al.*, 2022; Rachdi & Ameer, 2011; Muhammad *et al.*, 2023; Fernandes *et al.*, 2021), findings are conflicting and inconclusive yet financial risk taking enhances firm competitiveness. Furthermore, most research has focused on established nations rather than emerging markets with inadequate legal and corporate governance frameworks (Dweka *et al.*, 2020; Garca-Ramos, & Daz, 2021; Klç, & Kuzey, 2016; Owen & Temesvary, 2018). Additionally, little is known about how members of the boards' and CEO decisions influence financial risk taking in emerging economies. The study explores the effect of board members characteristics on financial risk taking in Kenyan privately-owned businesses to fill the existing gaps in literature.

Moreover, in order to understand how the board of directors enhance financial risk taking and avoid a skewed perspective of corporate leadership, the study analyzes CEO traits beyond board characteristics (Finkelstein *et al.*, 2009). Prior research has demonstrated that CEO characteristics influences boards decisions in a wide range of scenarios (Gupta *et al.*, 2019; Graham *et al.*, 2013; Judge *et al.*, 2005; Cook *et al.*, 2023). CEOs' perceptions on decision making affects firms' outcome, scholars' have

argued that CEO narcissism is associated with high risk taking compared to non-narcissist CEOs, existing gaps in literature are inconclusive on the actual effect of CEOs decision making towards financial risk taking. CEO polychronicity have proven conflicting argument on risk taking, polychronic CEOs have been characterized by high risk taking compared to monochronic CEO (Zhang *et al.*, 2017; Lee *et al.*, 2023; Chen, 2022; Back *et al.*, 2020). These traits were hypothesized to moderate the relationship between board characteristics and financial risk-taking decisions.

Existing research has emphasized the significance of boards as valuable resource providers for risk taking (Yarram and Adapa, 2022; Nainggolan *et al.*, 2022; Xie & O'Neill, 2013; Muhammad *et al.*, 2023; Harjoto *et al.*, 2018), particularly in a competitive environment where corporate leaders are expected to be at the forefront in terms of advising and formulating innovative strategies for taking risks that allow firms to remain competitive. Private enterprises in Kenya compete fiercely, and as a result, they employ risk-taking strategies that are innovative (Nduati, 2023; Ngana, 2022). As the interest in risk taking within the purview of boards evolves, so does scholarly interest in which the roles of board members and CEO personalities play in financial risk taking in the private sector.

The study recognizes that the aforesaid studies relied on archival data to understand the role of the boards on risk taking (Pathan, 2009; Yarram & Adapa, 2022; Faleye, 2009; Safiullah *et al.*, 2022; Huang *et al.*, 2021), the current study focuses attention in literature to fill in the gaps by analyzing primary data, and the moderating effect of CEO narcissism and CEO polychronicity on the relationship between board members

characteristics and financial risk taking in Kenya (Boyd *et al.*, 2017; Adeabah *et al.*, 2023).

1.4 Research Objectives

1.4.1 General Objective

To determine the moderating effect of CEO narcissism and CEO Polychronicity on the relationship between board characteristics and financial risk taking among private firms in Nairobi, Kenya.

1.4.2 Specific Objectives

1. To establish the effect of board member expertise on financial risk taking in private sector in Nairobi, Kenya.
2. To determine the effect of board member motivation on financial risk taking in private sector in Nairobi, Kenya.
3. To analyze the effect of board member diversity on financial risk taking in private sector in Nairobi, Kenya.
4. To examine the effect of board member independence on financial risk taking in private sector in Nairobi, Kenya.
5.
 - a) To establish the moderating effect of CEO narcissism on the relationship between board member expertise and financial risk taking in private sector in Nairobi, Kenya.
 - b) To determine the moderating effect of CEO narcissism on the relationship between board member motivation and financial risk taking in private sector in Nairobi, Kenya.

- c) To analyze the moderating effect of CEO narcissism on the relationship between board diversity and financial risk taking in private sector in Nairobi, Kenya.
 - d) To determine the moderating effect of CEO narcissism on the relationship between board independence and financial risk taking in private sector in Nairobi, Kenya.
- 6.
- a) To establish the moderating effect of CEO Polychronicity on the relationship between board member expertise and financial risk taking in private sector in Nairobi, Kenya.
 - b) To determine the moderating effect of CEO Polychronicity on the relationship between board motivation and financial risk taking in private sector in Nairobi, Kenya.
 - c) To analyze the moderating effect of CEO polychronicity on the relationship between Board diversity and financial risk taking in private sector in Nairobi, Kenya
 - d) To determine the moderating effect of CEO Polychronicity on the relationship between board member independence and financial risk taking in private sector in Nairobi, Kenya.

1.5 Research Hypotheses

- i. **H₀₁:** There is no significant effect of board member expertise on financial risk taking in private sector in Nairobi, Kenya.
- ii. **H₀₂:** There is no significant effect of member motivation financial risk taking in private sector in Nairobi, Kenya.

- iii. **H₀₃:** There is no significant effect of board member diversity financial risk taking in private sector in Nairobi, Kenya.
- iv. **H₀₄:** There is no significant effect of board member independence on financial risk taking in private sector in Nairobi, Kenya.
- v. **H_{05a}:** CEO Narcissism has no moderating effect on the relationship between board member expertise and financial risk taking in private sector in Nairobi, Kenya.
- vi. **H_{05b}:** CEO Narcissism has no moderating effect on the relationship between board member motivation and financial risk taking in private sector in Nairobi, Kenya.
- vii. **H_{05c}:** CEO Narcissism has no moderating effect on the relationship between board diversity and financial risk taking in private sector in Kenya.
- viii. **H_{05d}:** CEO Narcissism has no moderating effect on the relationship between board independence financial and risk taking in private sector in Kenya.
- ix. **H_{06a}:** CEO Polychronicity has no moderating effect on the relationship between board expertise and financial risk taking in private sector in Kenya.
- x. **H_{06b}:** CEO Polychronicity has no moderating effect on the relationship between board motivation and financial risk taking in private sector in Kenya.
- xi. **H_{06c}:** CEO Polychronicity has no moderating effect on the relationship between board diversity and financial risk taking in private sector in Kenya.

- xii. **H_{06a}**: CEO Polychronicity has no moderating effect on the relationship between board independence financial and risk taking in private sector in Kenya.

1.6 Significance of the Study

The purpose of this study was to determine the moderating effect of CEO attributes on the relationship between board characteristics and financial risk taking in Kenya's private sector. Study's findings provide the following contributions:

First, the findings of the study are in line with resource dependency theory and human capital theory since the board members are abundant in resources that facilitates the firm financial risk taking, this is in terms of their expertise in various disciplines', motivated, are diverse and they are independent on their undertakings. Further the study findings contributes to prospect theory by describing the board members and CEO makes decision regarding the undertaking of financial risk taking when presented with probable outcomes. Furthermore, senior managers such as board members and CEOs have significant effects on organizational outcomes by taking financial risks in order to become more inventive and increase its operations, according to the upper Echelons theory.

Secondly, the study will inform policymakers in the private sector the importance of financial risk taking in their undertakings. It will enable the policymakers to undertake policies on the current level of competition, to enables private sector firms to be more innovative by emphasizing on the importance of firms' financial risk taking. The study will also inform the Kenya private sector alliance firms under the

ministry of trade and industry the relevance of having board members who are expert, motivated, diverse and independent to enhance financial risk taking in private sector (Noja *et al.*, 2021; Nguyen 2022; Almashhadani 2022; Andoh *et al.*, 2023). Firms in the private sector should consider hiring CEOs who are narcissist and polychronic as they are crucial CEO traits that can enable firms to take financial risk with diverse board characteristics.

Third, corporate governance studies and risk taking have largely relied on archival data (Zhu, & Chen, 2015; Huang, & Wang, 2015; Srivastav, & Hagendorff, 2016; Lee, *et al.*, 2021). Although, the archival data is believed to be reliable and convenient owing to its cost and time effectiveness as well as association to professionalism and expertise in presentation of the archived data (Yang *et al.*, 2006; Coddington, 2015), it may not give the actual opinions of the target participants in the study. Thus, the study findings were significant using primary data meaning that primary data is more reliable on the opinions of the respondents. Future scholars/researchers can utilize primary data when collecting data from CEOs. Finally, the study added to our understanding by conducting research into the moderation effect of CEO traits on the association between board characteristics and financial risk taking. This will help future behavioral finance scholars and researchers' on corporate governance and financial risk to develop their research.

1.7 Scope of the Study

The study looked at how CEO narcissism and CEO polychronicity influence the relationship between board characteristics (board member's expertise, board member's motivation, board member's diversity and board member's independence)

and financial risk taking on private firms in Nairobi Kenya. The study unit of analysis was the CEOs of private firms in Nairobi Kenya. CEO responded to whole questionnaire. The study target population was 1130 derived from private firms which include commercial banks, MFIs and SACCOs which were 230, retail and wholesalers 460 and hospitality firm 440, they were obtain from county government of Nairobi. To further explain the cause-effect relationship between the variables of interest in the research, the study used positivist philosophy and an explanatory research design. Structured questionnaires were used as an instrument in the study to obtain the necessary information on the hypotheses. The study analyzed both the descriptive and inferential statistics and output presented in tables. The study was carried out in the year 2019 to 2023.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter is to provide information about the concept of financial risk taking, board characteristics and CEO traits as well as their empirical and theoretical evidence; an in-depth critique of the existing literature between board characteristics and financial risk taking as well as the moderating effect of CEO narcissism and CEO polychronicity. The chapter also presented the conceptual framework that is reflective of the hypotheses formulated.

2.2 Concept of Financial Risk Taking

Risk-taking has several definitions in the literature that differ deeply from one another. For instance, economists traditionally associate risk-taking attitudes with the degree of risk preference or the extent to which a firm will favour or avoid risky choices (Schoemaker, 1993). Psychologists, on the other hand, consider risk taking as attitudes or core component when predicting human behaviour (Ajzen, 1991). Similarly, risk taking refers to dispositions to favor or disfavor an entity, which are typically reflected in cognitive, emotional, and behavioral reactions (Eagly and Chaiken, 1993). Risk-taking is also viewed as an act or fact of doing something that involves danger to achieve a goal (March, 1991). Meanwhile, the distinctive nature and intent of risk imply that risk taking varies across industries or firms and so financial risk taking is related to decisions that are financial in nature.

Various researchers have made attempts to provide these explanations. For instance, Chen, *et al.*, (2021) defines financial risk taking as the possibility of losing money or

gaining money by a firm on investment. On same breadth, it has been indicated as financial risk taking refers to the ability of companies to innovate and expand their operations by investing in numerous projects in a specific industry at the same time in order to thrive in an unpredictable business environment (Sadgrove, 2016). This is the definition on which the study is based. This is due to the continual level of innovation and expansion; a manifestation of financial risk-taking actions. It has also been reported that increasing pressure from globalization has substantially orchestrated a firm's ability to take financial risks, making it easier for firms to establish enduring sustainable competitive advantage, particularly in an unpredictable business climate (Filser *et al.*, 2014).

While firms must take risks in order to survive, both excessive financial risk-taking and excessive risk avoidance may jeopardize their survival. Firms that have considered risk taking in there undertaking have proven to be more innovative in both developed and developing countries. For instance, previous studies (Musonera 2021; Garthwaite *et al.*, 2017) provides evidence that Starbucks Corporation has over 33,000 stores in over 80 countries with an aim of expanding their services worldwide in order to reach out to many customers. From a critical perspective, this involves a huge financial risk taking that involves a lot of funds for the firm. In this case, most companies take financial risks to innovate and expand its operations and services, thus, it is the only way to create opportunity and progress for the company. When a firm takes certain financial risks that the competitor is not willing to take, they become leaders in their field (Wang, 2016).

Rahaman, *et al.*, (2021) examined risk taking practices for young and small firms, those between two-eight years, operating in ten European countries: Croatia, the Czech Republic, Italy, France, Greece, Portugal, Sweden, Germany, Denmark and the UK. They found that when young firm is faced with intensive competition, they would take financial risks to invest in multiple projects to surmount the pressure from competition. Nevertheless, two thirds of the respondents replied that financial risk taking is the major survival strategy of their enterprise from challenges like high competition, low demand for the product, advancement of new designs, narrow market place for selling their products. Financial risk taking strategies and lack of access to funds is also found to be a very significant for risk management in small firms: around 60% of the respondents think managing aftermarket risk and financial risk is important for their survival.

Iqbal and Vähämaa (2019) studied the risk-taking behavior of financial and nonfinancial firms but their findings were ambiguous since financial institutions play a distinctive role in financial intermediaries and their payment systems. Banks, for example, overexposure to risks can result in considerable adverse consequences and risk to the system, that's why the financial industry is more tightly monitored than non-financial companies (Akbar, *et al.*, 2017). Despite the fact that such risk might represent significant hazards to the wider economy, bank owners do not internalize the risks that their bank's bankruptcy will entail to the rest of the financial system. Having systemic significance, on the other hand, increases the attraction for major banks to take on additional risk (Fichtner *et al.*, 2017). Consequently, regulators purportedly fear the failure of a large financial institution more than the bankruptcy of a small bank, because the failure of a large financial institution is more probable to

cause macroeconomic consequences. The Banks are deemed "far too large to fail" receive a de facto government assurance, that influences creditors' assessments of their risks (De Haan & Vlahu, 2016).

Risk taking has been measured by scholars in finance and accounting by the level of volatility, or the gap between actual returns and average predicted returns (Bhagat, *et al.*, 2015; Angeloni, *et al.*, 2015; Chen, *et al.*, 2016; Srivastav, & Hagendorff 2016). The difference is referred to as the standard deviation. Returns with a large standard deviation have higher volatility and are the riskier investments. (Nicholson *et al.*, 2005; Bromiley, *et al.*, 2015; Ho *et al.*, 2015; Van *et al.*, 2015; Mata *et al.*, 2016; Khan, *et al.*, 2017; Buyl, *et al.*, 2019). Also others scholars have used primary data to measure financial risk taking (Huff, *et al.*, 1997; MacCrimmon *et al.*, 1990; Zhang *et al.*, 2018; Lampenius *et al.*, 2005; Carland *et al.*, 1995). Measures of financial risk taking were adopted and changed in the context of the current study based on a questionnaire validated by previous scholars (Lampenius *et al.*, 2005 and Brockhaus 1980).

2.3 Concept of Board Characteristics

Corporate boards are endowed with unique characteristics that may affect strategic decisions of the firm and the way they effectively perform their board tasks. Based on resource dependence theory, corporate board's members reduce independence of the firm on the external/internal environment and contingencies (Pfeffer & Salancik 1978). Boards have significant authority to monitor and oversee CEOs on behalf of shareholders (Muttakin *et al.*, 2018; Terjesen *et al.*, 2016), such is preferred as one of the important internal corporate governance mechanism (Holm & Schøler, 2010). Boards are tasked with a variety of duties, including strategic, control, and advisory

functions (Vu *et al.*, 2018; Goodstein *et al.*, 1994). These roles facilitate the execution of the risk taking initiatives.

Existing literature has shown that interest in issues regarding board characteristics has increased in recent years due to misconduct, corporate fraud, negligence and massive loss of shareholders' wealth (Hsu and Wu, 2014). This has made it a priority issue for both researchers and policy makers have made several attempts to understand what really influences risk taking from the purview of the board. For instance, it has been shown that board size influence risk taking in a negative way (Nakano & Nguyen, 2012; Kao *et al.*, 2018; Su *et al.*, 2019). The negative association has been attributed to the inability of a larger board to agree on risk taking decisions. Furthermore, the diverse viewpoints stated by different board directors aggravate the situation. Other studies have showed that smaller boards are more likely to influence decisions regarding risk taking positively (Wang, 2012; Shaukat, *et al.*, 2016), whereas others have showed no influence of board size and taking of firms risk (Isik & Ince, 2016).

Prior research has likewise yielded conflicting conclusions on how board members' independence influences risk taking decision. For example, some studies provides no empirical association (Dong, *et al.*, 2016; Bourakba, & Zerargui, 2015) while others yielded negative association (Mollah, *et al.*, 2017; De Haan, & Vlahu, 2016; Younas *et al.*, 2019) and positive association (Muhammad *et al.*, 2022). Furthermore, independent board members may lack in-depth understanding of the firm's daily operations, so advising the CEO will be shaky in some circumstances, undermining efficiency for their tracking position (Ben Rejeb, *et al.*, 2020). Thus, more in-depth interrogation on the effect of board independence is needed especially in developing

context where corporate governance framework is weak and not structured in some circumstances.

Some additional board characteristics such as board diversity and motivation has also showed inconclusive results on their implication on risk taking yet they are the key ingredients for effective board performance. Prior work indicate that diverse boards are more risk adverse and as such they engage in risky activities Lesly (Harjoto *et al.*, 2018; Loukil, & Yousfi 2016; Ozdemir, *et al.*, 2022), whereas other studies shows no association (Bruna, *et al.*, 2019) and positive association on risk taking (Saed *et al.*, 2018; Loukil, & Yousfi, 2016). Board member's motivation studies have shown positive impact on risk taking (Dionne, & Triki, 2005; Aebi *et al.*, 2012; Koerniadi, *et al.*, 2014).

However, one of the most difficult tasks in corporate governance in terms of tackling risk is guaranteeing board effectiveness. Although scholars have emphasized the significance of board composition, pinpointing the specific board qualities that genuinely assist corporate risk oversight can be tricky because CEO risk-taking behaviors vary significantly across governance principles and situations (Zhu *et al.*, 2015). Despite the importance of boards in creating an effective governance system. Scholarly study regarding the influence of board characteristics on risk-taking is strikingly sparse and inconclusive.

Consideration of an active board is critical in reducing corporate CEOs' suboptimal risk decision-making proclivities. In this spirit, most countries' regulators have modified company regulations within their jurisdictions. Companies that are affected

must now maintain specific board characteristics keeping in mind the importance of independence of board in governance and decision-making. In particular, existing corporate governance legislation are quite similar in their suggestions for increasing non-executive director presence and separation of authority and competence (Annuar, & Rashid, 2015). Board characteristics are far more as elaborated by other scholars this study focused on four board characteristics' that is boards member's expertise, board's member motivation, board's member diversity and board member's independence.

2.4 Theoretical Perspective

2.4.1 Prospect Theory

Kahneman and Tversky (1979) developed prospect theory as an alternate technique of explaining individual risk-taking decisions. According to the theory, people overestimate probable outcomes in contrast to certain outcomes. Furthermore, the predictability effect leads to fear to take risk in decisions that involve known gains and taking risks in decisions that involve certain loss (O'Donoghue, *et al.*, 2018; Kahneman and Tversky 1979). Kahneman and Tversky (1979) discovered that when faced with a choice between several prospects, people ignore factors that are corresponding to all of them. They called this similarity the isolation effect. They contended that the isolation effect would cause the framing of a prospect to influence the decision that the individual decision-maker makes (Schwartz, 2015; Prietzel, 2020; Hofmann, 2022).

The reflection effect, which is the equivalence of choice including negative and optimistic prospects, was found by Kahneman and Tversky as a component and

process in deciding risk. (Pahlke, *et al.*, 2015) That is, choices among negative possibilities mimic choices among favorable prospects. Except in extreme instances, Kahneman and Tversky discovered that the decision weights of prospect theory are lower than the comparable probability of other related theories such as utility theory. According to Kahneman and Tversky, this overweighting of low probabilities may explain why people prefer less risky options.

Porcelli and Delgado (2009) found that acute stress increased the reflection effect (increased risk aversion for gains and increased risk taking for losses). They argued that stress disrupts deliberative decision-making processes leading to system thinking. In line with these findings, Cahlikova and Cingl (2017) stated that stress increased risk aversion for gains and Kandasamy *et al.*, (2014) found similar effects in different field when the stress hormone cortisol is administered exogenously they tend to increase risk aversion. Prospect theory is recognized by most scholars to be the leading descriptive theory of decision making under risk today (Lude, & Prügl, 2019; Bellé, *et al.*, 2018; Rieger, *et al.*, 2017). Nevertheless, its descriptive accuracy continues to be debated.

Harrington & Kerr (2017) recently pointed out how prospect theory has generally neglected the type of changes in risk attitudes taking place purely over outcomes while keeping probabilities constant, as originally proposed by Markowitz (1952). Bouchouicha, & Vieider, (2017) uncovered issues in the separability principle underlying prospect theory a principle according to which changes in preferences over outcomes ought to be reflected purely in utility, while changes in preferences over probabilities ought to be reflected in probability weighting.

The theory argues that decision makers use reference points in evaluating risky choices. The decision makers are not necessarily risk-averse as would be implied by optimal decisions but would implement a risk-seeking behaviour when their performances are below a given target level and risk-averse when their performances are above the target level (Lean, *et al.*, 2015). This theory is crucial to the research because it explains how board members' and CEO's make decisions regarding financial risk taking.

2.4.2 Resource Dependency Theory

Resource Dependency Theory (RDT) draws from both sociology and management (Pfeffer and Salancik, 1978), explains the importance of external resources of the firm which influence the behavior the firm, and takes a strategic view of corporate governance. As a result, acquiring external resources is critical for any organization's strategic management. Every corporation depends on the resources. Hence, resource dependency theory recognized that the administrative body of any firm as the linchpin among the firm and the resources that are required to accomplish the goals (Abid, *et al.*, 2015).

According to Pfeffer and Salancik (2003), one feature of resource dependence theory is that board members serve as a source of resources for the firms and this are board member's expertise, diversity, independence and motivation in this study. A board with strong ties to the outside world is anticipated to facilitate the firm's access to numerous resources (Bhatt, & Bhattacharya, 2015). Board size is one of the specific board functions connected by the researchers to resource provision and business

performance (Zona, *et al.*, 2018) and boards activities such as meeting frequency (Liu, *et al.*, 2015) and board attendance (Basco, 2015).

The resources emanate from the board members and CEO in a firm. Therefore, resources are the basis of power for firms because the resources are valuables, costly to imitate, rare and non-substitutable (Abid, *et al.*, 2015). In other words, resources and power are directly linked. Those firms who have resources can be considered more powerful as compared to its competitors. The dependence on other firms normally affects the productivity of firms. Organizations face uncertainty due to minimal/no resources. Firms are continually looking for new ways to exploit resources to ensure their own long-term survival (Abid, *et al.*, 2015). Resource dependency theory investigates the association between board members and CEO interlink and different facets of financial risk taking. According to the resource dependency hypothesis, a company can use the board's diversity, competence/expertise, and independence, as well as that of the CEO traits, to motivate board to take financial risks.

2.4.3 Human Capital Theory

Coleman (1988) defines social capital as "social resources converted into usable capital for development." In human capital theory, there is an information route that provides a basis for two or more people to trust and influence one other. Through resource conversion, information can be upgraded to assist individual and a group in achieving joint goals (Hsiao, *et al.*, 2016). Since an enterprise is a community made up of individuals, both internal and external networks and linkages have an impact on human capital. According to Hollenbeck (2015), social capital motivates individual to

develop additional value through relationships and interpersonal networks. Van (2016) outlined human capital as a person's relationships with others within and outside of organizations while resolving problems and exchanging information.

Prior studies on human capital theory and board diversity has shown that they have a significant impact on business inventiveness. According to research, board human capital is associated with a variety of strategic outcomes, including stock price (Volonté & Gantenbein, 2016), acquisition outcome (Walters *et al.*, 2008; Sarto *et al.*, 2019) and increase in sale (Kor and Sundaramurthy, 2009). Currently scholars have shown that board members' human capital has a favorable effect on innovation (Valenti and Horner, 2020; Calabrò *et al.*, 2021). I used the perspective of O'Reilly *et al.*, (2018) to assess the degree of the interactions within an interpersonal connection when the CEO leverages such contacts to address issues by conversing with board members. This research fill in the gap by determine how CEO traits influence boards' decision on matters regarding financial risk taking.

The human capital theory, introduced by Hsiao *et al.*, (2016), contends that experience and expertise improves individual logical ability, resulting in improved production and possible activity. Furthermore, human capital may enhance a person's ability to think and increase productivity greatly. Human capital, according to Kianto *et al.*, (2017), is associated with an individual's expertise, abilities, skills, and capabilities, and the demand and supply for human capital varies between organizations. This is also in relation to boards that an organization has in terms of their expertise and independence to execute their mandates. Businesses with adequate human capital are able to boost the achievable productiveness of their human

resources, create distinctive competencies, and developing long-term competitive advantages (Delery, *et al.*, 2017). Furthermore, Ahmed *et al.*, (2016) mentioned that board members qualifications, competencies, and applicable capabilities while assessing financial risk.

2.4.4 Upper Echelons Theory

Academic interest in top executives in corporate organizations has grown significantly in recent decades. Upper echelons theory is an important notion that has corresponded with and, probably, fostered the current increase in fascination with top executives (Hiebl, *et al.*, 2014; Abatecola, *et al.*, 2018; Wang, 2016). The subtitle of Hambrick and Mason's (1984) landmark study on the upper echelon's perspective captures the main premise of this theory well: The organization reflects its top executives ("upper echelons"). Individual top managers, according to the notion, has an influence on firm outcome through the decisions they make, which are influenced by the managers' qualities. The qualities of higher echelons and their strategic decisions, according to Hambrick and Mason (1984), contribute to explain an organization's performance.

In accordance with the notion that top executive choices are influenced by their emotional background and principles, Hambrick and Mason (1984) hypothesized that management skills may be utilized to predict firms' outcomes. They claimed that while such psychological dimensions are difficult to monitor, demographic features of executives can be utilized as indicators for their intellectual background and beliefs. Consequently, the theory was formed around the relationship between visible managerial characteristics and strategic decisions.

In accordance with Hambrick and Mason (1984), the organizational situational traits, such as outside influences or business features, can influence the traits and strategic choices of upper echelons, these are hence precursors of management qualities as well as outcomes for the organization. According to upper echelons theory, management traits influence organizational performance directly or indirectly through organizational performance (Hambrick and Mason 1984). In this research, CEO traits and board can influence the outcome of financial risk taking. To supplement the standard upper echelon model, Hambrick (2007) proposed two moderators in the association among management traits and organizational results, they include managerial discretion and executive job expectations.

Upper echelons theory, supported with the probable separation of goals if both ownership and management over the company are different, dictates this, for the purpose to safeguard its non-diversifiable top executive expertise, CEOs are likely to be less inclined to take risks than investors might want them to be (Na, 2016; Goleman, 2018). Furthermore, the goal of good corporate governance is to provide procedures that shift the risk attitude of CEOs in order to match themselves with the priorities of the founders (Bernile, *et al.*, 2017; Farag, & Mallin, 2018). Consequently, an organization's members of the board are anticipated to set up governance procedures that incentivize financial risk taking while also monitoring Chief executive officer to prevent CEOs opportunity-seeking, that can come through an amalgamation of information inequality and disparities in willingness to take risks (Cain, & McKeon, (2016).; Cho, *et al.*, 2016). For an upper echelons theory framework, chief executive officers with influence are forecast to take initiatives and arrive at judgments which are in their own private greatest advantage, and as a result, due they

operate under the premise of risk aversion, they are not anticipated to make choices that are considered risky. On the other hand, as various academics have noted, the presumption that CEOs are going to be exclusively risk averse or risk-free does not take into account the fact that they could potentially be risk takers, that is a stance addressed under strategic leadership studies regarding financial risk taking (Wang, 2015; Dittmann, *et al.*, 2017; Chen *et al.*, 2022).

Managerial discretion corresponds to top executives' freedom in making strategic judgments (Gupta *et al.*, 2019; Hambrick and Finkelstein 1987). Therefore Hambrick (2007) predicted that when managing discretion is elevated, managerial abilities will be stronger predictors for firm outcomes compared to when managerial autonomy is lower. According to Hambrick (2007), senior executives who encounter a significant amount of pressure possess less chance to study solutions, thereby they will rely more on psychological shortcuts and personal experiences. As a result, Hambrick anticipates that when there are a lot of managerial obstacles, the relationship between top executives qualities and company performance would be stronger. Managers' decision-making becomes deeper and depends less on personal traits when they confront fewer obstacles. As a result, in such instances, the association of upper echelon qualities and firms outcomes could be less. CEO and board members influence how a company takes risk.

2.5 Relationship between Board Characteristics and Financial Risk Taking

In most organizations, corporate governance systems are in charge of developing and implementing strategic decisions generally there seemed to be unanimity in the scientific community regarding the subpar work of the board members that has been

viewed as one of the key causes of the financial meltdown (Larcker & Tayan, 2020; Berger, *et al.*, 2016). Members of the board have been condemned for not defending the interests of investors and for emphasizing the short term as opposed to the long-term goals of their companies (Zeitoun, *et al.*, 2014). Enhancing the caliber of enterprises' risk-taking processes and transparency has thus remained a top priority for regulators in various countries. In a comparable vein Al-Hadi, *et al.*, (2016) demonstrate that investors' and policymakers' attempts to improve risk identification and oversight procedures had an advantageous effect on the standard of risk reporting and risk management in their sample company.

While recent studies has begun looking into the consequences of diverse board characteristics, the majority of this work has concentrated on assessing the effects on business performance (Shaukat, *et al.*, 2016). Berger *et al.*, (2014) are among the initial researchers to study the impact of board demographics upon risk-taking across German banks. Their results found that executive committees with younger board members and more women on board increases financial firm risk, but boards' members with a greater proportion of board with a doctorate degree negatively affects risks. This study underscores the importance of corporate boards on risk taking decisions of the firm. However, few studies have sought to analyze the impact of board characteristics on firm financial risk taking in developing countries.

Both characteristics of board members and top management team heterogeneity are important determinants of board behavior. This idea finds support in work by Graham, Harvey, and Puri (2008) and Adams and Ferreira (2009), who find that board characteristics and preferences are of significant importance for board decisions and

firm outcomes. As a consequence, it anticipates being able to document that risk taking is affected by board composition. Previous study has demonstrated that educational credentials and prior relevant expertise have an effect on financial companies' risk-taking motives. Having the opaque and complicated nature of private financial corporations, improved education may influence board members' capacity to grasp and interpret advanced risk measuring tools, as well as the impact of firms' strategies on risk taking. In contrast, Berger *et al.*, (2014) discovered that financial organizations with a high share of top executives having doctorates had lower risk. A number of academics believe that board members with financial competence comprehend the firm's intricate workings and can evaluate dangerous actions (Harris & Raviv, 2008; Minton *et al.*, 2014) While boards lacking the financial expertise to detect and control enterprises' risk exposures are more likely to suffer massive loss (Hau & Thum, 2015).

Furthermore, governance is crucial in assisting firms in pursuing a suitable level of risk which enables managers to maximize shareholder profit while simultaneously accounting for the societal consequences of firm losses (Stulz, 2015). Stulz (2015) emphasizes the need of a solid system for risk management in selecting, tracking, and managing exposures to risks. Because of moral hazard issues, limited liability, and convex pay-off, boards of financial businesses choose to participate in greater risk behaviors (Jensen and Meckling, 1976). Due to increasing levels of information asymmetry in such sectors, debt contracts ex-ante are ineffective in discouraging boards from taking further risks (Dang, *et al.*, 2018). Furthermore, insurance companies and adjusted risk to capital exacerbate the challenge of virtuous risk by pushing boards' members to make riskier investments decisions and failing to oversee

financial corporations' incentive structures (John & Senbet 1998; Anginer, *et al.*, 2018).

Companies in developed and emerging economies has provide inconsistent evidence on what drives a firm take risk (Anderson, *et al.*, 2016; Sila *et al.*, 2016; Chaibi, & Fiti, 2015; Ciftci, *et al.*, 2019). For example, the effectiveness of a board member in taking risks is determined by board choices (Berger, *et al.*, 2014; Ingley, & Van Der Walt, 2008; Hoskisson, *et al.*, 2017). Prior research (Muttakin *et al.*, 2012; Kao *et al.*, 2018; Terjesen *et al.*, 2016) has shown that various board characteristics contains considerable influence on risk-taking decisions. The effect of board size and risk taking have revealed equivocal results. For instance, studies have discovered a negatively significant relationship between board structure and risk taking (Akbar 2017; AlHares *et al.* 2020) while positive effect on risk taking (Grace, *et al.*, 2015; Mollah, & Zaman, 2015). Also, board composition have shown negative effect on risk taking (Rachdi, & Ameer, 2011; Ayadi, & Boujèlbène, 2012), and positive association on risk taking (Yatim, 2010; Battaglia, *et al.*, 2014).

A few studies on the size of boards and risk taking have discovered a significant negative significant relationship between boards size and firms' risk taking of board members and numerous risk taking features (Wang, 2012; Najwa, *et al.*, 2019). The rationale for such a link might be traced back to the idea that, because of the limited time available for board meetings, a larger board encounters the difficulty of contention on many critical decisions (Yermack, 1996). Furthermore, the diverse viewpoints stated by different board directors aggravate the situation.

On the contrary, a larger board may benefit a company's ability to identify risk corporate governance literature also shows that managers are monitored (Choi *et al.*, 2007; Adeabah *et al.*, 2019; Coles *et al.*, 2008). For example, Shaukat, *et al.*, (2016) It was discovered that a larger board of directors positively and significantly increase firm's financial risk taking through better monitoring and oversight of managers' operations. Furthermore, a larger board is made up of varied board members with varying backgrounds, education, and experiences who help a company obtain critical resources and reduce environmental risks in a variety of situations (Kao *et al.*, 2018).

Cronqvist, Makhija, and Yonker (2012) found a positive relationship among CEO professional and personal leverage, implying that CEOs execute decisions that are consistent when presented by comparable financial decisions in multiple areas. Furthermore, proxy for financial risk taking is non-monetary; in a nutshell, the concentrate on the aversion to risk influence instead of the income influence. Consequently, the present investigation builds on previous research by investigating uniformity not solely among subdomains (personal and professional), but also between risk kinds (health and financial).

Prior research has resulted in contradictory results on the effects of board independence and risk taking. Feng, *et al.*, (2005) and Srivastav & Hagendorff, (2016), for example, proved that having independent board members have no discernible effect on the firm's risk taking. Several other research (Mollah *et al.*, 2017; De Haan & Vlahu, 2016) revealed that independence board members have a detrimental effect on taking risk. Stewardship theory, which has hopeful beliefs about humans, backs up these findings. Personal goals do not inspire the agents

(management), according to this theory (Torku, & Laryea, 2021; Elmghaamez, & Akintoye, 2021). Instead, the agents act with integrity to preserve the interests of the principle, meaning that independent board members are unlikely to be appointed (Rashid, 2020; Brown, & Peterson, 2022).

Corporate governance studies have traditionally concentrated on the connection that exists between the company's chief executive officer and the members of the board (Abdalkrim, 2019; Bhagat, & Bolton, 2019). Previous studies has demonstrated that influential chief executive officers oversee the connection by appointing new members of the board that are geographically comparable to them as well as previously served on more passively boards, little hypothetical or practical study has been conducted to investigate the contribution of CEO traits in deciding new board members selections and subsequent CEO and board relationships. Considering that personality traits can have a significant impact on how someone interacts with others, and CEO narcissism has been recognized as an essential characteristic among CEOs, implementing a psychological perspective to the CEO and board interactions necessitates a deeper look into how CEO narcissism could affect it (Oesterle, *et al.*, 2016). When clarifying the way influential chief executive officers oversee their interactions with board members via selecting members of the board whose personalities are comparable to their narcissism or who have worked alongside identically narcissistic CEOs, as well as whether such appointed board members might subsequently endorse CEOs' tactical choices, hypotheses pertaining to personality into corporate governance research on members of board selection and CEO and board interactions need to be addressed.

Expanding upon the concept that chief executive officers could in fact want to take risks and the assumption in the existing agency based on theory oversight research as the allocation of authority among members of the board and chief executive officers influences the goals that will most probably to be prioritized (Finkelstein *et al.*, 2009; Herman, 2016; Chin, & Semadeni, 2017). The framework expounded by recent scholars aims to contribute to an academic topic that emphasizes the significance of senior managers' psychological functions and the manner in which they determine the decision-making process (Chatterjee & Hambrick, 2007).

Furthermore, independent board members may lack a thorough understanding of the firm's daily routine, and consequently their advisory role to the CEO may be shaky in some cases, undercutting the effectiveness of internal directors' supervision (Ben Rejeb, *et al.*, 2020). The findings of Mollah, & Zaman, (2015) and Shaukat, *et al.*, (2016) discovered a favorable association between risk taking and financial institution performance. Board diversity have shown both positive and negative relationship with risk taking. Adams, (2016) and Mollah *et al.*, (2017) indicate a significant and positive relationship between diverse board members and risk taking. Khaw, *et al.*, (2016); Bernile, *et al.*, (2018); and Farag, & Mallin, (2017) discovered a negative relationship between board diversity and risk taking.

Considering the essential functions of the boards in establishing an efficient and effective governance system, scholarly literature on the effect of board characteristics on risk-taking is surprisingly scarce. The inconsistent results on the literature have proven insufficient evidence on the best practice that board members should have to enable firms' to consider financial risk taking. Board member's expertise, board

member's motivation, board member's diversity and board member's independence were considered in the study since there are gaps in literature on how board members consider financial risk decisions.

2.5.1 Relationship between Board Member's Expertise and Financial Risk

Taking

Financial risk-taking is crucial for any business survival. While it has been proven that certain companies can collapse simply as a consequence of the risks that they undertake, some will likely to prosper despite a certain amount of risk. However what causes broad disparities in financial risk-taking? According to agency theory, CEOs may be hesitant to engage on risky projects because they are concerned about their own personal well-being (Reynolds, *et al.*, 2009; Cirillo, *et al.*, 2021). Oesterle, *et al.*, (2016) discovered that production supervisors tend not to undertake any risks by analyzing their decisions. Bernile, *et al.*, (2016) investigates the varying impact of an alteration in policy that provides more protection from hostile takeovers and finds that CEOs whose jobs grew stronger and lowered their appetite for risk. Teixeira, *et al.*, (2020) on the other hand, shows that improved supervision by several significant investors is related with increased risk-taking. These findings suggest that agency conflicts serve as an essential role in predicting disparities in risk between organizations.

Board member's expertise refers to a specialized skill or knowledge or experience that is acquired by a board member either through training or previous experience in the same industry or by sitting in boards of other companies (Liebowitz, 2019). According to empirical findings, board expertise has a positive correlation with higher

involvement in strategic concerns (Shaukat, *et al.*, 2016; Ghafran & O'Sullivan, 2017; Zalata, *et al.*, 2018). Majority of the studies underline the value of resources, experience and knowledge that both inside and outside board members may have (Volonté, & Gantenbein, 2016; Jaskyte, 2015). Although insiders contribute firm-specific knowledge and experience that may yield valuable insight, outsiders have access to important stakeholders and resources and may possess either functional knowledge for example accounting, financial, legal or marketing and general industry knowledge that is relevant to the board's functions (Nguyen, *et al.*, 2020; Baatwah, *et al.*, 2022). In addition, Mire, (2016) has recommended that when board member's expertise is being considered, skills associated with problem solving, communication and teamwork should not be overlooked.

Although studies have identified board expertise as an important determinant of board performance, some surveys have indicated that the overall level of board expertise is insufficient to enable firm to take financial risk and other responsibilities (Felton and Fritz, 2005; McKinsey Quarterly, 2008). Consequently, various stakeholders are now emphasizing board processes aimed at developing and improving board expertise. They assert that in order to provide good oversight and appropriate input into strategic choices, organizations must make sure that board members have the expertise and skills required (Roy, 2008; Wheelen, *et al.*, 2017; Kakabadse, *et al.*, 2010). Ruigrok, *et al.*, (2006) shown that having diverse knowledge on the board in and of itself may not be adequate; rather, boards' diverse competence, which fluctuates between organizations and through time, must align with firm strategy in order to take risks.

Because a business's strategy draws from multiple functional areas and requires assessment of all risks, a more holistic and integrative perspective of how board expertise affects the firm is required. In terms of board education, empirical research shows that, as compared to joint stock bank board members, cooperative board members may not usually have excellent educational qualifications or professional expertise in the industry (D'Amato & Gallo, 2019; Rao & Tilt, 2016; Talavera, *et al.*, 2018). D'Amato, & Gallo, (2019), analyzed a sample of Italian BCCs (Cooperative Banking Group and Cassa Centrale Cooperative Banking Group) and showed that on average, 18% of the boards possess a Leaving Certificate from Middle School, 52% from High School and 30% have a university degree yet they consider risk. Papadimitri, *et al.*, (2020) undertook a survey on corporate governance and bank risk from over 50 countries, and the results further explains that board member's expertise in related industries, not their educational background, which allows banks to take risks.

With reference to board turnover, literature highlights that co-operative model characteristics increase the risk that board members become powerful and entrenched as they are insulated and protected from any kind of pressures both internal and external (Aguilera, *et al.*, 2015). The financial experts on the board have a deeper awareness of the intricacy of projects and the dangers associated with them; as a result, they may or may not avoid risks that are unsound for the firm's solvency (Adams, & Jiang, 2020; de Andres *et al.*, 2021; Apergis, 2019). Empirical findings by Elyasiani and Zhang (2015) suggest that more financial professionals serving as outside directors likely to restrict financial institution risk exposure in relation to ratio, loans to deposits ratio, loans to assets ratio, and annual beta. According to the

monitoring advantage hypothesis of financial expertise, such board members should be equipped with the expertise, motivations, and capabilities required to track regulation, and recommend managers, permitting them to mitigate disagreements of interest between inside directors and shareholders.

There is a high debate on the requirements of board members for being considered ‘expert’ (Dass, *et al.*, 2014; Wang, *et al.*, 2015; Almandoz, & Tilcsik, 2016). Now, it is generally accepted that experts have notably knowledge, skills, and experience in the best practice to consider while taking risk (Grace, *et al.*, 2015). Their abilities and know-how, can enable board members understand accounting techniques and financial instruments in financial risk decisions, which are technically complicated, and other board members are not able to understand (Williams, *et al.*, 2015). They are usually investment bankers and financial analysts, who have considerable experience in carrying out due diligence regarding mergers, acquisitions, risk evaluation and equity offerings, as well as having a strong background in estimating earnings forecasts, risk consideration and providing stock recommendations (Joos, *et al.*, 2016).

The capacity of financial professionals on the board to oversee accounting controls and financial reporting prevents potential reporting errors, litigation, and policymaker scrutiny, as well as helps the audit committee in assessing the firm's exposure to various risks. Several research on individual decisions have linked education to risk-taking behavior in household money problems, with the results indicating that an upsurge in academic achievement lowers financial risk taking at the individual level (Kannadhasan, 2015; Mamerow, *et al.*, 2015; Bucciol, & Zarri, (2015). On contrary

Tokar Asaad, (2015) demonstrate that higher educational attainment increases individuals' propensity to take risk in financial decisions. Hoskisson *et al.*, (2017) did a survey on board education background and project valuation and risk taking and their evidence underscores that executives with MBA degrees more frequently use sophisticated project valuation techniques and tend to rely more on the CAPM for estimating cost of capital than executives without such degrees thus increase risk taking.

Intuitively, the use of more sophisticated techniques should increase firm risk. According to Pearlson *et al.*, (2019), MBA executives are becoming more proactive and run with greater leverage businesses, suggesting that MBA graduates pursue riskier corporate practices. While companies must take risks in order to function, both extreme financial risk-taking and severe risk-aversion could jeopardize their survival. Following the late-2000s financial crisis, regulators and the investing public expanded the responsibility of boards to include risk oversight (COSO 2009). Fiduciary responsibility under state law, federal legislation and rules and regulations, stock market listing requirements, and optimal procedures in developed economies all contributed to the board's oversight of the risk management process (Macey, *et al.*, 2016).

The educational credentials and in relation to expertise of board can impact risk-taking motives. Considering the opacity and complexity of most firms, increased education may influence board members' ability to grasp and interpret advanced risk assessment methods, as well as the influence of banking policies on risk. According to

Srivastav *et al.*, (2016), financial businesses with a greater percentage of executive board members with PhDs take fewer risks.

Furthermore, the risks that organizations confront change over time, and the expertise packages that boards provide to firms must alter in order to manage growing difficulties. For example, in 2002, the Sarbanes-Oxley Act was passed, board members who are financial specialists are required to meet an increased need for financial competence (Shaukat, *et al.*, 2016). As a result, the expertise bundles of boards changed as the risks changed. Little is known, however, regarding whether and how boards' collective expertise bundles alter to reflect the dynamic nature of increasing business financial concerns. As a result, a dynamic picture of boards' collective expertise in relation to enterprises' demands throughout time is required to properly comprehend their effectiveness. While the bundle of board members' experience is vital to corporate success, there is frequently a gap between board members' financial risk expertise and the firm's ability to take risks, and this gap evolves over time (Kor & Sundaramurthy, 2009). From literature the findings are consistent with resource dependency theory and human capital theories where board members characteristics provide unique expertise as the key resources that can facilitate financial risk taking.

Dong, *et al.*, (2017) reveals that enterprises with smaller boards' members perform better in decision making regarding risk taking compared to large board members. Nevertheless, Zhu, & Chen, (2015) demonstrate that this influence is dependent on the company's features. Firms that require more counsel and oversight gain from having larger board members. It could be further explained why previous research

that has yielded varying conclusions concerning the influence of the size of board members on company efficiency (Johl, *et al.*, 2015; Pfeffer, 2019). In a comparison, bigger boards can occasionally end up resulting in lesser risk taking which leads to lesser company value. Companies with minimal investment prospects, on the other hand, should ensure that their processes for making decisions are in line with their growing characteristics, and they would gain the most from smaller boards.

Tanyi and Smith (2015) contend that financial expertise on the board is required to understand the inner workings of the organization and the risks associated with firm strategies. Several studies have been conducted. Several studies and policy evaluations indicate that, several financial and other industry boards' members lacked the financial knowledge to detect and manage risk-exposures (Hau *et al.*, 2015; Ellul, 2015). According to Hau and Thum (2015), during the recent financial crisis, German banks with unskilled boards of directors suffered bigger losses. This is because financial understanding allows board members to examine risky options that could be beneficial to shareholders. The empirical literature on risk taking has produced contradictory data on risk taking, although it is in favor of the assumption that more board member expertise is related with increased risk-taking (Najwa *et al.*, 2020; Cohn, *et al.*, 2017; Dong, *et al.*, 2017). In comparison to board members, knowledgeable board members, expert board members in the fields of risk and finance and experienced board members tend to favor financial risk taking in literature differently in different firms. Board member's expertise are likely to favor board's decision to take financial risk but no study have shown beyond doubt this. This research thesis hypothesizes whether board member expertise affect financial risk-taking decision.

2.5.2 Relationship between Board Member's Motivation and Financial Risk

Taking

Board member motivation refers to the process of stimulating board members to act in order to accomplish goals of an organization (Zhu, *et al.*, 2016). Chareonwongsak, (2017) Board power and function, composition of the board, meetings of the board quality, board members' abilities, transparency in the assessment and remuneration setting process, and financial reward are all examples of board member motivation. This study adopted the definition by Zhu *et al.*, (2016). Primary focus of board research is on the relationship between board characteristics that is size of the board, diversity on the board, chairman-CEO duality, and business performance. Nevertheless, the study's findings are ambiguous because the association is unclear and the process that underlies the relationship remains a mystery.

As a result, many scholars have been attempting to comprehend this mechanism, and board motivation is one intriguing component that should be investigated further (Vansteenkiste, & Deci, 2010; Hambrick, Werder, & Zajac, 2008; Tuwey & Tarus 2016; Huse, 2007). Notwithstanding knowing that motivational studies have been conducted, studies on board member motivation are relatively few and far between (Silva, 2005). The majority of studies on this topic does not explicitly explore board member motivation; instead, it has concentrated on motivation of board members and CEOs as a whole, with a particular emphasis on CEO motivation. The agency theory also dominates the major body of governance literature, which assumes that board members are driven to protect the interests of the principles from greedy behavior of the CEO.

Other hypotheses, however, question the validity of this concept. The stakeholder theory, for example, posits that board members' objective is to safeguard the stakeholder's interest they represent. Another view is the stewardship theory, which holds that Board members are motivated by benevolence (Cornforth, 2004). As a result, research concentrating on the theory of how board members are motivated are inconsistent, because board member motivation varies depending on the individual level of the board member. Furthermore, Hambrick *et al.*, (2008) stated that board members' expertise and motivation have grown with time. Nonetheless, there is still a dearth of knowledge of non-executive directors' or outside directors' objectives on motivation (Hambrick & Jackson, 2000).

Among modern corporations, the members of the board reside at the top of the company, as signifying the most powerful legal power in the entirety of the company. However, as noted in the passages mentioned above, there has been ongoing debate concerning the board's practical relevance. Endorsing several decades, members of the board were considered essentially as groups packed with close allies of the chief executive officer that merely served as a stamp of approval for CEOs recommendations (Garg, & Eisenhardt, 2017; Mace, 2019). Interestingly, financial scandals in the preceding decades have propelled members of the board once again to the foreground of debates regarding corporate governance, resulting in protests for boards to engage in an even greater part in the process (Toms, 2019; Van Driel, 2018; Admati, 2017). Undoubtedly, following each prominent controversy, media outlets ran stories seeking clarification, "Where the Heck was the members of the board?" as well as criticizing members of the board for seeming "asleep" behind the wheel. Such widespread protests have a strong connection to the widely held

belief that business catastrophes are the consequence of boards failing to exert adequate oversight over chief executive officer.

The vital role of the members of the board in company activities, investigating the association among the nature of the structure of board s and financial risk-taking is a pressing subject at the moment. Furthermore, given the enormous significance of the financial industry in the worldwide economy, the association between structure of board and company risk-taking methods in this sector demands a thorough analysis. In addition, the operational systems and the manner money circulates in this industry are distinct, making banking sector more sensitive to risk than other industries. Furthermore, financial firms' procedures for corporate governance vary from those of non-financial firms as a result of a number of distinctive features, including different functioning mechanisms, more opaqueness as well as information asymmetry and greater leverage (Srivastav & Hagendorff, 2016). Berger, *et al.*, (2014) further argue that the responsibility of the members of the board is harder and more complex in the banking industry.

Actually, the vast majority corporate governance studies regarding agency, influence, resource dependency, as well as additional approaches depends on the fundamental assumption that outside independent board members can successfully oversee chief executive officers (Zhu, & Shen, 2016; Annuar, & Abdul Rashid, 2015; Herman, 2016). Within the corporate sector, the perceived positive influence of independent board members have grown so widespread that particular stakeholders now correlate solid corporate governance simply appointing independent board members (Schipani, & Liu, 2017). In accordance with this widely held belief that correctly designed

boards should lead to increased effectiveness of the board, a great deal of research conducted in this domain aims to discover which combinations of board features is going to result in improved financial growth for the business or various explicit results for the company. On the other hand, notwithstanding relatively solid both theoretical and practical logic, the research results associating organizational board traits, normally characterized by independence, with crucial company conclusions, particularly business results, appear to be distinctly inconsistent in the best possible way (Low, *et al.*, 2015; Katmon, *et al.*, 2019; Husted, & de Sousa-Filho, 2019).

According to Hillman and Dalziel (2003), an advisory board member has primary two essential and fundamental responsibilities: overseeing and advising. Control function has served as the primary focus of analysis; it is based on internal as well as external governance procedures designed to permit surveillance of the leadership's behavior regarding investors, considering the possibility of conflicts of interest arising from the dichotomy of ownership from control. The current study indicates that organizational governance competence is an essential corporate situational component that is strongly related to how firms consider risk taking activities (Adams, 2002; Chan *et al.*, 2014). Pursuant to the published literature, numerous board members' features may have been established which influence the efficiency of governance as well as the amount and standard of risk: board independence and size, CEO duality, and board diversity. The aforementioned results show that independent members of the boards and larger boards' members benefit investors and other interests groups (Chan *et al.*, 2014). According to agency theory, powerful CEOs convey a greater degree of risk aversion in order to protect their personal reputation (Jizi, 2017). Board diversity by gender has also received considerable

attention in the past few years, particularly in terms of business governance and risk taking.

According to Neokleous (2015), board member motivation is a critical corporate governance instrument that is intended to recruit and retain board members. Following the worldwide financial crisis, the structure of board compensation as part of motivation has attracted a lot of attention. Many developing-country agencies, such as the CRD III (2010) and CRD IV (2013), have suggested guidelines to govern board member compensation in organizations, which has increased board member motivation to participate in board decisions. Furthermore, Chareonwongsak (2017) investigates the association between board motivation and cooperative outcome, the findings indicate that board member motivation includes board legitimacy and function, board size, quality of the board meeting, board members' abilities, transparency in the assessment and reward setting process, and monetary incentives, which can improve board decisions.

Similarly, Bhagat and Bolton (2014) discover that incentives offered by board motivation had a positive effect on banks' overexposure to risk from 2000 to 2008. According to Shah (2017), banks' excessive leverage allows shareholders to collect the majority of the rewards from riskier ventures. As a result, bank shareholders have an incentive to raise board motivation in order to encourage increased risk taking. According to 117 publicly traded US and European banks from 2000 to 2008, Vallascas and Hagendorff (2013) discover that improvements in board member motivation reduce bank default risk. This is due to the fact that bonuses and other incentives can only be obtained if the company is solvent, forcing boards to prevent

permanent bankruptcy (Macey *et al.*, 2019). Nonetheless, they show a significant influence of board compensation and taking risk in institutions with inadequate legislative frameworks and financial difficulties.

In addition, Battaglia *et al.*, (2017) discover inconsistencies in data from a sample of US banks from 1994 to 2006 about the influence of board member remuneration and bank risk taking. They contend that rising equity based pay is linked to riskier bank investment decisions during the post deregulation period. Authors further discover that, following the 1999 deregulation, prior to board incentives in financial institutions favored reckless risk taking. However, the board members of the bank have changed CEO risk taking compensation after the fact in a way that is compatible with reducing or increasing above-average risk-taking rates (Mavrakana, *et al.*, 2019). Increase in motivation of the board members has been attributed to the overbearing posture of the executive. For instance, Walker (2013) maintains that many listed companies' senior executives have a domineering impact on the remuneration process. Non-executive directors that should moderate the pay-setting process lack the tools and motivation to do so effectively (Bebchuck, Grinstein, & Peyer, 2010). The benefits accruing to the non-executive board can perhaps be another driving factor behind support for executive pay.

Consistent with resource dependency theory and human capital theories, higher board members motivation is argued to have the capacity to increase firms' financial risk taking (Carter, *et al.*, 2017; Zhou, *et al.*, 2021). Moreover, studies have explored the influence of board motivation and business value, with varied results, with some studies reporting a favorable relationship (Deysel & Kruger, 2015; Herdan &

Szczepańska, 2011). However, Omoregie and Kelikume (2017), Guo, Jalal, and Khaksari (2014), Yusuf and Abubakar (2014), Molyneux and Linh (2014), and Jegede (2012) report that higher board motivation does not lead to improved value addition of firm, these contradictory findings call for further studies.

Board motivation has a certain impact on the risk level of enterprise (Lundqvist, 2015). According to Coles *et al.*, (2006), a substantial causal association between board member motivation and organizational risk. Board member motivation reflects an enterprise's strategic direction rather than just income, therefore board members typically earn more and have more incentives than other executives (Dow and Raposo, 2005). The increase in board members will affect companies' risk level, and the increase in risk level is favourable to the enhancement of corporate performance (Zhang *et al.*, 2013). According to Xie and Tang (2013), the proportion of board members' shareholding is highly related to risk level of firms.

Gande and Kalpathy (2017) analyze data from before and after the 2008 financial crisis to discover that board members' motivation is positively associated to the risk level of financial firms. Board member motivation has a favorable influence on CEO risk-taking behavior, and this effect is influenced by various CEO qualities (Al-Shammari, 2018). Board member's motivation in literature have proven the relevancy in decision making by the board but there is mixed results on risk taking open up the gap for further studies. This study hypothesizes whether board member motivation affects financial risk taking decision.

2.5.3 Relationship between Board Member's Diversity and Financial Risk

Taking

The diversity of board members refers to their age, gender, religion, expertise, tenure, education, ethnicity, and nationality (Walt and Ingley, 2003; Rao, & Tilt, 2016; Bernile, *et al.*, 2018). Diversity in board members has been categorized into several categories in the literature based on viewpoints such as experiences, skills, duties, personality, demographic, cognitive capacities, observable and non-observable variables, and cohort participation (Yousaf, *et al.*, 2021; Shalhoub, 2019; Metoyer, *et al.*, 2018). Joshi and Jackson (2003) offer a technique that determining individual traits of top executives. Two well-known ideas for explaining the effect of diversity of board members on corporate governance are agency theory and resource dependency theory.

A varied board, in accordance to agency theory, can improve management oversight since heterogeneous boards include directors from various backgrounds (Poletti & Brian 2019; Abdullah, *et al.*, 2016). Consequently, organizations with diverse boards' members distribute more knowledge, potentially reducing disparities in information and agency costs while simultaneously increasing credibility. Form resource dependency theory, board members are full of resources that can enhance firms ability to take risk (Minguez-Vera & Yagüe, 2017; Martínez-Ferrero, *et al.*, 2016). Women are less risk-taking than men, owing to studies in both psychology and economics literatures. According to a meta-analysis of 150 studies on risk taking, men are more likely than women to engage in dangerous experiments, cognitive risk taking, and gambling (Sila *et al.*, 2016).

Studies on members of the board has explored board structure, size, including the participation of independent board members on company boards (Harjoto, *et al.*, 2018), and concluded that independent board members improve the monitoring responsibilities. Nevertheless, an essential but often neglected component influencing a board's capacity to fulfill its oversight and advisory functions includes director heterogeneity (also known as diversity). Recently, regulators and investors globally have demanded a board with a broader membership.

Drawing on diversity theory and group performance hypotheses, particularly social classification similarity, intergroup interaction contract, and behavioral diversity theories, this study focuses on the relationship between board members' diversity and risk-taking decisions. Expectations framework for diversity based on Han, & Beyerlein, (2016) describes how the social classification procedure in a team that is diverse leads to various effects of relation-oriented dimensions (race, gender and age) and task-oriented dimensions (a tenure-track and experience) on board tracking outcomes. Because relation-oriented diversity traits are not immediately tied to the work at conjunction, their significance to board surveillance is unclear. On contrary hand, relation-oriented diversity traits may trigger the social grouping procedure for assigning group board members to in-group/out-group groupings based on these superficial traits, resulting in ingroup/out-group prejudices that may impede board cohesion and, as a result, board members effectiveness. Once board members have conquered the adverse impacts of diversity on board solidarity, relational traits may introduce diversity in financial willingness to take risks into the board process, possibly altering the board's risk habits and assisting as a balancing control tool to avert too much risk taking or aversion to risk. Whereas relational parameters, task-

oriented qualities are essential to the current surveillance task. A social segmentation technique of grouping board members on the basis of employment-related traits might assist to identify expertise and expertise across the board members and facilitate the application of a diverse pool of intellectual assets in carrying out the board's supervisory functions (Sun, *et al.*, 2022).

Studies in social psychology corroborate the concept that board member diversity contributes to moderated conclusions, yet there is no consistent proof regarding these consequences for the operation of members of the boards (Rao, & Tilt, 2016). The idea that board member diversity promotes moderation in decisions made by board members is related to Torchia, *et al.*, (2015) observation that business risk escalate with the chief executive officer influence. Powerful CEOs can make unconstrained decisions, resulting in additional eccentric decisions, unexpected results, and eventually, higher risks. In a comparable manner the uniformity of members of the board tastes, motives, and opinions could end up resulting in greater eccentric judgments, which would get less attention inside the members of the board. This dearth of organizational control could end up in additional erratic corporate results. Therefore, according to this logical reasoning, increased board member's diversity ought to outcome in fewer unpredictable decisions.

On the contrary the same direction, is absolutely possible that board member's diversity might intensify disagreements and destabilize the board's members decision-making procedures, rendering compromise harder and the resulting conclusions more unpredictable (Krause *et al.*, 2024). The alternate approach argues that board member's diversity contributes to greater, not reduced, company risk and

performance variability. Though research in both psychology and economics show that women have a lower risk appetite than males, it continues to be debatable whether or not increasing female board members involvement signifies that companies take less risk (Nelson, 2015; Mata, *et al.*, 2018; Fisher, & Yao, 2017; Montford & Goldsmith, 2016). If corporations with more female members board undertake less risky strategy and choices regarding investments, they could eventually grow disadvantaged in their industry. Furthermore, boards' members today have higher responsibilities for their role in risk monitoring. Board gender diversity could additionally be vital for successful risk monitoring.

In experimental settings, men are more inclined than women to opt for riskier choices. In research involving lotteries with established probability and financial outcomes, for example, women are found to be more risk averse (Levin, Snyder, and Chapman, 1988; Fehr-Duda, de Gennaro, and Schubert, 2006; Cohn, *et al.*, 2015; Nelson, 2015). Furthermore, women are more conservative when it comes to investment decision. (Sunden and Surette, 1998; Bernasek and Shwiff, 2001; Zeng, & Wang, 2015; Menicucci, & Paolucci, 2021). Filippin, & Crosetto, (2016) present an overview of the literature in this topic. These studies, on the other hand, look into the risk attitudes of women in the broader community. Deaves, Luders, and Luo (2009) discovered that women appear less naive than men in their study of finance, economics, and business students. They argue that women who are drawn to 'male' disciplines may be distinct from the general population (Al-Shaer, & Zaman, 2016).

Board diversity also relates to the debate over the effects of women on the firm. Gender diversity has been a forefront priority in numerous nations, with national

governments instituting mandates for publicly traded and/or state-owned enterprises while others are only providing diversity proposals (Pearl-Martinez & Stephens, 2016; Ferrero-Ferrero *et al.*, 2013). Earlier research indicates that, in contrast to men, Instead of marketing and operations activities, most female board members are likely to have staff-support administrative tactics involving acceptable, human resource connections, and public relations (Zelechowski and Bilimoria, 2004). Women are also more likely to have academic backgrounds and advanced degrees, that can help firms obtain a competitive edge by properly dealing with diversity in their commodities and labor markets (Bilimoria and Wheeler, 2000; Hillman *et al.*, 2002).

Similarly, past research suggests that female board members contribute various perspectives to the boardroom, assist in better representing all shareholders, and foster vibrant boardroom discussion (Letendre, 2004) and transparency (Upadhyay and Zeng, 2014). Given the 'glass ceiling' phenomena, women must additionally demonstrate additional competences to obtain directorship roles, implying that women are extremely competent and diligent as board members (Eagly and Carli, 2003). Diversity on boards may have an effect on the process and quality of decision making (Rao, & Tilt, 2016). On the one hand, increased board diversity may result in increased board scrutiny and better decision-making. Similarly, diversity lead to conflict, making consensus more difficult to establish. The risk consequences of this are difficult to predict in advance. More scrutiny may result in less extreme outcomes that have lower risk, however risk may grow if the board takes longer to make decisions.

Prior research has divided diversity of board members into many criteria that are based on their ability to capture various views such as experiences, talents, and demographics (Tasheva & Hillman, 2019; Harjoto, *et al.*, 2018). Academic background, working, and industry-related knowledge are substantially connected to job-related traits, but age, ethnicity, and gender are not as strongly associated with job-related traits. Existing literature advocate that, tenure and education are task-oriented (strongly associated to job), but gender and age are relation-oriented (Midavaine *et al.*, 2016; Harjoto *et al.*, 2018).

Diversity has sparked heated debate regarding its impact on corporate governance. The bulk of research, however, have a narrow focus, focusing primarily on one component of diversity, for instance gender, whereas a few studies have focused on other factors like as competence, age and tenure (Midavaine *et al.*, 2016; Harjoto *et al.*, 2018). Similarly, recommendations from past studies that concentrate on one component of diversity are challenging to extrapolate without accounting for other factors. Diversity based on age is crucial in relation oriented diversity, as it might reduce risk-taking. According to studies, organizations with a younger board of members are likely to restate their financial statements (Jebran, *et al.*, 2020), risk-taking (Zhou & Wang, 2014; Barker & Mueller, 2002), and greater risk (Regev, *et al.*, 2018).

If age diversity can reduce information openness, management of earnings, and risk taking, resulting in strong financial reporting quality, the board will be less likely to reserve negative news, reducing risk. Task focused diversity features such as tenure and education can improve board members' monitoring efficiency. Previous

studies indicates that boards with a varied tenure are more autonomous (Sun, *et al.*, 2020) and thus have a lower chance of risk taking (Ji, *et al.*, 2020). Additionally, boards with broad educational backgrounds have decreased motives to take risks (Ullah *et al.*, 2020). As a result, task-oriented characteristics can increase oversight effectiveness by reducing manager concealment of negative information and, as a result, risk. Boards with a diverse tenure generally are more self-sustaining and efficient at scrutinizing (Li & Wahid, 2018).

Tenure-diverse boards are able to utilize top executives with longer tenures whom recognize company-specific challenges, as well as new board members with shorter tenures who may provide an innovative viewpoint to board tenures. According to Li and Wahid (2018), diversified boards based on tenure are efficient at managing risk while overseeing management. Consistent with this viewpoint, strong tenure diversity can improve management monitoring efficiency, lowering bad news suppression and, as a result, risk. However, the data are inconsistent as to what motivates board members to accept or not take financial risk. This research sought to hypothesize whether board member diversity affect financial risk taking.

2.5.4 Relationship between Board Member's Independence and Financial Risk Taking

The term "independence of a board member" refers to a situation in which a board member has no direct or indirect substantial relationship with the firm, its affiliates, or any of its members other than a member of the firm's board (Kurt, 2012). The success of board members in their positions is dependent on their independence. Members of independent boards are more adept at oversight and overseeing risk taking (Terjesen,

et al., 2016). Furthermore, Ramón (2019) discovered that independent directors are motivated to watch management via their desire to develop a track record as experienced monitors and competent individuals. Additionally, there is a considerable corpus of research on the association between independent boards and corporate outcomes (Fuzi, *et al.*, 2016, Guerrero *et al.*, 2017), but studies examine their influence on financial risk taking (Jiraporn & Lee, 2018; Kutubi, *et al.*, 2018; Srivastav & Hagendorff, 2016; Gulamhussen & Santa, 2015; Iren & Tee, 2018).

In the aftermath of the worldwide financial meltdown, firms may be more effective in decreasing financial risk-taking (Vallascas *et al.*, 2017). Independent board members strive to maintain a positive reputation in the directorship market in order to acquire further board seats in the future (Fama and Jensen, 1983; Stulz *et al.*, 2016). Furthermore, when board members serve on the boards of large businesses, reputational incentives become more relevant, and these incentives enhance the boards' efforts in carrying out their obligations (Vallascas *et al.*, 2017; Lanis, & Richardson, 2011). Directorship market penalizes boards' members who are perceived to be irresponsible in their duties. (Du, *et al.*, 2018; Minton, *et al.*, (2014).

Members of the board, are considered a vital part of a company's corporate governance framework, fulfills the twin responsibility of overseeing and counseling chief executive officer. (Harris and Raviv 2008; Tricker, 2015; Larcker, & Tayan, 2020; Das, 2022). While members of the board are capable of contributing to the advising execution, the oversight responsibility mainly falls on independent members of the board. Somewhat unexpectedly, amid major corporate scandals in the early 2000s, corporate governance initiatives and legislation focused heavily on enhancing

board member independence. The foundation of the academic research on boards of directors emphasizes members' independence and its influence on company efficiency and decision-making processes. Though independence of board members influences boards' surveillance motive and is an essential prerequisite for boards' successful supervision of chief executive officer, whatever is equally crucial depends on if independent board members have the capacity to undertake their oversight role. However, analysis on the subject of members of the board competency has been sparse, with the only noteworthy exceptions being publications that examine the effects of independent board members possessing accounting and financial skills (Abbott, & Snidal, 2021; Calk, *et al.*, 2016). The general public's awareness of the subject increased following the recent financial crisis worldwide, as either policymakers and academics doubted whether and to what extent the credentials of independent board members have been accountable for the poor performance of the corporate governance systems in a number of financial companies. The amount of time that independent members of the board possess previous work experience in the firm's business influences the efficiency of board oversight.

The appointment of independent board members on corporate boards, according to the existing research, is an affirmative vote for board independence (Mallin, 2015). Similarly, Jensen and Meckling (1976) stipulated that enhancing the number of independent board members can aid in managing and minimization of agency conflicts. Independent board members are seen to be efficient at oversight and risk taking procedures since they are independent from senior executives and would be passionate about protecting their reputation in risk taking (Fama, 1980). Independent board members, in accordance with their reputation hypothesis, would stimulate

investing in less risky ventures that would assist corporations avoid losses and so safeguard their firm's images (Pathan, 2009; Johnson, *et al.*, 1993). Because they are independent of management and would be interested in safeguarding their own reputation in risk taking, independent board members considered to be effective in monitoring and risk taking methods (Fama, 1980). In accordance to the reputation hypothesis, independent members of the board would encourage investments in less hazardous projects that would assist corporations avoid losses and so safeguard their firm's image (Akbar *et al.*, 2017).

Based on previous studies analysis suggests that multinational research on corporate governance of insurance companies must account for changes in national rules. Furthermore, changes in country-level management ought to be considered. Country-level governance processes comprise the nation's laws, social structure, and conventions, as well as the organizations that implement those regulations (Aggarwal *et al.*, 2011). According to these writers, organizations with solid governance processes functioning in rigorous legal contexts have a lower worth than identical enterprises that operate underneath flexibility legal frameworks. Standards for effective governance include the formation of several committees such as audit, remuneration, and nominating, the presence of anti-takeover clauses, the board members independence, as well as the segregation of the chief executive officer and chairman positions. In a comparable vein Larasati, *et al.*, (2019) indicate that having a number of independent board members on financial risk and auditing committees benefits most in legal nations with inadequate protection of shareholders procedures.

Independent board members incur damage to their reputations and detrimental employment effects whenever the corporations on the boards where they sit engage in accounting deception. According to Hasnan, *et al.*, (2020) and Gomulya, & Boeker, (2016), outside board members of corporations who engage in financial malfeasance or restate revenues have a significantly lower percentage of alternate board positions? For the degree which board members appreciate the financial gains and nonpecuniary advantages that accompany outside board memberships, that after-the-fact getting up of the board's job market offers substantial reasons for independent board members to be on guard when reviewing the company's financial disclosures. Even so, whether or not these individuals are competent of accomplishing so, along with what variables might render board members competent, remains uncertain.

Furthermore, in an effort to establish more constructive governance systems in firms to monitor risk-taking, regulatory initiatives seek to ensure that appointed independent board members that possesses the skills and tools to exercise effective risk oversight on firm executives. For example, the Basel Committee (2010) recommends that non-executive directors in large firms meet with chief risk officer on a regular basis, in the absence of other senior managers, whereas the EU Capital Requirements Directives, approved in 2013, emphasize the importance of appointing board members with sufficient skills and time to understand financial risk-taking and limits the number of directorships each board member can hold.

The material discussed below typically treats such board attributes as external variables. Nevertheless, there exist several empirical and theoretical arguments to imply that board composition is autonomous (Pfeffer, 2019; Voorn, *et al.*, 2019).

Numerous academic articles endogenize the structure of boards by linking the monetary implications as well as advantages of boards' oversight and guidance duties. Additionally, there is also a certain amount of empirical proof to support the endogenous nature of banking firm governance. Pathan and Skully (2010) found that more diverse and larger banks have larger and more independent members of the boards, based on a study of 212 bank holding companies (BHCs) in the United States between 1997 and 2004. Furthermore, banks with strong potential for executives to take advantage of private benefits have larger boards, while institutions with minimal monitoring costs have more independent members of the boards. A different approach intriguing result is that banks with a large insider shareholding possess smaller members of the board. A tiny portion of the research evaluated here handle the concern of endogeneity adequately. However, emphasizing one class of banks may, depending on the degree, render the topic less attractive provided that at minimum those financial institutions confront a comparable optimization challenge and company variability is accounted effectively.

The empirical information on the impact of independent board members on financial risk-taking is equivocal (Fakhrunnas, & Ramly, 2016; Akbar, *et al.*, 2017; Abobakr, & Elgiziry, 2017). Akhigbe and Martin (2008) investigate the Sarbanes Oxley Act's influence on financial firms. Scholars have demonstrated that enterprises with independent boards had lower stock volatility over time. Hung and Matos (2012) discovered no effect of board independence and bank risk amid the economic downturn in a sample of big multinational banks. According to Pathan (2009), independent board members, which include smaller boards with higher shareholder rights, are positively associated to bank taking risks. However, boards with a higher

proportion of independent directors follow less hazardous policies. Beltratti and Stulz (2012) found that banks with a shareholder friendly board are riskier, albeit the results alter when the authors employ various risk indicators.

Elamer *et al.*, (2018) have published data indicating the inclusion of independent board members is favorably similar to risk-taking in diverse industries. It explains the result by the fact "that more independent boards are also independent from firm shareholders which resulted in less risk. This may be because independent directors are more sensitive to the regulatory compliance" this is also in correspondent with resource dependence theory where board member are full of resources and hence independent to a stand decision. The study of Shin, *et al.*, (2018) brings evidence too that a greater percentage of outside directors is critical for reducing default risk in firms. In the work of Terjesen, *et al.*, (2016) the market risk decreases as the proportion of independent board members improves.

Suu and Lee (2012) carried out research on the relationship among board members and risk taking, concluding that the composition of members of the board influences willingness to take risks and company success. in the context of banking how they perform, Uribe-Bohorquez *et al.*, (2018) discovered that independent members of the board do not have meaningful impact on risk and performance. Therefore, the size of the bank is also adversely related to effectiveness, whereas the total amount of assets is significantly detrimental to all trials (Tulung, & Ramdani, 2018). Nevertheless, the size of the board has a favorable relationship with achievement, particularly in savings and loans. In addition, regarding the risk-taking done by members of the board, research been determined revealed that there's an association among members

of the board and the bank's decisions when it comes to financial risk taking attitude (Pathan, 2009).

Fakhrunnas & Ramly, (2016) and Hoskisson, *et al.*, (2017) did study on a similar problem and came to the conclusion the composition of board members affects behavior that they take risks and corporate success. Zgarni, (2018) discovered that independent members of the board do not have substantial impact on the success of banks. Subsequently the size of the bank of the bank is also inversely related to performance, whilst the total amount of assets is negatively significant across all sampling banks. Zgarni, (2018). Nevertheless, the size of the board has a favorable link with how banks perform, particularly in savings and loans. In addition, Pathan (2009) discovered a link between board of directors and bank decisions in terms of willingness to take risks.

Vallascas *et al.*, (2017) conclude in their findings that independent board members perform in the interests of authorities and depositors in the banking industry, risk taking in such banks is reduced. Similarly, De Haan (2016) found that independent board members are associated with decreased risk taking in a sample of 212 US bank holding corporations since 1998 to 2003. One probable explanation, is that independent boards are more concerned with regulatory compliance.

Furthermore, Nsaibi *et al.*, (2020) analyzed American banks from 2006 to 2013 and conclude that a significant number of board independent members are inversely correlated with operational risk. A potential cause for this outcome is that independent board overseeing bank operations may assist to reduce risk. Based on a study of US

financial institutions from 2008 to 2013. Battaglia and Gallo (2017) discover a positive association between the proportion of independent board members and bank risk taking. A strong bank board could be positively correlated with risk taking in the context of moral hazard, because independent directors are better managers when it comes to shareholders' interests (Mili & Abid, 2017). Finally, Shukla *et al.*, (2020) found no statistically significant influence of independent board members on risk taking in a sample of global financial institutions from 2009 to 2016. Independent directors may lack adequate knowledge of financial sector-specific facts, resulting in suboptimal judgments. Grosman *et al.*, 2019, 2003; He & Kyaw, 2018; Chen *et al.*, 2016). This inconsistent findings on board members independence resulted to the variable of the study.

2.6 Moderating Role of CEO Narcissism

Narcissism is defined by O'Reilly *et al.*, (2018) as an inflated, fragile self-concept of one's importance and impact on others. CEO narcissism is also defined as an entrenched personality feature that refers to the degree to which an individual CEO has an exaggerated sense of self-esteem and seeks attention and social praise by pursuing vanity-driven strategic goals (Cao, & Xu, 2022). CEO narcissism is defined by an exaggerated sense of superiority, an overabundance of craving for praise and adulation, and a lack of empathy (Eddy, 2023). This study adopted the definition by O'Reilly *et al.*, (2018).

Chief executive officers with a narcissistic disposition have a tendency to operate organizations quite differently than their less narcissistic peers. Narcissistic chief executive officers, are CEOs who have an exaggerated self-image and need to have

that self-image constantly strengthened, are more likely to execute audacious and risky measures in order to gain popularity and praise, as well as provide extraordinary performance results (Chatterjee & Hambrick, 2007). Conversely, chief executive officers with a comparatively small narcissistic propensity prefer to draw attention to consistency and small enhancements in processes. Furthermore, a major concept of the tactical management field is that businesses replicate the particular histories and characteristics of their top managers and CEO narcissism has become widely established as a basic personality trait of CEOs that determines significant results for the company (Chatterjee and Hambrick, 2011, Peterson *et al.*, 2012).

CEOs' approaches to management account for a significant portion of the heterogeneity in company capital framework, investment, reimbursement, risk taking and transparency regulations (Bamber, *et al.*, (2010), Graham, Li, and Qiu (2012); Bernile, *et al.*, (2017)). Furthermore, the supporting documentation indicate that a minimal portion of the variability in CEOs' managerial styles reflected differences among their personal lives and professional circumstances (Gupta, *et al.*, (2019); Benmelech and Frydman (2014)). The underlying theme running across this field of studies is the presence of a repetitive connection among intervention and impact. Current scholarship shows that being privy to a certain the macroeconomic situation, personal and career-related incident may have a one-way influence on the CEO's financial risk-taking and, consequently business strategy.

To begin, research indicates that narcissistic CEOs possess an overwhelming need to be in the center of attention by instilling awe and adoration in others (Buyl *et al.*, 2019). Such inspires them to implement strategies and initiatives that they believe will

attract the attention and admiration of others in addition to exhibiting their ability of passion and leadership (Fung, *et al.*, 2020). Second, the overconfidence and superiority of narcissists leads to favorably skewed expectations that their assessments would be effective (Thomaes & Brummelman, 2016). Third, CEO narcissism is especially self-centered and self-interested; as a result, they are more concerned with earning personal benefits and less concerned with the impact of strategic decisions on the future of others such as employees or stakeholders (Alderman, *et al.*, 2020; Galvin, *et al.*, 2015). This is congruent with narcissists being described to possess a solid strategy but an inadequate avoidance motive; they tend to be less likely to be considered "a cautious custodian of organizational assets" (Buyl, *et al.*, 2019).

A trio of lines of argument, based on findings drawn from research on psychology, tend to be employed to highlight the association among CEO narcissism and risk-taking policies (Emmons, 1987). Primarily extremely narcissistic CEOs possess an overwhelming desire to be placed in the attention, evoking reverence and respect (Wales *et al.*, 2013). Such motivates such CEOs to adopt tactics and procedures which, from their opinion, would draw the audience's curiosity and adoration and demonstrate their ability of leadership and strategic thinking (Wales *et al.*, 2013). Furthermore, narcissists' CEOs strong sense of confidence as well as superior results in extremely skewed expectations about their judgments will be successful (Chatterjee & Hambrick, 2011; Emmons, 1987). In addition, narcissistic CEOs tend to be extremely egocentric and driven by self-interest. As a result, they are excessively focused on obtaining personal benefits, and less keen on the impact of their actions on the destiny of others, which includes staff member or other interested parties (O'Reilly *et al.*, 2014). These characteristics are consistent with the description

of narcissists that they possess an aggressive strategy yet poor refraining motive they are less inclined to operate as "a conscientious stewardship of a company's resources" (Foster, Reidy, Misra, & Goff, (2011); Patel & Cooper, (2014).

Narcissistic CEOs generally are willing to embrace technological discontinuities (Steinberg, *et al.*, 2022; Wang, *et al.*, 2023). As a result of their great desire for attention and praise, highly narcissistic CEOs choose daring and risky activities (Chatterjee & Hambrick, 2007; Zhu & Chen, 2014; Al-Shammari, *et al.*, 2022). A less narcissistic CEO, on the other hand, might promote stability while emphasizing the intrinsic riskiness of technological advances and strategy (Agnihotri & Bhattacharya, 2019; Vella, 2023). Furthermore, how narcissistic CEOs manage businesses differs from the manner in which they interact with the other members of the organization. CEOs who are narcissistic have been repeatedly demonstrated to devalue others and respond wildly to criticism (Cragun, *et al.*, 2020), inhibit equitable exchanges with staff (Bachrach, *et al.*, 2022; Norouzinik, *et al.*, 2022), and thus may have unhappy employees (Rovelli,& Curnis, 2021; Lang,*et al.*, 2022).

According to Benischke, *et al.*, (2019), the inclination of chief executive officers to heighten the riskiness of procedures when paid more in options for stock might have aggravated by greater CEO narcissism, driven by the particular characteristics found in a narcissistic personality who is, a self-centered concentrate on own benefits, as well as an overemphasized optimism and evaluation of CEOs own skills and abilities (Chatterjee & Hambrick, 2007; Patel & Cooper, 2014). Choi, *et al.*, (2021) highlight CEOs' confidence in themselves as a significant component influencing their answers to specific packages of pay, stating that: "extremely optimistic CEOs are going to act

aggressively in their endeavors toward achieving incentives; CEOs who lacked self-assurance, or feel unclear regarding when the efforts they make will ultimately yield, are unlikely to comply with inducement as accomplishing so implies greater efforts, probabilities of difficulties. Sublimation and professional risks."

Previous research has demonstrated that narcissistic CEOs affect the companies they oversee (Chatterjee & Pollock, 2017; Engelen *et al.*, 2013). This is shown via the way narcissistic CEOs react in business management, particularly when making critical strategic decisions. According to preliminary study, CEO narcissism have a significant-positive correlation with the dynamism and exaggeration of a firm's strategy, as well as the number and volume of acquisitions performed by the organization in a given situation (Chatterjee & Hambrick, 2007; Aljuhmani *et al.*, 2021; Heyde *et al.*, 2023). Similarly, narcissism drives people to seek employment of power and influence (Macenczak, 2016), and the self-esteem associated with narcissism facilitates professional growth, which may lead to better decisions (Hyatt, *et al.*, 2018). However, extreme levels of narcissism might alienate and engender such flawed strategic decisions of organizations the lead (Zhu & Chen, 2015). Despite the recent focus on CEO personality traits, few works have explored CEO narcissism as a possible moderating factor in the larger setting of the board - risk taking relationship, despite the fact that it is a fundamental feature that may affect strategic decisions such as financial risk taking (Petrenko, *et al.*, 2016).

CEO narcissism is on the rise as a moderator in previous studies. For example, Karaibrahimoglu *et al.*, (2021) examined the role of narcissist CEO as a moderator on the connection between audit committee competence and auditor risk assessments.

The study concluded that when a narcissist CEO is present, the audit committee's strength decreases, and reduce auditors' risk assessment. This suggests that existence of a CEO with a strong and dominating personality attribute, including narcissism, steer auditors to regard an audit committee as weak, even though if audit committee itself is strong. According to the findings from 349 Chinese-listed enterprises across industries between 2013 and 2018, narcissistic CEOs improves the association between internal CSR and green technology innovation (Yang *et al.*, 2021).

Similarly, Agnihotri *et al.*, (2019) discovered that narcissism moderates the association of a CEO's legal concentration and the degree of globalization of a corporation using data from publicly traded US firms in the list of Fortune 500 companies. In the restaurant business, CEO narcissism positively moderates the association between uncertainty avoidance, as a contextual component, and CSR, as an organizational consequence (Kim *et al.*, 2018). It has been shown that CEO narcissism strengthens the association between corporate sustainability practices and firm outcome (Lin, *et al.*, 2022) and also between self-efficacy and performance (Beattie, *et al.*, 2017). On the contrary, some scholars have documented that narcissistic CEO weakens the influence of board prior experience and CSR (Al-Shammari, 2017). According to the above literature, there is insufficient understanding on whether CEO narcissism moderates the relationship between board characteristics and ability to take financial risks.

Although boards are charged with monitoring and counseling executives, scholars suggests that CEO narcissism tend to be less probable to take or consider advice from boards, as well as a result of their domineering attitude, they are more likely to

minimize the board's effect on company strategy, such as taking risks in a volatile business environment (Martínez-Ferrero *et al.*, 2023). Because of their arrogance and self-centered aims, narcissistic CEOs may be challenging to establish long-term beneficial connections with other business board members. However, in some cases a narcissistic CEO may pursue or formulate policies which may attract admiration and attention from the board members. For these reasons, CEO narcissism may curtail or strengthen how board members make decisions especially those related to risk taking.

The extensive industry and firm expertise that board members possess can change CEOs approach to financial risk taking and promote the worth of information more so in an unpredictable business environment (Dass *et al.*, 2013). In other words, boards, where members are knowledgeable, they are aware of the market trends and what needs to be altered to outshine competitors in terms of risk taking. According to some studies, academic achievement is related with greater risk-taking and vice versa, enhancing the possibility that board members may use their skills to take financial risks (Cohn, *et al.*, 2017; Dong, *et al.*, 2017). Alternatively, Kashmiri *et al.*, (2017) observed that in a competitive environment, CEOs who are narcissist may ignore the realities regarding competitors and the changes in the market, hence, any kind of risk taking proposed based on this judgment may be overestimated (Icekson *et al.*, 2014; Shefrin, 2007). In essence, board members who are knowledgeable may disapprove such proposals, thus reducing the effect of board member's expertise on financial risk taking. On the other hand, Narcissistic CEOs have a penchant for engaging in risky initiatives, because they are self-confident and persuasive (Agnihotri & Bhattacharya, 2021). Hence, in pursuit of strategic decisions, narcissistic CEOs are more likely to have a positive outlook of the risky initiatives proposed and eventually may persuade

knowledgeable board members to engage in risk taking.

Board of directors who have the motivation to serve in the board are able to grasp issues at hand, knowing when and how to exert a minority opinion, call for action, and lead the involvement in strategic decision making such as risk taking (Khanna *et al.*, 2014). Given that narcissistic CEOs are “all knowing” personality, have an inflated view of their own competence and intelligence, and may consider others incompetent and are willing to dismiss their opinions (O’Reilly & Hall, 2021; Kausel *et al.*, 2015). Owing to these characteristics, it means that narcissistic CEOs have tendencies to ignore expert advices from motivated board members thus weakening their ability to engage in risky initiatives. Further, narcissistic CEOs tend to be viewed as charismatic and inspiring, combining a bold vision with the ability to make decisions, this may trigger motivated board members to take more financial risk (Galvin *et al.*, 2010; O’Reilly *et al.*, 2014).

CEO traits are connected with increased risk-taking by organizations (Chatterjee and Hambrick, 2007). To mitigate the danger posed by egocentric behavior, the CEO can restrict the breadth of detrimental managerial actions by introducing monitoring systems (Park, *et al.*, 2018). Salleh & Othman, (2016) proposes constructing the board members as an information system that is capable of being utilized to detect undesirable supervisory conduct caused by ethical hazards, poor selection, as well as knowledge asymmetries. To address the agency problem and guarantee shareholder interests are met, an efficient monitoring mechanism distinct from management must be established. Excessive risk taking shouldn't be within the greatest interests of investors, and independent board members can monitor and manage it.

Risk taking as a strategy and policy caused by CEO narcissism in conjunction with inept board members enhances the susceptibility of a company to outside factors (Chatterjee, & Hambrick, 2011), making it particularly significant while determining the influence of catastrophic circumstances for example the September 2008 disintegration on resilience within organizations for banks in the US. Beginning with a basic yet unstudied assumption of the growing body of research on organizational resilience, which states namely unexpected properties of an entity determine its subsequent capability to sustain and recover from an unexpected event (Chatterjee, & Hambrick, 2011). Prior to the September 2008 disintegration, financial institutions with high-risk practices drained their financial reserves and institutional buffers as well, that, in consequently, reduced their ability to recover. Consequently, increasing policy riskiness as well as depletion of resources resulted in sharp decreases of productivity shortly after the September 2008 disintegration, and also difficulty in returning to unexpected levels of performance later on.

Scholars have claimed that board diversity brings a wide range of knowledge base, skills, legitimacy, background, information and experiences that increases creativity and innovativeness, essential aspects of which are critical for effective decisions including those related to financial risk taking (Ozdemir *et al.*, 2021; Carter *et al.*, 2010). It implies that diversity in relation to age, gender, nationality, education and experience favours risk taking initiatives (Khatib, *et al.*, 2021; Musallam, 2020; Bernile, *et al.*, 2018). Literature also shows that board diversity may breed disagreements and dissent among board members which may impair decision making regarding strategic choices such risk taking (Ljungqvist & Raff, 2023). Since narcissistic CEOs constantly seek opportunities for praise and recognition,

undertaking financial risks may give them an avenue to showcase their ability in propelling the firm in a competitive environment; this may lead to greater attention and admiration from the board members (Petrenko *et al.*, 2016). This eventually has the ability to strengthen the effect of a diverse board in undertaking financial risks since they can work together for positive results. The upper echelons theorists argued that narcissistic CEOs have a tendency to dismiss the immense diverse contributions from a diverse board in terms of opinions, views and insights hence weakening the effect of diverse board members on financial risk taking in the firms they lead (Yahya, *et al.*, 2022; Martínez-Ferrero, *et al.*, 2023).

Zhu and Chen (2015) present additional monitoring-related element that may reduce narcissistic CEOs' risk taking approaches: board members biographical qualities. For instance, scholars did discovered that narcissistic CEOs correlated to elevated risk taking expenditures whenever members of the board tended to be favourably focused towards the chief executive officer, for instance, due to complementarity in personalities. In an additional study (Zhu & Chen, 2015), authors discovered that the amalgamation of CEO narcissism and members of the board previous interactions with mergers and foreign diversification had a detrimental impact on a company's involvement with these objectives. Each of these emphasizes the importance of investigating members of the board qualities as moderators of CEO narcissism's repercussions.

Since board independence is a key monitoring and advising mechanism that is more likely to improve on strategic activities such as financial risks (Field *et al.*, 2013; Ferreira, 2010; Fama & Jensen, 1983), there is a reason to believe that narcissistic

CEOs owing to their persuasive and domineering attitude are more likely to influence independent board members to take to take financial risks (Langabeer and DellFraine, 2011). Furthermore, Narcissistic CEOs are more inclined to hire new board members who share similar narcissistic tendencies or who have worked with other narcissistic CEOs and can support their financial risk decisions (Zhu & Chen, 2014). Because narcissistic CEOs are frequently self-indulgent and overconfident in their abilities, and have an insatiable need for power and personal wealth, (Garcia-Meca *et al.*, 2021), they are more likely to push for strategic policies that may benefit them at the expense of the company. This may trigger discord among independent board members who are charged with the responsibility to monitor and pursue interest of the firm thus reducing their ability to take financial risk.

2.7 Moderating Role of CEO Polychronicity

CEO Polychronicity has piqued the interest of a wide range of academics and legislators in the recent past. Prior literature has indicated that CEO Polychronicity has varied definitions from distinct disciplines such as psychology and management. For instance, CEO Polychronicity is described as the extent to which a CEO loves to work on numerous projects at the same time and believes that this is the ideal way to work (Chen, 2020). Polychronicity also shows the amount to which individuals like to be engaged in multiple projects at the same time and believes that this choice is the best approach to execute tasks (Bluedorn, 2002; Bluedorn *et al.*, 1999). Polychronicity and multitasking have been described as being indispensable in work today because they enable people to use their time flexibly and effectively (Daniela and Robert 2015).

Polychronic individuals would be engaged in numerous projects at the same time and to shift their focus back and forth between them. Polychronicity refers to the ability to do many activities at the same time or to switch between different tasks (Asghar, *et al.*, 2020; Madjar & Oldham, 2006). This is based on the assumption that people multitask by switching between tasks in a specific length of time (Dzubak 2008). People who are Polychronic are able to react to unanticipated conditions by modifying the timelines of planned activities (Kirchberg, *et al.*, 2015; Fournier, *et al.*, 2013). While carrying out numerous tasks, such a person may attempt to absorb more options in real time (Leidner, 2010). Polychronic individual would go back and forth between tasks within the time-use choices at a given time. (Jang & George 2012). Such polychronic individual has a low turnover rate, superior performance, and a better stress tolerance (Fournier, *et al.*, 2013). As a result, this is a key concept that may be investigated in relation to the organization.

Studies show that polychronicity, which is closely related to the dynamics and turbulence of the environment, predicts the speed of decision-making in such scenarios by the CEO (Kantrowitz *et al.*, 2012; Kish-Gephart, & Campbell, 2015). This implies that CEOs tend to make apt risky decisions that may lead to enhancing firm's success and competitiveness. This calls for understanding how CEO personality plays out in turbulent business environment where risky decisions have to be made. While academics have recently attempted to comprehend the effects of CEO personality on various business outcomes, (Gupta *et al.*, 2019; Lee *et al.*, 2023; Cook *et al.*, 2023), studies on CEO temporal characteristics has remained scarce (Chen & Nadkarni, 2017; Back *et al.*, 2020), particularly on how CEO polychronicity affects strategic decisions such as risk taking. The most recent empirical work on

polychronicity has focused on direct effects on outcomes such as firm innovation (Chen, 2022), firm performance (Ling *et al.*, 2016), entrepreneurial self-efficacy (Lin *et al.*, 2022), employees' performance (Pathan *et al.*, 2022), and turnover intention (Andriani, *et al.*, 2021). Although a few studies have explored on indirect effect of CEO polychronicity (Agnihotri & Bhattacharya, 2022; Shao *et al.*, 2022; Leunbach *et al.*, 2020), The indirect influence of CEO polychronicity on the board-risk-taking connection is barely understood.

Time-related qualities and talents are crucial in the present-day business environment (Franczak, *et al.*, 2024). When businesses grow more intricate, it will be anticipated for them to adopt an approach that prioritizes juggling to manage the rapid shifts as well as requirements imposed by their external surroundings (Fletcher, *et al.*, 2021). Presented by pressures amid complicated and unpredictable settings, private firms CEOs must remain diligent in delegating their personal time in order to execute effectively their roles. Nevertheless, little has been established concerning the way time-related ideas, including polychronicity, influence the success of private firms (Shah, 2022).

Polychronicity and decentralized decision-making, both of which entail daily actions throughout an organization, both constitute essential factors for determining corporate performance. Polychronicity negatively impacts enterprises via presumed making decisions decentralization. The reason for this is due to the fact that when new enterprises use a decentralized making decisions framework, CEOs are more inclined to participate in making choices and that benefit due to their polychronic orientation, which boosts their capacity to oversee numerous tasks concurrently. A polychronic

immediate perspective may improve CEOs' capacity to juggle several concurrent pressures when working in a workplace with a decentralized leadership structure, hence increasing their influence. Gaining a more thorough comprehension of the precursors of CEOs is likely to help project management groups grow more effective and equipped to confront complicated issues, persevere despite a multitude of challenges, eliminate confusion, disorientation, and delay, and, as a consequence, increase entire business performance (McGee and Peterson, 2019; Agnihotri, & Bhattacharya, 2022; Lin, *et al.*, 2022).

In the degree to established inequalities in business their willingness to take risks are caused by female CEOs forcing their own tastes on company decisions, the effectiveness of the capital distribution mechanism may be undercut. This could occur if female chief executive officers decide to pass up favorable current value investments possibilities. As an illustration, female chief executive officers of rapidly expanding potential enterprises might be overly risk averse and unable to boost investments in order to take full advantage on such possibilities. Overinvestment is the second leading cause of inefficiencies. Female CEOs may be hesitant to undertake disposals in enterprises with inadequate investment potential, leading to overinvestment. To analyze the effectiveness of capital distribution, apply Wurgler's (2000) core principle and quantify the response of company investments to additional value development. Male CEOs engage greater amounts in sectors with stronger potential for investment, as measured by increased additional value development. On the other hand, investments in companies led by female chief executive officers tend to be more dependent on the caliber of their investment prospects. Therefore, female CEOs appear to not distribute money disproportionately to male CEOs. Comparable

results are achieved when marginal Q as a proxy for investment opportunity quality, similar to the findings by Durnev *et al.*, (2004).

When members of the board encounter impediments in strategy implementation and decision making to some level, it is contend that the magnitude of such impediments may range significantly throughout organizations. Therefore, members of the board may differ in their capacities to affect the tactical decisions and subsequent results of enterprises. Particularly, this can be further explained as a way to describe the manner in which a combination of board characteristics, and the level of firms' restrictions combine to restrict members of the board activity, so limiting the total effect of the members of the board on crucial tactical results. Whenever the issues limiting members of the boards are more effectively acknowledged, board members can implement various strategic strategies, which might include enhancing due diligence throughout the chief executive officer appointment procedure or trying to change intermediary company consequences like takeover expenditure (Jizi, 2017; Cucari, *et al.*, 2018). Considering these hurdles could also be useful for professionals who can take strategies that get around the limitations brought about by these impediments, as well as regulators whom might require to recognize and tackle the basic constraints of members of the board. Finally, a deeper knowledge of the challenges that members of the board encounter may alter our expectations concerning what board members may legitimately do in terms of financial risk taking.

Essentially, in dynamic business environments, board members are at the forefront in offering advice to the executives to adopt strategies that are market-oriented and enhance quick decisions. In this regard, CEOs are expected to learn the environment

and seek advice from the board members (Weick, 2001; Chatterji & Toffel, 2018; Cain & McKeon, 2016), so as to interpret and evaluate market trends by showing their willingness to accommodate new information, ideas, paradigms, contradictory advice or criticisms (Owens *et al.*, 2013; Ou *et al.*, 2014). Accordingly, CEOs who are polychronic are able to defend their firms in a competitive environment by initiating risk taking strategies including undertaking multiple and viable projects (Carmeli *et al.*, 2021; Faccio, *et al.*, 2016). This cannot occur without the constructive input of board members who are always concerned about the decisions made to help the companies prosper in volatile situations.

Prior work considers polychronicity in terms of CEOs preference for multi-tasking as the basis for strategic decision-making of small businesses and a factor that influences different firm outcomes (Mohammed & Nadkarni, 2014). CEO Polychronicity can be viewed as a concept that can have an impact on business strategic decisions both positively and negatively. Polychronicity enables CEOs to borrow, transfer, and integrate a wide range of knowledge and ideas, which might necessitate financial risks on feasible ventures (Kaplan, 2008; Madjar & Oldham, 2006). However, polychronicity may cause CEO attention fragmentation, impairing their ability to understand the firm's project (Mohammed & Harrison, 2013), Switching between viable projects may result in delays and interruptions that divert the CEOs' concentration (Adams & Van Eerde, 2010). In view of this dual effect, CEO Polychronicity may enhance or limit board strategic decisions that they anticipate making in a competitive business environment especially those related to financial risk taking.

According to Rao, & Tilt, (2016) and Buse, *et al.*, (2016), the data in social psychology researches reinforces the concept that board member diversity contributes to moderated choices, but there is no comprehensive proof for these impacts on the operation of private company boards. The hypothesis that board member diversity encourages moderation in choices made by the board members is comparable to the notion of Adams, *et al.*, (2005), that show business risk escalates with the chief executive officer power. Adams *et al.*, (2005) contend ultimately that this is due to powerful CEOs possess the opportunity to decide unconstrained choices, thereby contributing to increasingly idiosyncratic decisions that end up resulting in greater-than-expected consequences and, consequently, increased firm risk. In a comparable manner it might be argued that uniformity of likes and dislikes motivations, and perspectives throughout board members will end up resulting in greater idiosyncratic judgments, as they draw not as much scrutiny inside the board room. The absence of within-company governance will eventually materialize in the manner of increasingly erratic corporate results. Based to this argument, enhanced board member diversity ought to end in less variable corporate outcomes and increased financial risk-taking. On the contrary, it is absolutely possible to argue that board member diversity might intensify disagreements and destabilize the board's process of decision-making, rendering agreement more difficult and the subsequent decisions more unpredictable (Adams, *et al.*, 2015). Another viewpoint holds that board member diversity increases instead of decreases firm risk taking and consequence unpredictability.

Members of the board possessing expertise and industry skills can provide strategic guidance to CEOs by providing new insights and securing essential resources required for risk taking (Kor & Sundaramurthy, 2009; Adams & Ferreira, 2007). Firms

operating in a complex business environment may take risks because board members are able to take lead in advising the CEOs (Mollah *et al.*, 2017; Hoskisson, *et al.*, 2017). Moreover, CEOs who are polychronic have a tendency to multi-task by engaging in different projects at the same time (Ling, *et al.*, 2016), thus increasing the appetite of the board members to contribute or engage risk taking activities of the firm. Polychronicity fosters CEO's creativity and innovativeness in the sense that it allows the CEOs to gather detailed and broad information regarding opportunities to take financial risks (Chen, 2022). This polychronic attitude may blend well with the knowledgeable of the board members who can provide leadership and advice on financial risk taking initiatives. Furthermore, a polychronic CEO working on numerous projects simultaneously and shifting away from incomplete projects can have negative consequences such as attention segmentation and an inability to thoroughly analyze the sustainability of such projects. This may lead to knowledgeable board members reluctance to approve on risky projects proposed by the CEO.

Subsequently it may not be sufficient for board members to possess knowledge as well as abilities; members must also be motivated to utilize such resources for the advantage of the firm (Forbes & Milliken, 1999). In this situation, motivated board members are more willing to accept financial risks since they believe it is critical to the firm's survival and growth. Similarly, motivated board members prioritize riskier decisions such as those related to innovations that may require large sums of money (Lee *et al.*, 2023). Polychronic CEOs encourage motivated board members to take additional financial risks by participating in various initiatives, which may result in positive returns for the company. A polychronic CEO, on the other hand, may lower

motivated board members' trust in both the viability and sustainability of such projects in a competitive context, resulting in their unwillingness to engage in risk-taking ventures (Souitaris & Maestro, 2010; Sirén, *et al.*, 2020).

Polychronic people are more inclined to handle challenges satisfactorily in numerous, unexpected, and chaotic contexts owing to their capacity to distribute resources across multiple responsibilities and choices at any time (Daskin, & Surucu, 2016). Polychronicity is additionally related to business efficiency, highlighting the importance of continuing to learn more regarding the manner in which it can benefit firms that are entrepreneurial (Souitaris & Maestro, 2010). As an illustration, entrepreneurs work beneath extreme constraints on time and changes in the environment. According to this argument, entrepreneurs having higher degrees of polychronicity are going to possess greater managerial skills which enable them to move between jobs in response to shifts in the marketplaces in which they operate (Agnihotri & Bhattacharya, 2022). As a result, the entrepreneurs that tend to be more polychronic will be better able to manage numerous tasks and evolve quicker whenever needed to projects that require a more rapid reaction, potentially leading to enhanced overall performance for their businesses (Yang *et al.*, 2022).

Since the board is a mixture of personalities, diverse board members enables the flow of ideas in the boardroom, and this determines the degree at which risk taking are initiated (Ferrero-Ferrero, *et al.*, 2015). As polychronic CEOs engage in multiple risky projects at the same time (Bernile *et al.*, 2018; Carmeli, *et al.*, 2021; Faccio *et al.*, 2016), a diverse board may align itself with a polychronic CEO by constantly interacting, exchanging new ideas and insights, increasing a diverse board's proclivity

to take financial risks. Scholars have also demonstrated that polychronic CEOs are creative and capable of gathering detailed and useful information that may support the uptake of risky ventures (Agnihotri & Bhattacharya, 2022); however, consumption of such information in the board may not be achieved due to a potential lack of consensus arising as a result of distinct personalities and varied viewpoints by diverse board members, reducing their ability to engage in financial risk taking (Muhammad & Migliori, 2023).

Using psychosocial risks to assess the collaboration involving the members of the board and the chief executive officer has some extra advantages, when it comes to decision regarding financial risk to be undertaken by a firm. primarily it improves the comprehension of members of board multitasking in practice, which has struggled with gaining backing from CEOs conceptual structures (Garg, & Eisenhardt, 2017; Graham, *et al.*, 2020). As an example, academics employing agency theory hold that the board's primarily role is to exert influence upon the company's chief executive officer. Experts acknowledge the predominance of the chief executive officers impulsive decisions, the sense that absent of the correct control responsibility of check and balance, has the possibility to hurt the organization and their distributed investors' long-term viability. Thus, control is crucial to the members of board's collaboration with the chief executive officer. Even so, academics using additional models, especially the resource dependence perspective, minimize the oversight component, arguing that the professional connection among the members of the board and the chief executive officer is defined by interaction, and the members of the board's main obligation entails providing counsel as opposed to exert governance (Pfeffer 1973). Additional researchers using theories which include stewardship

theory advocate towards a collaborative part of the workplace relationship in which chief executive officers are not opportunist and do not have competing agendas with those of investors whose best interests the members of the board represents.

Furthermore, the polychronicity CEO in relation to firm performance association remains a 'black box', and past publications on this association have neglected to investigate moderators and mediation in relation to board members. According to Chen (2022), polychronicity is frequently viewed positively, having emphasizing multiple activities at once encouraging invention, imaginative thinking, and intellectual variety, all of those that are entrepreneurial in essence. Polychronicity is likely to contribute to both imaginative and contemporaneous entrepreneurial attitudes (Waheed *et al.*, 2021; Pidduck *et al.*, 2023). It additionally inspires CEOs to find inventive ways to do activities that go beyond the conventional boundaries of patterns and conventional actions, like board decision on risk taking (Hecht & Allen, 2005). As a result, financial risk taking is a vital tool that helps to comprehend the relationship between polychronicity and members of the board which serves as a precursor to significant firms' activities that propel firm's greater effectiveness (Rosenbusch *et al.*, 2013). These actions are frequently carried out simultaneously, and emerging businesses, in particular, require the CEO's uninterrupted concentration.

Scholars have suggested that board members independence influence risk taking activities of the firm (Wang, 2012; Al-Smadi, 2019; Ramly, & Nordin, 2018). Basically, board members who are independent are more objective and able to monitor the CEO to participate in result oriented activities such as risk taking. However, as a result of intense monitoring by the board (Jensen, 1993), CEOs may

feel threatened and insecure in terms of their jobs, hence, hesitant to engage in risk taking activities of the firm (Jiraporn *et al.*, 2018; Osma, 2008), particularly in a competitive environment. Furthermore, polychronic CEOs prefer rigid agendas, which may stifle creativity in meetings, and regard deadlines as guidelines rather than unalterable facts in business activities (Schneider and Barsoux, 2003). As a result of the board's inflexibility and conflicting objectives, this may hinder independent board members' ability to engage in financial risk taking. Similarly, incomplete tasks may cause polychronic CEOs to feel time pressured, stressed, and anxious, weakening the confidence of an independent board to engage in risk taking.

2.8 Conceptual Framework

A conceptual framework is a displaying model in which the researcher conceptualizes or conveys the existing relationship between independent and dependent components utilized in the study and depicts this relationship diagrammatically. Therefore, the main objective of the conceptual framework is to assist the reader to quickly see and have an overall vision of the proposed relationships and what they entail in relation to the literature. Figure 2.1 below present CEO narcissism and CEO polychronicity as a moderating factor in the association existing between board characteristics and financial risk taking in private firm in Nairobi county Kenya.

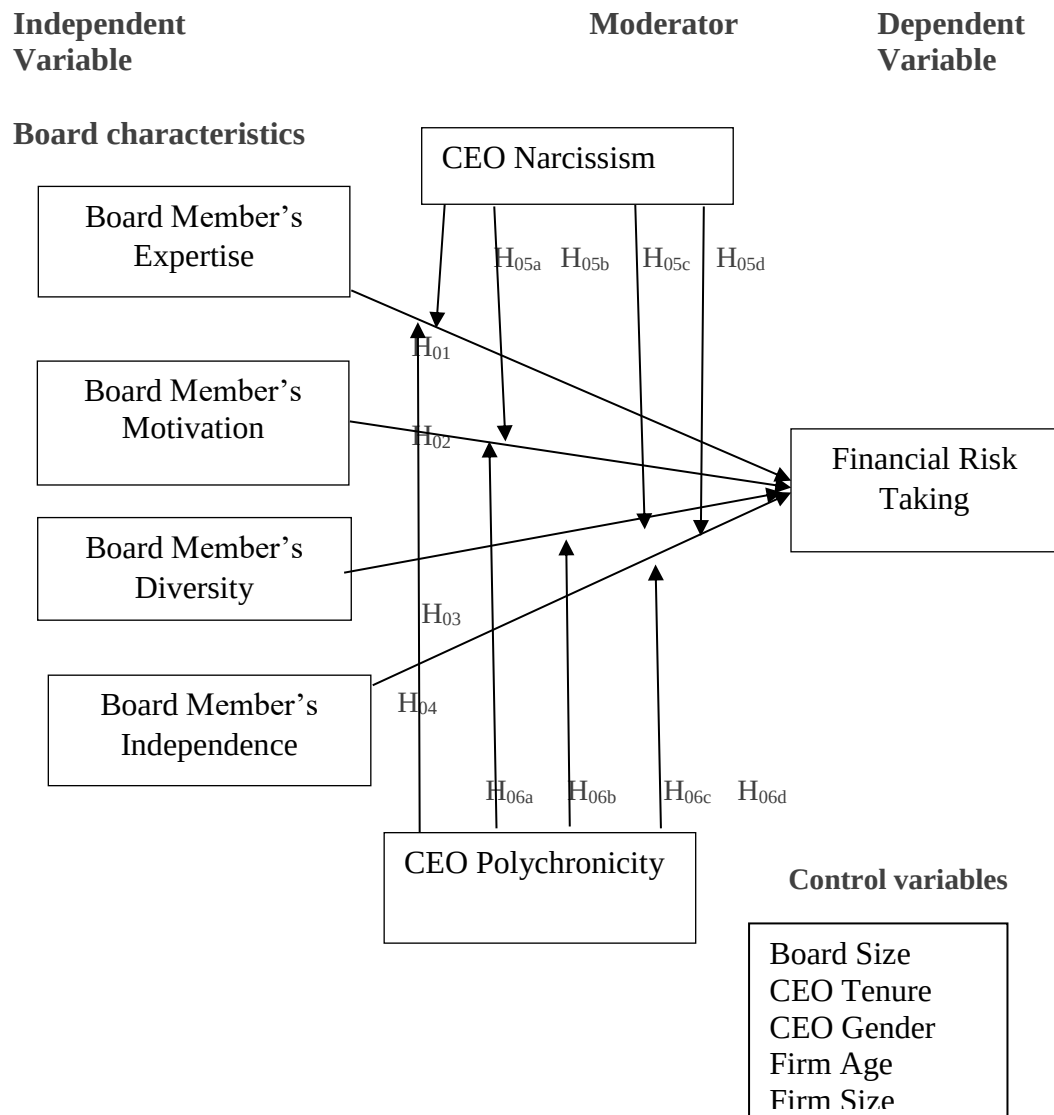


Figure 2. 1: Conceptual Framework

Source: Researcher 2022

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the study's philosophical basis, study design, study population, sample size, sampling design and procedure, sample selection, operationalization and measurement of variables, data collection methods, validity and reliability tests, data management, data analysis techniques, and ethical considerations, among other procedural issues.

3.2 Research Philosophy

This study was underpinned by critical realism with assumptions of positivism. It enabled the researcher to study observable aspects of board characteristics, CEO narcissism and CEO Polychronicity on financial risk taking in private sector in Nairobi Kenya. Positivism deals with observable phenomena (Yeomans, 2017). Positivism approach explains causal relationships between variables and enhances theory development from the findings (Albassam, 2014). Moreover, it assumes that social phenomena can be measured and interpreted using quantitative methods of analysis (Bryman, 2012). Researchers extended knowledge on the basis of cause-and-effect thinking; focusing on selected variables to relate, and detailed measurement of the variables (Creswell & Clark, 2011). In this regard, the study used positivism to examine whether CEO narcissism and CEO Polychronicity moderates the relationship between board characteristics and financial risk taking in private sector.

3.3 Research Design

Research design entails strategies that are needed to collect data and supports attainment of the study objectives by incorporating informative, descriptive and exploratory approaches (Zikmund *et al.*, 2013; Creswell *et al.*, 2007; Miller & Salkind, 2002). The study utilized explanatory research design. It seeks to determine the relationship between study variables by understanding how one variable effect the other; it seeks to provide experimental clarification to the causation, conditions, and end outcomes relationship between at least a single variable (Hair *et al.*, 2017; Cooper & Schindler 2006). They are also used when the objective of the study is to answer "why" in each situation. Cooper and Schindler, (2009) further explains that explanatory research focuses on why questions. In providing answers to the 'why' questions, the study was involved in developing and providing clarifications. The clarifications contend that a phenomenon Y (financial risk taking) is influenced by factor X (board characteristics and CEO traits). This was used on the grounds that it connected nearly to the goals of this study and was functional in testing the results of the study.

3.4 Target Population

The target population for the study was 1130 registered firms in the private sector with active boards in Nairobi County government in Kenya (2019). Private firms were chosen because of the large market share and the enormous contribution to the Kenyan economy. Nairobi town was chosen owing the higher concentration of the most private firms as compared to other towns in Kenya. The target population comprises of financial firms which were 230 firms, retail and wholesalers' 460 firms and 440 hotels operating in Nairobi County. These firms were identified due to the

intense competition and dynamic business environment which has continually attracted risky decisions.

Table 3. 1: Population Table

Firms	Population
Financial firms	230
Retail and wholesale firms	460
Hospitality	440
Totals	1130

Source: Nairobi County Government (2022)

3.4.1 Sample Size and Sampling Procedures

Sample size indicate the number of individual samples measured or observation used in a survey questionnaire sampling procedure is a process or technique of choosing a sub-group from a population to participate in the study (Moser, & Korstjens, 2018). From the target population of 1130, Taro Yamane (1973) sample size formula and modified by Singh & Masuku (2014) was used to obtain a sample size of 402 respondents', this is because it is ideal for stratified sampling, simple random sampling was also utilized to choose the respondent at random. From the formula a sample of size of 402 respondents were drawn as shown below. This was considered satisfactory for the explanatory research design.

$$n = \frac{N}{1 + N_e^2}$$

Where:

n = Sample size

N = Population size

e = the error of Sampling

This study allowed the error of sampling of 0.04. Thus, sample size was as follows:

$$402=1130/1+1130(0.04)^2.$$

The study used stratified sampling technique to highlight a specific subgroup within the population and to select the respondents where a respondent was picked from each category strata this is because the population can be partition into subpopulation. Then simple random sampling was used to cull a smaller sample size from a larger population and use it to generalize about the larger group and to select the sample from the strata since each have the same probability. Therefore, respondents were stratified into 3 strata where the sample size were distributed according to Neyman, (2005) allocation formula as shown below. The method's goal was to maximize survey precision given an established sample size. With Neyman, (2005) modified by Tarray, & Singh, (2017) allocation formula, the best sample size for stratum h would be:

$$n_h = \left(\frac{N_h}{N} \right) n$$

Where:

n_h - The sample size for stratum h,

n - Total sample size,

N_h -The population size for stratum h,

N - The total population

Hence, distribution will be as follows. The respondents were selected using simple random sampling technique that was generated from Statistical packages of social science version 22.

Table 3. 2: Distribution Table

Firms	Sample	Population
Financial firms (commercial banks, MFIs and SACCOs)	230	82
Retail and wholesale firms (Supermarkets)	460	164
Hospitality (hotels)	440	156
Totals	1130	402

Source: Nairobi County Government, 2022

3.5 Data Types, Collection, and Procedures

The study used primary data since it suites the nature of my study to obtain first-hand information and to obtain the required output. Primary data was appropriate because private sector is not required by law to publish their books of account making them unreliable for secondary data. Primary data are information gathered particularly for a research project by a researcher (Matt, 2001). The researcher normally devotes the time and resources required to collect primary data only when a question, issue, or problem arises that is sufficiently essential or distinctive to warrant the expenditure required to collect primary data. Primary data are original and relevant to the issue or problem, as are current data.

3.5.1 Data Collection Instruments

Data collection instruments refer to the tools used in collecting data (Oso & Onen, 2008). The study used structured questionnaires with closed-ended questions to collect data on board characteristics, CEO traits, and financial risk taking. Moreover, closed-ended questions were used to guide the respondents to provide responses that are consistent with the study objectives (Saunders *et al.*, 2007; Reja *et al.*, 2003). The survey items were adapted from the developed and tested scales. Nevertheless, the

phrasing and style were changed to fit the Kenyan context and were simplified to allow respondents to understand the questions and offer reliable information. Past study has revealed that Likert-type scales and other attitude and opinion assessments employ either a five- or seven-point response scale (Bearden & Netmeyer, 1999). A five-point Likert scale (1 = strongly disagree to 5 = strongly agree) were used to rate responses since it is easy for the respondent to understand (Worcester & Downham, 1986) and the researcher was able to compare the reliability of coefficients with other studies which have used the same scales (Saleh & Ryan, 1991).

The questionnaire was based on multiple item approaches which recommend at least four items per construct to enhance effective reliability and hypothesis testing (Hair *et al.*, 2010). In this regard, all items in each construct in the study had more than four items. A set of questionnaires were designed such that the questionnaire was administered to the CEO. The questionnaire was designed alphabetically as follows: Section A for financial risk taking; section B to section E for independent variables; section F and G sought self-reported responses from the CEO on his or her traits and section H represented responses from the CEO on control variables (Appendix II).

3.5.2 Data Collection Procedures

The systematic process of obtaining and measuring information on variables of interest in order to answer specific research questions, test hypotheses, and evaluate outcomes is known as data collection (Murgan, 2015). A self-administered questionnaire was accompanied by a covering letter, which explains the purpose of the study and assure respondents strict confidentiality. Closed ended questionnaires offered the respondent a list of responses, any of which they could choose. The list of

responses was defined clearly and meaningfully by research assistants who were well vetted for the collection and understand the study. 402 survey questionnaires were administered with the aid of a trained research assistants who were oriented on the process to minimize errors and bias during the data collection Schoenherr, *et al.*, (2015).

By examining related literature in the domain and engaging supervisors and departmental specialists in the field for technical guidance, the research instrument was constructed to match the goal of the study. The pilot test of over 30 questionnaires was conducted to assess the quality of the question and its effectiveness in eliciting maximum expected response within Eldoret and measure by cronbach alpha of values above 0.7 was accepted. The survey questionnaire was revised to reduce measurement errors and elicit desirable response. Research assistants was identified and trained on data collection procedures and who are knowledgeable and conversant with the topic. The process was coordinated by the primary researcher, who also provided guidance as needed. On completion, the instrument was reviewed before the coding process and data analysis Anguera, *et al.*, (2018).

3.6 Measurements of Variables

A five-point likert scale was used to measure the variables for the study this is because it delivers deeper insight into what people are thinking and feeling and produces reliable quantitative data that can be analyzed with relative ease (Vonglao, 2017).

3.6.1 Dependent Variable

Financial risk taking was measured using a 5 likert scale comprising 11 items adopted from Zhang *et al.*, (2018); Epstein and Botvin (2002) and Lampenius *et al.*, (2005). The CEO was asked the extent to which the firm: seek thrills in having high returns on investments; perceive risk as an opportunity to make money; is attracted rather than scared by any risk; focuses more on winning than on losing when taking risks; would take any risk even if it would be hurting, and perceive taking risks as an important aspect of the business. It was measured using a scale of 1 to 5 from 1 strongly disagree to 5 strongly agree.

3.6.2 Independent Variables

The independent variables included are board member expertise, board member motivation, board member diversity and board member independence. The measures were adopted from previous studies and modified to suit the context of the study based on a 5 point Likert scale ranging from 1 strongly disagree, 2 – disagree, 3 – neutral, 4 – agree and 5 strong agree.

Board member's Expertise was measured based on seven items validated by Minichilli & Hansen (2007) and Huse (2005). The variable was measured by asking the CEO the extent to which board members have extensive knowledge of the firm's main operations; firm's critical technology and key competence; desire to address the organization's goals; firm's weak sides and its products and services; of the firm's customers, markets, products, and services; of threats from entrants and new products and services and of actual board activity in other firms.

Board member's motivation construct was measured by asking the CEO the degree to which board members are positively motivated to do a good job due to their own shareholding; to express their opinions at board meetings, and to do a good job due to formal liability by law (Tuwey, & Tarus, 2016; Sellevoll *et al.*, 2007).

Board member diversity was measured by asking the CEO the degree to which members of the Board reflect a diversity of professional expertise (profits, accounting and finance, marketing, etc.); members of the board represent diversity with regards to industrial background (different industries and firms); members of the board represent diversity with regards to industrial background (different industries and firms), and Our members of the board represent diversity with regards to educational background (different universities, schools and type of education) (Minichilli, *et al.*, 2009; Huse, 2005; Van *et al.*, 2006).

Board member's independence was measured by asking the CEO the degree to which board members have no close friendship connections to the CEO; business ties to the firm; family relations to the CEO; links to one another via similar membership on other boards; interactions with one another through common membership on other boards; are permitted to object or disapprove of the CEO's decisions or recommendations (Sellevoll *et al.*, 2007).

3.6.3 Moderating Variable

CEO traits comprise of CEO narcissism and CEO Polychronicity of which all was measured using a five likert scale.

CEO narcissism was measured using 5 likert scale comprising 10 items adopted from Baumeister (2002), Raskin & Terry, (1988) they include, I am an extraordinary person, I like to be the center of attention, I think I am a special person, I like having authority over people, and I find it easy to manipulate people. It was measured using a scale of 1 to 5 from 1 strongly disagree to 5 strongly agree.

CEO polychronicity was measured using 5 likert scale comprising 5 items adopted from Jianhong Chen (2019) and include I prefer juggling numerous projects simultaneously. I think that it's preferable to finish one project before starting another. I'd rather finish a whole project every day than pieces of multiple ones. I think everyone ought to attempt to do numerous things at once. I am convinced it is better if individuals are given several projects to execute.

3.6.4 Control Variable

The study controlled for board size, CEO tenure and CEO gender since they have the potentiality of affecting the objective of the study. **Board size** was measured as the natural logarithm of total number of board members (Azeez, 2015). **CEO tenure** was measured by counting the number of years since a CEO had been appointed (Oh *et al.*, 2018). **CEO gender** was measured with a dummy variable that returns the value of 1 if the firm has a female CEO, and zero otherwise (Ullah *et al.*, 2019). **Firm age** will be control because each firm takes risk no matter the numbers of years it has been in operation and it will be measured in years (Anderson & Reeb, 2003), in three categories, with 1 = below 5 years, 2 = between 5-10 years, 3 = above 10 years. **Firm size** will be measured using the number of employees, in five categories, with 1 = 1-300 employees, 2 = 301-600 employees, 3 = 601-900 employees, 4 = 901-1200

employees and 5 = above 1200 employees (Brunninge *et al.*, 2007; Jiang *et al.*, 2012; Liang *et al.*, 2013).

Table 3. 3: Measurement of Variables

Variable Likert Scale	Authors	Scales
Dependent variable		
Financial Risk Taking	Zhang <i>et al.</i> , 2018 and Lampenius <i>et al.</i> , 2005; Brockhaus 1980	14 items
Independent variables		
Board Member Expertise	Huse, 2007, and Sellevoll <i>et al.</i> , 2007	7 items
Board Member Motivation	Huse, 2007, and Sellevoll <i>et al.</i> , 2007	5 items
Board Member Diversity	Huse, 2007, and Sellevoll <i>et al.</i> , 2007	5 items
Board Member Independence	Huse, 2007, and Sellevoll <i>et al.</i> , 2007	7 items
Moderating Variables		
CEO Narcissism	Baumeister (2002), Raskin & Terry, 1988	10 items
CEO Polychrnicity	Jianhong Chen (2019)	5 items
Control variables		
Firm Size	Brunninge <i>et al.</i> , 2007; Jiang <i>et al.</i> , 2012; Liang <i>et al.</i> , 2013	Number of employees
Firm Age	Anderson & Reeb, 2003	Number of years in operation
Board Size	Azeez, 2015	Number of board members
CEO Gender	Ullah <i>et al.</i> , 2019	Dummy variable
CEO Tenure	Oh <i>et al.</i> , 2018	Number of years since appointment

Source: Researcher, 2021

3.7 Data Reliability and Validity

3.7.1 Validity of Research Instruments

The validity of the study instrument was based on the assumption that the topic of interest was captured and quantified (Yilmaz, 2013). The extent to which a research instrument actually measures what it is designed to measure is referred to as its validity (Ewens & Fons-Rosen, 2013). Fraenkel *et al.*, (2012) noted that it is the extent to which empirical evidence supports study inferences. In this regard, it is inherent for the researcher to authenticate the instrument whether it truly measure the concept in question or not (Brett, 2005). Validity can either be external or internal. According to Walker (2012), external validity relates to the generalizability of findings to other contexts, while, internal validity indicates the extent to which survey items assess what it is intended to measure. Thus, may be categorized as face validity, content and construct validity (Creswell, 2005; Pallant, 2011).

Face validity refers to whether the questionnaire items appear to assess what they profess to measure reasonably (Dick & Hagerty, 1971; Leedy & Ormrod, 2005). This form of validity is dependent on the assessor's subject matter competence (Nwana, 2007). In particular, the study instrument was assessed for face validity by a competent team of academic experts together with the supervisors. Content validity relates to whether the survey items of the constructs fully represent (Bollen 1989). As a result, the stronger the content validity, the more the questionnaire items represent the scope of the idea being examined (Sekaran & Bougie, 2016). A review of current research on indicators of board characteristics, CEO attributes, and financial risk taking was conducted to determine the various conceptualizations of the topics. Additionally, on both types of validity, opinions from professional experts in

corporate governance and finance from the school of business and economics were sought.

Construct validity is concerned with how the survey items hypothetically relate to one another to measure a concept (Twycross & Shields, 2004; Zigmund *et al.*, 2013) relying on the underlying theories. Based on Thatcher (2010), most scholars construct theories-based constructs in order to understand, explain, and forecast the behavior of elements. Furthermore, it entails putting a scale to the test in terms of theoretically developed hypotheses about the nature of underlying variables (Pallant, 2011). On the other hand, Mohajan (2017) described construct validity as the extent to which empirical evidence and review of theories explain how specific items relate to one another. Thus, in line with previous studies (Fornell & Larcker, 1981), the study used expert opinion, factor, and correlation analysis to assess for construct validity.

Before the actual data collection process, a draft of a structured questionnaire was prepared for pilot testing purposes and then tested by a competent team of academic experts to ensure that the content and wording of the instrument was free of errors. According to Cooper and Schindler (2006), 10% of the sample size is an adequate size for pilot testing to confirm for validity and reliability of the research instruments. Pilot testing of the research instrument was done among the CEOs, credit risk officer and heads of finance department) of some firm in private sector in Eldoret town. Accordingly, thirty questionnaires were distributed to the CEOs, of these firms. All aspects of the pilot questionnaire in terms of wording, instructions, layout, content, sequence, and form were pre-tested and were revised based on the feedback before administering it to the targeted respondents in the study (Faux, 2010).

3.7.2 Reliability of Research Instruments

The degree to which a measurement device can produce consistent results when used under identical settings is referred to as its reliability. It is the component of a measurement equipment that causes it to produce similar findings for similar inputs. According to statistics, reliability is defined as the percentage of discrepancy in survey replies caused by differences in the respondents. Thus, the results to a trustworthy poll varied because respondents' opinions differed, not because the questionnaire items were difficult or ambiguous. The reliability of the instruments could be determined theoretically or through pre-testing Mohajan, (2017). Because the questionnaire items in this study were adapted from prior studies but suited to the private sector, it was necessary to conduct a pilot test to fine-tune the instrument. Therefore, the questionnaire items were pilot tested in order to remove problematic words and improve the clarity of the question items in order to increase their dependability. Further, Cronbach's alpha was utilized statistically to measure an instrument's reliability. A reliability values of 0.70 and above are considered by many researchers as acceptable (Cooper & Schindler, 2006; Taber, 2018).

Since alpha represents the fraction of two variations, the hypothetical estimation ranges from 0 to 1. However, depending on the estimation approach used, alpha assessments can go up against any value that is not exactly or comparable to 1, including negative qualities, however only positive qualities bode well (Ritter, 2010). Increased alpha estimates are more appealing. As a general rule, some specialists want an unshakable quality of 0.70 or above before using an instrument. Clearly, this standard should refer to warn when has been calculated using items that effectively

disregard its assumptions (Nunnally, 1978). Moreover, the suitable level of dependable relies on the maximization of the instrument.

3.7.3 Factor Analysis

Factor analysis is the process of expressing observed data values as functions of a variety of probable causes in order to determine which are the most relevant. Many observable (manifest or indicator) variables were used to assess the study's unobserved and latent constructs. A component analysis was used to compress the vast number of measured variables into a few composite variables that maintain as much information as feasible while also confirming whether they represent the underlying constructs. This data reduction was carried out using Principal Components Analysis (PCA), a statistical procedure used to locate a small group of unobserved variables (called components) that may account for as much variance as feasible within a larger set of observable variables (Reid & Spencer, 2009; Rato & Reis, 2013).

In the study, four steps were taken to conduct factor analysis: examining data factorability; obtaining factors and checking overall fit; interpreting factors and factor labeling; and computing factor scores for later statistical analysis (Heir *et al.*, 2006). Several criteria were utilized to determine the factorability (suitability for factor analysis) of the data. To guarantee that there is no multicollinearity among the elements, the determinant was checked to make sure it is not zero. If it was greater than 0.5, the Kaiser-Meyer-Olkin (KMO) test of sampling adequacy was used, and if it was significant (at $p < 0.05$), it indicated that the correlation matrix of the original variables is not an identity matrix, implying that a factor model is appropriate. The

diagonals of the anti-image correlation matrix were analyzed to see if they were all greater than 0.5, indicating the presence of an underlying (latent) structure among the variables tested.

PCA was used to extract the components or factors from the data. The method permitted the extraction of as many components as each had an Eigenvalue (the percentage of variation explained by each component) greater than one. Rotation was used to increase the interpretability of the factors. Varimax rotations (those that cause the components to be uncorrelated) were utilized, and the optimal component structure was chosen. The factor component structures were retained because they make a lot of theoretical sense and explain a lot of the variance in the observed variables (a 50% threshold), or they were simplified by dropping variables that appeared unspecified due to either having a standardized loading greater than 1 or having high cross-loading. (Mann, 1995).

3.8 Data Analysis and Presentation

The Data gathered was broken down utilizing both the descriptive and the inferential statistics. Quantitative techniques for information investigation was utilized with both elucidating and inferential insights (recurrence means and standard deviations) being connected to clarify every target of the examination. The information was codified and entered into a spread sheet and analysed using SPSS. In order to test the moderation effect, the study adopted four hierarchical regression models.

3.8.1 Data Screening and Processing

The data screening process was undertaken before the analysis, interpretation, and conclusion thereof. This process entailed data preparation, editing, coding as well as checking for potential outliers and missing values. The process assured integrity, reliability, and relevance of the data fitted into a model for estimation and regression purposes. The screening of the data was based on the research objectives and hypotheses and the researcher was able to understand the data before data analysis. To check for missing values, the interviewer-administered questionnaire technique and careful coding of the data (Howell, 2012) was followed.

3.8.2 Descriptive Statistics

Descriptive statistics are brief descriptive coefficients that summarize a given data set, which can be either a representation of the entire or a sample of a population (Heck, & Thomas, 2020). Descriptive statistics was broken down into measures of central tendency and measures of variability (Park, 2015). Measures of central tendency which was measured included the mean, percentage, while measures of variability include the standard deviation, variance, and the minimum and maximum variables. Descriptive statistics measures of central tendency describe the center of a data set and Measures of variability or spread describe the dispersion of data within the set. Descriptive statistics is important to analyze the normality of data.

3.8.3 Inferential Statistical Analysis

Statistical inference describes a method of employing data analysis to derive properties of an underlying distribution of probabilities. Inferential statistical evaluation suggests characteristics for a given population, for example by testing

hypotheses and generating estimates. Based on the observed data set was a sampled from a larger population. Inferential statistical analysis i.e., Multiple regression model and bi-variate correlation analysis was done. Inferential statistic such as ANOVA, Pearson correlation coefficients r and multiple regression analysis was applied to analyze the relationship between a single dependent variable and several independent variables (Hair *et al.*, 2005). Hierarchical regression model was used to test for moderation hypotheses.

3.9 Model Specification

The collected data was analyzed using multiple regression model and hierarchical regression model and the significant of each independent variable was tested at a confidence level of 95%. The multiple regression equation will be shown as follows:

$$Y = \alpha + C + \beta X + \varepsilon_i \dots \dots \dots \text{equation 1}$$

Where; Y = dependent variable; α = constant term or intercept; C = control variables; β = are the coefficients; X = are predictor variables; ε = error term.

3.9.1 CEO Traits as Moderators

The study examined whether CEO narcissism and CEO polychronicity moderates the relationship between board characteristics and financial risk taking in private sector in Nairobi county Kenya. Generally, a moderator is a third variable that adjusts the causal relationship between independent and dependent variables (Rose *et al.*, 2004; Baron & Kenny, 1986) The study used the moderated hierarchical regression approach where a moderator variable is computed as a product of two variables i.e. a

moderator and independent variable (Aiken & West, 1991). On the other hand, Hayes (2013) noted the conditions that must be fulfilled on moderation as follows:

- i. The amount of variance accounted for by the variables with the interaction should be significantly more than the variance accounted for without the interaction.
- ii. The coefficient for the interaction terms should be different from zero.
- iii. The overall models with and without the interaction should be significant.

Thus, hierarchical regression approach was deemed to be appropriate for the present study since it is possible to track the changes in the coefficient of determination (R^2) after an extra predictor variable is introduced to the model at every step (Little *et al.*, 2012). The moderated hierarchical regression equation was estimated and categorized into four models: Model 1 indicated the regression between control variables with financial risk taking; Model 2 showed the regression between the independent and control variables with financial risk taking. Model 3 provided regression between control variables, independent variables and moderating variables. Model 4 provided regression for Control variables, independent variables and interaction terms of CEO traits on all the independent variables.

Hierarchical model CEO narcissism

$$FRT = \alpha + C + \varepsilon \dots \dots \dots (i)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + \varepsilon \dots \dots \dots (ii)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + CN + CP + \varepsilon \dots \dots \dots (iii)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + \beta_5 BME * CN + \varepsilon \dots (iv)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + \beta_5 BME * CN + \beta_6 BMM * CN + \varepsilon \dots \dots (v)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + \beta_5 BME * CN + \beta_6 BMM * CN + \beta_7 BMD * CN + \varepsilon \dots \dots (vi)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + \beta_5 BME * CN + \beta_6 BMM * CN + \beta_7 BMD * CN + \beta_8 BMI * CN + \epsilon \dots (vii)$$

Hierarchical model for CEO polychronicity

$$FRT = \alpha + C + \epsilon \dots (i)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + \epsilon \dots (ii)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + CN + CP + \epsilon \dots (iii)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + \beta_5 BME * CP + \epsilon \dots (iv)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + \beta_5 BME * CP + \beta_6 BMM * CP + \epsilon \dots (v)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + \beta_5 BME * CP + \beta_6 BMM * CP + \beta_7 BMD * CP + \epsilon \dots (vi)$$

$$FRT = \alpha + C + \beta_1 BME + \beta_2 BMM + \beta_3 BMD + \beta_4 BMI + \beta_5 BME * CP + \beta_6 BMM * CP + \beta_7 BMD * CP + \beta_8 BMI * CP + \epsilon \dots (vii)$$

Where, FRT = Financial Risk Taking

α = Constant (Y intercept)

C = Control variables (Board size, CEO tenure, firm age, firm size and CEO gender)

$\beta_1 \dots \beta_8$ = coefficient of independent variables

BME = Board Member Expertise

BMM = Board Member Motivation

BMD = Board Member Diversity

BMI = Board Member Independence

ϵ = error term

CN = CEO Narcissism

CP = CEO Polychronicity

3.10 Statistical Regression Assumptions of the Model

A regression model is used to make estimates (Baron & Kenny, 1986; Campbell & Campbell, 2008), whereas regression analysis shows the statistical relationship between variables (Guerard, 2013). The data was fitted into a regression model based on certain assumptions; however, if these assumptions are violated, the results may be erroneous, biased, and inconsistent. As a result, incorrect conclusions and recommendations for future research. Assumptions assessed were:

3.10.1 Test for Normality

Normality test determines the degree to which the data groups are distributed uniformly (Saunders *et al.*, 2007). With a mean of 0 and a standard deviation of 1, the test distribution is bell-shaped, resulting in an asymmetric bell-shaped curve. Variable residuals are believed to be normally distributed. That is, any errors when predicting Y (financial risk taking) are distributed normally. When the basis of normalcy is breached, it is impossible to make accurate and dependable judgments about reality (Ghasemi & Zahediasl, 2012). In addition, if normality is violated, interpretation and inference may be rendered invalid (Razali & Wah, 2011). The tests establish whether the data is distributed on a regular basis and allow for additional analysis (results presented in figure 4.1).

3.10.2 Test of Linearity:

It is assumed that the relationship between independent and dependent variables is straight. As a result, linearity is defined as the extent to which the dependent variable changes as a result of a change in the predictor variables (Hair *et al.*, 2010). Analysis of variance was used to assess linearity between variables in the study.

3.10.3 Test of Heteroscedasticity

Homoscedasticity is the inverse of heteroscedasticity, indicating that the variability of the dependent variable is consistent across independent variable values (Schutzenmeister *et al.*, 2012). Heteroscedasticity can be decreased or minimized by ensuring that the data used to test the hypothesis is normally distributed and analyzed appropriately. When the data is found to be heteroscedastic, logs or Z scores must be used to modify it.

3.10.4 Test for Multicollinearity

Multicollinearity occurs when two or more variables are significantly linked, influencing the estimation of the model's regression parameters (Hair *et al.*, 2009). Making an assessment of the regression coefficients unknown, thus frustrating interpretations (Gujarati, 2003) and yield incorrect results (Palaniappan, 2017). Prior study indicates that multicollinearity exists when the correlation between variables is greater than >0.9 (Hair *et al.*, 2010) and the VIF is greater than > 10 (Stevens, 2009). For this context, the correlation matrix and VIF were utilized in the study to test for multicollinearity among the explanatory variables (results presented in Table 4.29).

3.10.5 Outliers

The Outliers are observations with unusually high or low values that skew the outcome and limit generalization to situations with similar outliers (Tabachnik and Fidell, 2007). An outlier in multiple regression is an instance with a significant residual because the equation fails to estimate its value (Hair, *et al.*, 2003). The researcher looked for outliers and ensured that all statistical assumptions were met at each level. The approach ensures data input accuracy by replacing missing data to reduce outlier effects. Additionally, it employs probability random sampling from the target population and, where possible, large sample sizes.

3.11 Ethical Considerations

Ethical concerns are the principles by which a researcher should do research. The researcher only used the information gathered for the purpose of this study and did not share it with anyone else. Information from CEOs was treated with strict confidentiality without disclosing the respondents' identities, and comments were

conveyed as they were received. The researcher made no changes and was grateful to all of the literature that contributed in any manner to this study. Individuals and organizations taking part in this study were kept anonymous. Any communication regarding this study was done with integrity and transparency. Any type of misleading information, including a biased representation of main data findings, were avoided. Moi University's permission to conduct the research was obtained through the chair of postgraduate studies (Appendix I). Furthermore, the National Commission for Science, Technology, and Innovation (NACOSTI) granted authority to undertake research in Kenya's private sector.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter provides a presentation of the research data analyzed on the moderating effect of CEO narcissism and CEO Polychronicity on the relationship between board characteristics and financial risk taking in private firms in Nairobi county Kenya. The chapter starts with a section on the response rate of the participants, data preparation, descriptive statistics, factor analysis, and correlation as well as inferential statistics. In this chapter, diagnostic checks were presented like normality, linearity, multicollinearity, and heteroscedasticity.

4.2 Data Cleaning, Coding, and Removal of Outliers

This is a pre-analytical stage that includes data screening and cleaning, normality assessment, and reliability analysis. Data preparation and processing, according to Hair *et al.*, (2010), entails editing, categorizing, and tabulating the collected data. As a result, the primary purpose of any research's data preparation and processing is to determine any potential issues connected to missing information (Tabachnick & Fidell, 2007). After the respondents had completed the questionnaires completely, they were ready for further screening by assigning serial numbers to the front of each questionnaire to ensure that each and every questionnaire was captured for the purposes of coding the data. The data was then coded using IBM SPSS version 22. To reduce the possibility of missing data, precision was maintained throughout the coding process. As a result, questionnaires that were left blank, had substantial gaps in data, or were incompletely filled out by respondents were deleted and not included in the study.

Outlier detection is an essential step before data processing in survey research. Researchers now define an outlier as someone who appears to diverge significantly from the rest of the members of the sample in which it occurs (Barnett and Lewis, 1994). Likewise, an outlier is an observation in a data set that appears to be inconsistent with the rest of the data in that data set (Hadi *et al.*, 2009). As a result, an outlier is a point that differs from the rest of the observations. Outliers can emerge as a result of measurement variability and can show an error in testing (Churchill & Iacobucci, 2006).

Outliers are common in all random distributions, though they usually indicate either measurement error or a hard-tail distribution in the general population. Evaluating outliers is an important step since disregarding them may cause statistical tests to be biased if there are harmful outliers (Hair *et al.*, 2010). In specific, it distorts statistics and may produce conclusions that do not generalize to any other sample than one with the same type of outliers (Tabachnick & Fidell, 2007). This study used frequency analysis with minimum and maximum values to look for outliers. The values were then cross-checked to identify any unusually high or low numbers above and beyond the Likert scale values that could have been entered incorrectly.

4.2.1 Analysis of Missing Data

Missing data is a major problem in social science research (Hayes, 2012). The presence of missing data implies that the respondent did not answer one or more survey items (Sullivan *et al.*, 2017). While it is difficult to avoid the problem of missing data (Hair *et al.*, 2010), statistical analysis results may be impaired (Sidi & Harel, 2018), raising the likelihood of ambiguous inferences on research variables. As

a result, the researcher made every effort possible to prevent the possibility of missing data from the start of data collecting. This was accomplished through the use of an interviewer-administered questionnaire technique and careful data coding (Howell, 2012).

The researcher and research assistants individually presented each questionnaire to the respondents, who were given rigorous and detailed instructions on how to conduct the questions. Following that, both the respondents and the researcher or assistant agreed on a time and day to collect the completed questionnaire. A phone call was made prior to the second visit to check that the questionnaire had been completed. If the full questionnaire was still unavailable, a second visit was planned to encourage participation if the respondent did not understand the method for delivering responses. Personalized notes of appreciation were given to respondents during the collection of completed surveys to thank them for giving up their valuable time to respond to the questionnaire questions.

4.3 Response Rate of the Study Respondents

Survey questionnaires are commonly used in social science studies to acquire firsthand information (Swedberg, 2020). As a result, the response rate is an essential survey quality criterion since it guarantees reliable and valid survey data (Babbie, 2013; Hair *et al.*, 2010). Thus, response rate refers to the proportion of individuals in a sample population who participate in a survey and is considered as a crucial aspect of survey-based research quality. The study's response rate was calculated by dividing the total correctly completed questionnaires by the total number of questionnaires drawn from the sample size. According to Table 4.1, the response rate was roughly

92%, which was significantly higher than the widely recognized estimate of 30% (Sekaran & Bougie, 2013). Thirteen of the total returned questionnaires were wrongly filled and included inconsistent information, therefore they could not be used in data analysis and were thus eliminated from the study.

Table 4. 1: Response Rate of Questionnaires

Responses	Number of Questionnaires	Percentages
Administered Questionnaires	402	100%
Returned Questionnaires	384	95.52%
Usable Questionnaires	371	92.28%

Source: Research Data, 2022

The high response rate was due to the enumerators' interaction with one another with the respondents, which improved the intelligibility of the questions and so minimized restricted response bias and consequently confidence in the data. Also, high response rate was due to a well-trained research assistant, as well as items for each of the questionnaire questions.

4.4 Descriptive Statistics

Descriptive statistics organize, synthesize, and describe data acquired through survey questionnaires (Thompson, 2009; Kaushik & Mathur, 2014). As a result, descriptive analyses were carried out in order to provide a broad and thorough overview of the data acquired.

Table 4. 2: Descriptive Statistics on CEO Gender

			Cumulative	Min	Max	Mean	Std.
Gender	Frequency	Percent	Percent				Deviation
Male	206	55.5	55.5				
Female	165	44.5	100.0				
Total	371	100.0		1	2	1.44	.498

Source: Research Data 2022

Descriptive statistics from CEO gender respondent as in table 4.3 shows that majority of the CEO respondent were male at 55.5% and female were 44.5%. The respondents had a mean of 1.44 and Std Deviation of .498.

Table 4. 3: Descriptive Statistics on Board Size

			Cumulative	Min	Max	Mean	Std.
Board Size	Frequency	Percent	Percent				Deviation
1-5	24	6.5	6.5				
6-10	170	45.8	52.3				
11-15	141	38.0	90.3				
16 and above	36	9.7	100.0				
Total	371	100.0		1	4	2.51	0.758

Source: Research Data 2022

The study establish the size of the boards in the study, and the descriptive statistics on board size as in Table 4.3 reveals that majority of the board size ranged between 6 to 10 that is 45.8% which was effective for data analysis while 6.5%, 38.0% and 9.7% for board size 1-5, 11-15 and above 16 respectively. The mean indicate further that the board size range between 6 and 10 with a standard deviation of .758.

Table 4. 4: Descriptive results on CEO Tenure

CEO tenure	Frequency	%	Cumulative %	Min	Max	Mean	Std. Deviation
Below 2 years	36	9.7	9.7				
2-5 years	177	47.7	57.4				
6-10 years	123	33.2	90.6				
Above 10 years	35	9.4	100.0				
Total	371	100		1	4	2.42	.793

Source: Research Data 2022

The study established the number of years one has been a CEO and the findings showed in table 4.4 shows that majority of the respondent had been CEO for a period of 2 to 6 years that is 47.7% of the respondent, such CEO where knowledgeable regarding the private firms that were under the study while 9.7%, 33.2% and 9.4 where below 2 years 6-10 years and above 10 years respectively. Table 4.4 further indicate that the respondent had a mean of 2.42 and standard deviation of 0.793.

Table 4. 5: Descriptive results on Firm Age

Firm Age	Frequency	%	Cumulative %	Min	Max	Mean	Std. Deviation
below 5 years	36	9.7	9.7				
6 to 10 years	183	49.1	59.0				
above 10 years	151	40.5	99.7				
Total	371	99.5		1	3	2.41	.611

Source: Research Data 2022

The study established firm age by considering the number of years the firm has been in operation since inception. From the findings below 5 years were 9.7%, between 6-10 49.3% and above 10 years 40.7%. Most of the firms had been in operation for a period between 6-10 effective for data analysis.

Table 4. 6: Descriptive Results on Firm Size

Firm Size	Frequency	Percent	Cumulative Percent	Min	Max	Mean	Std. Deviation
1-300	63	16.9	16.9				
301-600	82	22.1	39.0				
601-900	143	38.5	77.5				
901-1200	67	18.0	95.5				
above 1200	16	4.5	100.0				
Total	371	100		1	5	3.32	.645

Source: Research Data 2022

The study established the size of the firm, and the findings indicate that 16.9%, 22.1%, 18% and 4.5% were ranging from 1-300, 301-600, 901-1200 and above 1200 respectively. Most of the respondent had a firm size ranging between 601 to 900 which was adequate for data analysis.

4.4.1 Descriptive Statistics for Financial Risk Taking

Financial risk taking was measured using eleven constructs. The response was categorized into five Likert scale as 5=strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1= strongly disagree.

Table 4. 7: Descriptive Statistics for Financial Risk Taking

Financial risk taking items	Mean	Std. Deviation
Our firm seek thrills in having high returns on risk taking	4.13	1.203
Our firm perceive risk taking as an opportunity to make money	4.33	.857
Our firm considers risk taking as a mark of progressive	4.15	1.147
Putting money into investment is preferable the best for future return.	4.13	1.017
When money is invested, our company has complete control over the return.	3.91	1.268
Our firm considers value of return on investment for the future.	3.91	1.104
When we invest we plan on having a specific amount at a future date.	3.62	1.371
Our firm is attracted rather than scared by any financial risk taking.	3.87	1.188
Our firm focuses more on wining than on losing when taking financial risks.	3.92	1.284
Our firm would take any financial risk even if it would be hurting.	3.82	1.303
Our firm perceives taking risks as an important aspect of the business decisions.	4.04	1.108
Average Mean	3.98	1.168

Source: Research Data 2022

On dependent variable, Financial risk-taking majority of the respondent in Table 4.7 shows that the respondent agreed on the statement that firm perceive risk taking as an opportunity to make money ($M = 4.33$ $SD = .857$) and also the respondents were undecided on the statement on whether if they invest on projects they also plan on having a specific amount at a future date' ($M = 3.62$ $SD = 1.371$). From the average mean, shows that majority of the respondent agreed on the statements that their firms consider financial risk, and average standard deviation also shows deviation that's not from normal distribution.

4.4.2 Descriptive Statistics of Board Member's Expertise

The study described and measured the board member's expertise using seven characteristics rated on a five-point Likert scale.

Table 4. 8:Descriptive Statistics of Board member's Expertise

	Mean	Std. Deviation
Our members of the board have extensive knowledge of the firm's main operations.	3.75	1.227
Our members of the board have extensive knowledge of the firm's critical technology and key competence.	3.96	1.298
Our members of the board have the expertise and desire to address the organization's goals	4.22	1.129
Our members of the board have extensive knowledge of the firm's weak sides and its products and services.	4.26	1.106
Our members of the board have extensive knowledge of the development regarding the firm's customers, markets, products, and services.	4.16	1.249
Our members of the board have extensive knowledge of threats from entrants and new products and services.	4.25	1.098
Our members of the board have extensive knowledge of actual board activity in other firms.	3.78	1.365
Average mean	4.05	1.210

Source: Research Data 2022

In Table 4.8 it shows descriptive statistics on board expertise and it shows that majority of the CEOs strongly agreed on the statement that ‘Our board members have extensive knowledge of the firm's weak sides and its products and services’ ($M = 4.26$ $SD = 1.106$), and they were undecided on the statement on whether the board members have extensive knowledge of the firm's main operations’ ($M = 3.75$ $SD = 1.227$). The average mean on Table 4.6 indicate that majority of the CEOs agreed on the statements regarding their board members expertise on financial risk taking.

4.4.3 Descriptive Statistics of Board Member's Motivation

The motivation of board members was assessed using five components. The responses were divided into five Likert scale categories: 5=strongly agree, 4=agree, 3=neutral, 2=disagree, and 1=strongly disagree.

Table 4. 9: Descriptive Statistics of Board member's Motivation

	Mean	Std. Deviation
Our members of the board are positively motivated to do a good job due to their own shareholding.	3.57	1.355
Our members of the board are encouraged to express their opinions at board meetings.	3.83	.892
Our members of the board are positively motivated to do a good job due to formal liability by law.	4.22	1.080
Our members of the board are positively motivated to do a good job due to their own academic and professional standards.	4.11	1.178
Our board members are positively motivated to do a good job due to their own reputation.	4.16	1.139
Average Mean	3.98	1.129

Source: Research Data, 2022

In table 4.9 on descriptive statistics on board member's motivation the respondent agreed on the statement that 'Our board members are positively motivated to do a good job due to formal liability by law' ($M = 4.22$ $SD = 1.080$), and they were undecided on the statement that 'Our board members are positively motivated to do a good job due to their own shareholding' ($M = 3.57$ $SD = 1.355$) and the average mean shows that majority of the CEOs agreed on the statements regarding board member's motivation.

4.4.4 Descriptive Statistics of Board Member's Diversity

The diversity of board members was assessed using five constructs. The responses were divided into five Likert scale categories: 5=strongly agree, 4=agree, 3=neutral, 2=disagree, and 1=strongly disagree.

Table 4.10: Descriptive Statistics of Board Member Diversity

	Mean	Std. Deviation
Our board represents diversity with regards to functional background (sales, finance, accounting, marketing)	4.32	.890
Our board represents diversity with regard to industrial background (different industries and firms).	3.84	1.423
Our board represents diversity with regards to educational background (different universities, schools and type of education).	4.06	1.214
Our board represents diversity with regards to personality (different degree of creativity, orientation on action, attitude to listening).	3.89	1.513
Our board members represent diversity with regards to age.	4.15	1.247
Average Mean	4.052	1.257

Source: Research Data, 2022

In table 4.10 on descriptive statistics on board members diversity most of the CEOs strongly agreed on the statement that ‘Our board represents diversity with regards to functional background (sales, finance, accounting, marketing)’ ($M = 4.32$ $SD = 1.890$) and they were unclear on the statement that ‘Our board represents diversity with regards to personality (different degree of creativity, orientation on action, attitude to listening)’ ($M = 3.84$ $SD = 1.423$). The average mean on board member’s diversity indicate that most of the respondent agreed on the entire statements regarding board member’s diversity in their firm.

4.4.5 Descriptive Statistics of Board Member Independence

Board member’s independence was measured using six constructs. The response was categorized into five Likert scale as 5=strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1= strongly disagree.

Table 4.11: Descriptive Statistics Board Member Independence

	Mean	Std. Deviation
Our members of the board have no close friendship connections to the CEO.	4.05	1.201
Our board members of the board and members have close business ties to the firm	4.20	1.112
Our members of the board have no close family relations to the CEO.	4.11	1.137
Our members of the board have no close connections to each other through common membership on other boards	4.18	1.131
Our members of the board have close ties to other persons and firms which holds large stakes in the firm	4.20	1.101
Our members of the board are free to object or disapprove CEOs decisions or suggestions	4.21	1.157
Average Mean	4.158	1.140

Source: Research Data 2022

Descriptive statistics of board member's independence as shown in Table 4.11 shows that most of the respondents strongly agreed that the board members are free to object or disapprove CEOs decisions or suggestions ($M = 4.21$ $SD = 1.157$) and also agreed on the statement that the board members have no close friendship connections to the CEO ($M = 4.05$ $SD = 1.201$). The average mean from Table 4.9 shows that most of the respondents agreed on the questions regarding board member independence in their firm.

4.4.6 Descriptive Statistics of CEO Narcissism

CEO Narcissism was measured using eleven constructs. The response was categorized into five Likert scale as 5=strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1= strongly disagree.

Table 4.12: Descriptive Statistics of CEO Narcissism

	Mean	Std. Deviation
I am an extraordinary person	3.76	1.284
I like to be the center of attention	4.20	1.026
I think I am a special person	3.89	1.361
I like having authority over people	4.16	1.202
I find it easy to manipulate people	4.26	1.097
I insist upon getting the respect that is due me	4.16	1.209
I really like to be the center of attention	4.27	.982
People always seem to recognize my authority	3.88	1.135
I am going to be a great person	4.18	1.065
I can make anybody believe anything I want them to	4.20	1.021
Average mean	3.72	1.034

Source: Research Data 2022

Descriptive statistics on CEO narcissism as shown in table 4.12 shows that majority of the CEOs agreed on the statement that ‘I find it easy to manipulate people’ ($M = 4.26$ $SD = 1.097$), and they were undecided on the statement that ‘I am an extraordinary person’ ($M = 3.76$ $SD = 1.284$). The average mean shows that the respondent agreed on the statements regarding CEO narcissism in the private sector.

4.4.7 Descriptive Statistics of CEO Polychronicity

CEO polychronicity was measured using five constructs. The response was categorized into five Likert scale as 5=strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1= strongly disagree.

Table 4.13: Descriptive Statistics of CEO Polychronicity

	Mean	Std. Deviation
I like to juggle several projects at the same time.	4.30	.994
I would rather complete an entire project every day than complete parts of several projects	4.29	.989
I believe people should try to do many things at once	3.59	1.243
I believe it is best to complete one project before beginning another	3.86	.964
I believe it is best for people to be given several projects to perform	3.84	1.193
Average Mean	3.98	1.077

Source: Research Data, 2022

Descriptive statistics of CEO Polychronicity as shown in table 4.13 reveals that majority of the respondents were of the opinion that ‘I like to juggle several projects at the same time’ ($M = 4.30$ $SD = .994$), and were undecided the statement that ‘I believe people should try to do many things at once’ ($M = 3.59$ $SD = 1.243$). On descriptive statistics, CEO polychronicity the average mean shows that majority of the respondent agreed on the statements regarding CEO polychronicity.

4.5 Reliability Analysis

A reliability test was performed to determine the reliability of the research instrument used. A cut-off alpha coefficient of 0.7, according to Ursachi *et al.*, (2015), is adequate to demonstrate that the item scales are consistent and reliable. The coefficient of reliability was calculated and shown in Table 4.14 by estimating Cronbach's alpha value. Every aspect of the constructs used were extremely trustworthy, with Cronbach alpha values more than 0.7, as validated by Roller (2020). Financial risk taking had 11 items with a Cronbach alpha value of 0.896, Board member's Expertise 7 items in the scale with Cronbach alpha of 0.827, Board member's Motivation had 5 item with Cronbach alpha of 0.711, Board member's Diversity had 5 items with Cronbach alpha

of 0.838, and Board member's Independence had 7 items with Cronbach alpha value of 0.790. Further, CEO Narcissism 10 items with Cronbach alpha value of 0.960. Finally, CEO Polychronicity was measured using 5 constructs record Cronbach alpha value of 0.832.

Table 4. 14: Reliability Test Results

Variable	Number of items in the scale	Cronbach alpha
Financial risk taking	11	.896
Board member's Expertise	7	.827
Board member's Motivation	5	.771
Board member's Diversity	5	.838
Board member's Independence	7	.790
CEO Narcissism	10	.960
CEO Polychronicity	5	.832

Source: Research Data, 2022

Mohajan (2017) and Joppe (2000) define reliability as the extent to which results are consistent across intervals and provide a precise representation of the entire population. When people's responses to different questions differ or are unrelated, it may be impossible to establish that they are all evaluating the same underlying concepts. Internal consistency, which is a measure of scale reliability, can be assessed by collecting and analyzing data. The results revealed that all of the coefficients were within the accepted thresholds of 0.7 as postulated by Lee Cronbach in 1951, implying that the constructs used were reliable (Hair *et al.*, 1995) for analysis.

4.6 Variable Reduction Using Factor Analysis

Many observable variables were used to assess the study's unobserved and latent components. A component analysis was used to compress the vast number of measured variables into a few composite variables that maintain as much information as feasible while also confirming whether they represent the underlying constructs. This data reduction was carried out using Principal Components Analysis (PCA), a statistical procedure used to identify a small group of unobserved variables that may account for as much variance as feasible within a larger set of observable variables (Huang & Van Der Veen, 2018; Mann, 1995; Reid & Spencer, 2009).

In this study, four procedures were taken for performing factor analysis: examining data factorability; obtaining factors and checking overall fit; interpreting factors and factor labeling; and calculating factor scores for later analysis of statistics (Heir *et al.*, 2006). To ensure suitability of factors the following criteria was used. To guarantee that there is no multicollinearity among each component, the determinant was checked to make sure that it is not zero. If the findings are greater than 0.5, the Kaiser-Meyer-Olkin (KMO) test of sampling adequacy was used to decide if it was significant (at $p > 0.05$), suggesting that the correlation matrix of the original variables is not an identity matrix and that a factor model is appropriate. Each of the diagonals of the anti-image correlation matrix were analyzed to see if they were all above 0.5, implying the presence of a basic framework among the variables measured.

To extract the components or elements from the data, principal component analysis was utilized. The approach permitted the extraction of as many components as needed as long as each had an Eigenvalue greater than one. Rotation was employed to

increase the interpretability of the factors. Varimax rotations were performed, and the optimum component structure was chosen. The resulting component structures of the factors were retained because they provide a lot of theoretical logical sense and clarify a plenty of the variance in the observed variables, or they were simplified by dropping variables that emerged unspecified because of either possessing a standardized loading greater than 1 or with high cross-loading (Mann, 1995).

4.6.1 Factor Analysis on Financial Risk Taking

Table 4.16 displays the factor analysis results for financial risk taking. To identify the fundamental variables of financial risk taking, the principal component analysis with Varimax rotation was used. Table 4.16 revealed that the factors were significant, and the p-value for the Bartlett's test of Sphericity was below 0.05. Kaiser-Meyer-Olkin (KMO) sampling adequacy ($0.900 < 0.70$) demonstrated the data was adequate for extraction using principal components analysis, since it was greater than the minimum value of 0.60 for internal reliability. (Hoque *et al.*, 2016). The total variance explained by three extracted factors (having Eigenvalues more than one) is 72.620 % of the total variation (component 1 contributing 52.288 and component 2 contributing 10.535 percent and component 3 9.797, after rotation component 1 was reduced to 33.112, component 2 29.382 and component 3 10.126 giving a cumulative total of 72.620). Considering factor 1, factor 2, and factor 3 the initial Eigen values were above 1 (factor 1 5.752 for factor 2, 1.159 for factor 3 and 1.078) and the rest below 3, the matrix was rotated as evident in Table 4.16 The loadings after rotation confirmed that the construct meets the criteria as argued by Yong & Pearce, (2013).

Table 4. 15: Initial Eigenvalues for financial risk taking

Component	Initial Eigen values				
	Total	% of Variance	Cumulative %	% of Variance	Cumulative %
1	5.752	52.288	52.288	33.112	33.112
2	1.159	10.535	62.823	29.382	62.494
3	1.078	9.797	72.620	10.126	72.620
4	.577	5.244	77.863		
5	.543	4.935	82.798		
6	.476	4.331	87.129		
7	.369	3.354	90.483		
8	.316	2.877	93.360		
9	.292	2.653	96.013		
10	.225	2.042	98.055		
11	.214	1.945	100.000		

Extraction Method: Principal Component Analysis

Source: Research Data 2022

The first item that the firm seek thrills in having high returns on risk taking had factor loading of .750 when un-rotated, but when it is rotated 0.727 is extracted. Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 90% which is according to KMO 1974 it is above 70% threshold, this means factor analysis was adequate. Bartlett's Test of Sphericity was significant at 1% $p < 0.01$. All the items measuring financial risk taking were retain since the factor loading was above 0.5 on both rotated component and un-rotated component.

Table 4. 16: Components Extraction for Financial Risk Taking

	Unrotated component extraction	Rotated Component matrix		
	1	2	1	2
Our firm seek thrills in having high returns on risk taking	.750			.727
Our firm perceive risk taking as an opportunity to make money	.688			.708
Our firm considers risk taking as a mark of progressive	.776			.729
Putting money into investment is preferable the best for future return.	.698			.789
When money is invested, our company has complete control over the return.	.707			.758
Our firm considers value of return on investment for the future.		.627		
When we invest, we plan on having a specific amount at a future date.	.773		.730	
Our firm is attracted rather than scared by any financial risk taking.	.806		.806	
Our firm focuses more on wining than on losing when taking financial risks.	.835		.779	
Our firm would take any financial risk even if it would be hurting.	.745		.803	
Our firm perceives taking risks as an important aspect of the business decisions.	.791		.856	
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.900	
Bartlett's Test of Sphericity	Approx. Chi-Square		2319.295	
	Df		55	
	Sig.		.000	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Source: Research Data, 2022

4.6.2 Factor Analysis on Board member's Expertise

The study measured board member's expertise using seven constructs. Participants were asked to rate the responses on a five-point Likert scale. Table 4.18 shows that components 1 and 2 were kept since their eigenvalues were greater than 1. These two factors explained 70.626 percent of the total variance. Component 1 explained 56.172 percent of the variation, while component 2 explained 14.454 percent of the variation

after rotation component 1 had its value reduced to 56.159 and component 2 was increased to 14.467, for a total of 70.626.

Table 4. 17: Initial Eigen values for Board Members Expertise

Component	Initial Eigen values				
	Total	% of Variance	Cumulative %	% of Variance	Cumulative %
1	3.932	56.172	56.172	56.159	56.159
2	1.012	14.454	70.626	14.467	70.626
3	.650	9.282	79.908		
4	.434	6.200	86.108		
5	.422	6.032	92.140		
6	.302	4.321	96.461		
7	.248	3.539	100.000		

Extraction Method: Principal Component Analysis.

Source: Research Data, 2022

Components 1 and 2 had greater eigenvalues than other components, therefore they were rotated, and loadings were retrieved using Principal Component Analysis and placed onto the constructions. Varimax with Kaiser Normalization was utilized as the rotation method, and convergence was achieved after three iterations. The KMO value of $0.871 > 0.70$ as determined by Kaiser 1974, and the fact that Bartlett's Test of Sphericity was significant at probability 0.000, showed that the factor analysis should be carried out.

The first item that the board members have extensive knowledge of the firm's main operations, had factor loading of 0.996 when un-rotated, but when it is rotated it is 0.997 is extracted. Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 87% which is according to KMO 1974 it is above 70% threshold, this means the sampling

was adequate for factor analysis. Bartlett's Test of Sphericity was significant at 1% $p < 0.01$. All the items measuring board member expertise were retained since the factor loading was above 0.5 on both rotated component and un-rotated component.

Table 4. 18: Component Matrix for Board member's Expertise

	Component			
	1	2	1	2
Our board members have extensive knowledge of the firm's main operations.		.996		.997
Our board members have extensive knowledge of the firm's critical technology and key competence.	.783		.782	
Our board members have the expertise and desire to address the organization's goals	.791		.790	
Our board members have extensive knowledge of the firm's weak sides and its products and services.	.835		.836	
Our board members have extensive knowledge of the development regarding the firm's customers, markets, products, and services.	.842		.842	
Our board members have extensive knowledge of threats from entrants and new products and services.	.826		.825	
Our board members have extensive knowledge of actual board activity in other firms.	.777		.778	
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.				.871
Bartlett's Test of Sphericity	Approx. Chi-Square			1224.639
	df			21
	Sig.			.000

Extraction Method: Principal Component Analysis.

Source: Research Data, 2022

4.6.3 Factor Analysis for Board member's Motivation

The constructs employed to assess the independent variable, board member motivation, yielded the following results. Five constructs were used, with each being scored on a five-Likert scale. To quantify the variable, the study isolated components with identical characteristics. PCA was employed, and before extraction, KMO was used to determine the adequacy of the sample. Table 4.20 shows that the KMO value

was 0.773, which was greater than the 0.70 KMO requirement. The result suggests that 77.3 percent of the sample was sufficient. The chi-square test Bartlett's Test of Sphericity was significant ($p = 0.000$), confirming that the PCA extraction technique for extracting components was appropriate. Previously, it was advised to estimate the eigenvalues in order to assess the variation explained by the variables. Because the eigenvalues for component 1 were 2.677 and higher, while the rest were lower, the varimax rotation solution did not occur. This merely means that factor loadings for component 1 were sufficient to extract. Furthermore, the results show that this component alone explained 53.542 percent of the variance.

Table 4. 19: Initial Eigenvalues for Board member's Motivation

Component	Initial Eigenvalues				
	Total	% of Variance	Cumulative %	% of Variance	Cumulative %
1	2.677	53.542	53.542	36.372	36.372
2	.843	16.855	70.397	34.025	70.397
3	.591	11.819	82.215		
4	.505	10.093	92.308		
5	.385	7.692	100.000		

Extraction Method: Principal Component Analysis.

Source: Research Data ,2022

The item on board member motivation in table 4.18 that the board members are positively motivated to do a good job due to their own shareholding., had factor loading of 0.652 when un-rotated, but when it is rotated it is 0.911 is extracted. All the items measuring board member motivation were retain since the factor loading was above 0.5 on both rotated component and un-rotated component.

Table 4. 20: Component Matrix for Board Member's Motivation

	Unrotated		Component	
	Component		1	2
	1	2	1	2
Our board members are positively motivated to do a good job due to their own shareholding.	.652	.638		.911
Our members are encouraged to express their opinions at board meetings.	.724			.654
Our board members are positively motivated to do a good job due to formal liability by law.	.800	.530		.604
Our board members are positively motivated to do a good job due to their own academic and professional standards.	.701	.846		
Our board members are positively motivated to do a good job due to their own reputation.	.772	.822		
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.				.773
Bartlett's Test of Sphericity		Approx. Chi-Square		496.818
		df		10
		Sig.		.000

Extraction Method: Principal Component Analysis.

Source: Research Data 2022

4.6.4 Factor Analysis on Board Member Diversity

The constructs used to measure the independent variable, board member diversity, were rated on a five-Likert scale, and the findings are shown below. The study extracted components with similar properties to measure the variable. This technique employed was PCA and before extraction, KMO which measure the adequacy of the sample initially determined. Table 4.22 below indicated that KMO value was 0.817 and was over 0.70 KMO criterion. Thus suggests that the sample was 81.7 percent

adequate. The chi-square test Bartlett's Test of Sphericity was significant ($p = 0.000$), confirming that the PCA extraction technique for extracting components (factors) was appropriate. Because they were greater than 0.5, all of the items were retained. Previously, estimating the eigenvalues was advisable to assess the variance explained by components. Because the eigenvalues for component 1 were 3.069 and higher, while the rest were lower, the varimax rotation solution did not occur. This merely means that factor loadings for component 1 were sufficient to extract. This component explained 61.383 percent of the variance alone, but when rotated, it amounted to 58.712.

Table 4. 21: Initial Eigenvalues for Board Member Diversity

Component	Initial Eigenvalues				
	Total	% of Variance	Cumulative %	% of Variance	Cumulative %
1	3.069	61.383	61.383	58.712	58.712
2	.910	18.208	79.590	20.879	79.590
3	.521	10.426	90.016		
4	.263	5.264	95.280		
5	.236	4.720	100.000		

Extraction Method: Principal Component Analysis.

Source: Research Data 2022

Table 4. 22: Component Matrix for Board Member Diversity

	Component			
	Extraction			
	1	2	1	2
Our board represents diversity with regards to functional background (sales, finance, accounting, marketing)		.924		.987
Our board represents diversity with regard to industrial background (different industries and firms).	.871		.879	
Our board represents diversity with regards to educational background (different universities, schools and type of education).	.871		.878	
Our board represents diversity with regards to personality (different degree of creativity, orientation on action, attitude to listening).	.897		.899	
Our board members represent diversity with regards to age.	.781		.752	
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.817	
Bartlett's Test of Sphericity	Approx. Chi-Square		883.012	
	Df		10	
	Sig.		.000	

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Source: Research Data, 2022

4.6.5 Factor Analysis for Board member's Independence

Six constructs were used in the study to assess board member independence. Respondents were asked to rate the responses on a five-point Likert scale. Table 4.24 shows that components 1 and 2 were kept since their eigenvalues were greater than 1. These two factors explained 74.563 percent of the total variance. Component 1 described 56.678 percent of the variation, while component 2 explained 17.886 percent of the variation after rotation, when component 1 was lowered to 55.470 and component 2 was increased to 19.093.

Table 4. 23: Initial Eigenvalues for Board Member Independence

Component	Initial Eigenvalues				
	Total	% of Variance	Cumulative %	% of Variance	Cumulative %
1	3.401	56.678	56.678	55.470	55.470
2	1.073	17.886	74.563	19.093	74.563
3	.816	13.597	88.161		
4	.614	10.226	98.387		
5	.064	1.065	99.451		
6	.033	.549	100.000		

Extraction Method: Principal Component Analysis.

Source: Research Data, 2022

Components 1 and 2 had eigenvalues greater than one when compared to other components, therefore they were rotated, and loadings were retrieved using Principal Component Analysis and placed onto the constructs. Varimax with Kaiser Normalization was utilized as the rotation method, and convergence was achieved after three iterations. The KMO value of $0.795 > 0.70$ according to Kaiser 1974 and the fact that Bartlett's Test of Sphericity was significant at probability 0.000 confirmed that the factor analysis should be carried out. All the items were retained for analysis.

Table 4.24: Component Matrix for Board Member Independence

	Component			
	Unrotated		1	2
	1	2	1	2
Our board members have no close friendship connections to the CEO.		.883		.880
Our board members have close business ties to the firm	.528			.545
Our board members have no close family relations to the CEO.	.627		.590	
Our board members have no close connections to each other through common membership on other boards	.954		.962	
Our board members have close ties to other persons and firms which holds large stakes in the firm	.961		.966	
Our board members are free to object or disapprove CEOs decisions or suggestions	.944		.959	
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.795	
Bartlett's Test of Sphericity	Approx. Chi-Square		2042.068	
	Df		15	
	Sig.		.000	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser

Normalization.

Source: Research Data, 2022

4.6.6 Factor Analysis for CEO Narcissism

The following results are for the constructs used to measure the moderating variable, CEO narcissism. Ten different constructs were used, and each one was graded on a five-Likert scale. To quantify the variable, the study isolated components with comparable characteristics. PCA was employed, and before extraction, KMO was used to determine the adequacy of the sample. Table 4.26 shows that the KMO value was 0.934, which was above than the 0.70 KMO criterion. That is, the sample was 93.4 percent acceptable. The chi-square test Bartlett's Test of Sphericity was significant ($p = 0.000$), confirming that the PCA extraction technique for extracting components was appropriate.

Previously, estimating the eigenvalues was recommended to assess the variance explained by the elements (components). Because the eigenvalues for component 1 were 7.557 and higher, while the rest were lower, the varimax rotation solution was used, however it was lowered to 55.920 after rotation. This merely means that factor loadings for component 1 were sufficient to extract. Furthermore, the results show that this component alone explained 75.573 percent of the variance. All the item were retain.

Table 4. 25: Initial Eigenvalues for CEO Narcissism

Component	Initial Eigenvalues				
	Total	% of Variance	Cumulative %	% of Variance	Cumulative %
1	7.557	75.573	75.573	55.920	55.920
2	.747	7.473	83.046	27.126	83.046
3	.487	4.869	87.916		
4	.439	4.390	92.305		
5	.259	2.590	94.896		
6	.225	2.254	97.149		
7	.139	1.386	98.535		
8	.074	.741	99.277		
9	.053	.529	99.805		
10	.019	.195	100.000		

Extraction Method: Principal Component Analysis.

Source: Research Data 2022

Table 4.26: Component Matrix for CEO Narcissism

	Rotated Component			
	Extraction			
	1	2	1	2
I am an extraordinary person	.667	.579		.847
I like to be the center of attention	.903		.851	
I think I am a special person	.868		.859	
I like having authority over people	.959		.840	
I find it easy to manipulate people	.954		.844	
I insist upon getting the respect that is due me	.946		.842	
I really like to be the center of attention	.743		.782	
People always seem to recognize my authority	.705			.782
I am going to be a great person	.945		.784	.527
I can make anybody believe anything I want them to	.936		.774	.527
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.934	
Bartlett's Test of Sphericity	Approx. Chi-Square		5161.685	
	Df		45	
	Sig.		.000	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Source: Research Data, 2022

4.6.7 Factor Analysis for CEO Polychronicity

The study used five criteria to assess CEO polychronicity. Respondents were asked to rate the responses on a five-point Likert scale. Table 4.28 shows that components 1 and 2 were retained since their eigenvalues were greater than 1. These two factors explained 87.237 percent of the total variance. Component 1 described 60.401 percent of the variation, while component 2 explained 26.836 percent, but following rotation, component 1 was reduced to 46.805 and component 2 increased to 40.432.

Table 4. 27: Initial Eigenvalues for CEO Polychronocity

Component	Initial Eigenvalues				
	Total	% of Variance	Cumulative %	% of Variance	Cumulative %
1	3.020	60.401	60.401	46.805	46.805
2	1.342	26.836	87.237	40.432	87.237
3	.403	8.061	95.298		
4	.171	3.419	98.717		
5	.064	1.283	100.000		

Extraction Method: Principal Component Analysis.

Source: *Research Data, 2022*

Components 1 and 2 had larger eigenvalues than other (components), therefore they were rotated, and loadings were removed and loaded using Principal Component Analysis. The rotation method used was Varimax with Kaiser Normalization, and convergence was achieved after three iterations. A KMO value of 0.664 0.70 as per Kaiser 1974 and a Bartlett's Test of Sphericity that was significant at probability 0.000 confirmed that the factor analysis should proceed, and all items were retained.

Table 4. 28: Component matrix for CEO Polychronocity

	Extraction		Rotated Component	
	1	2	1	2
I like to juggle several projects at the same time.	.739	.642		.965
I would rather complete an entire project every day than complete parts of several projects	.763	.618		.962
I believe people should try to do many things at once	.791		.910	
I believe it is best to complete one project before beginning another	.816		.751	
I believe it is best for people to be given several projects to perform	.775	-.537	.940	
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.				.664
Bartlett's Test of Sphericity	Approx. Chi-Square			1478.255
	Df			10
	Sig.			.000

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Source: Research Data, 2022

4.7 Multivariate Linear Regression Assumptions

4.7.1 Test for Normality

Figure 4.1 depicts the normality test. Before generating statistical inferences, it is critical to check for normality in statistical analysis since the entire statistical framework is usually based on the assumption that the population from the sampled data follows a normal distribution. When this assumption is violated, the inference fails. Before generating statistical inferences, it was critical to check for normality. During data processing, a histogram was used to assess for normality by showing anticipated and expected residuals. The histogram provides descriptive statistics of residuals. Figure 4.1 illustrates that the histogram is belled-shaped, indicating that the sampled data came from a normally distributed population.

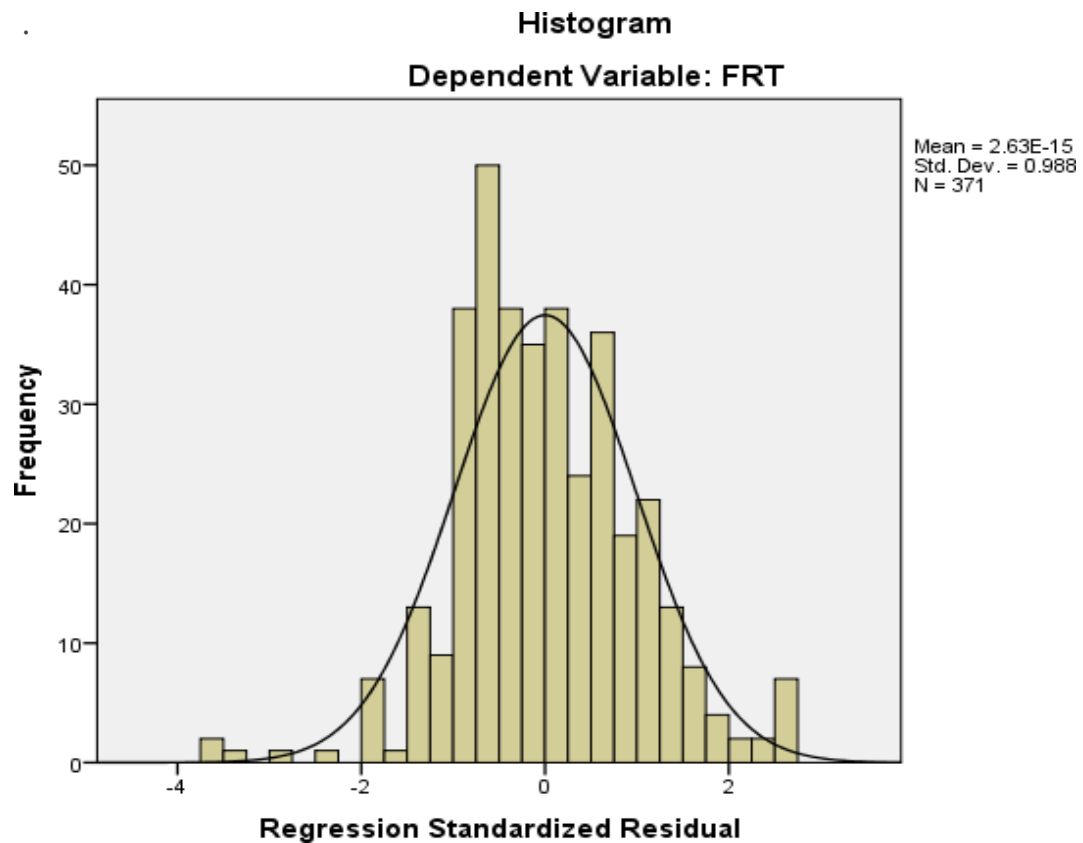


Figure 4. 1: Test for Normality

Source: Field Data, 2022

4.7.2 Test for Multicollinearity

Table 4.29 displays the results of the multicollinearity test. VIF was utilized in analysis to evaluate the extent of collinearity between independent variables and to demonstrate how much variance has been inflated. The centered VIF is numerically equivalent to the ratio of variance of the coefficient estimates divided by the variance of the coefficient estimate of the equation with only those regressors and the constant, whereas the uncentered VIF omits the constant. When all of the calculated centered values were less than 5, it was determined that there was no collinearity. Tolerance were above 0.2 and VIF was less than 10.

Table 4. 29: Test of Multicollinearity

Variables	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Board gender	.892	1.122
Board size	.407	2.456
CEO tenure	.463	2.158
Firm age	.268	3.736
Firm size	.249	2.638
Board member's Expertise	.675	1.481
Board member's Motivation	.263	3.799
Board member's Diversity	.329	3.037
Board member's Independence	.354	2.828
CEO Narcissism	.651	1.536
CEO Polychronicity	.330	3.032

Source: Research Data 2022

4.7.3 Test for Linearity

Existing experts believe that linearity is the most important assumption of the regression model (Keith, 2014). In general, the assumption of linearity characterizes the response variable as a function of the predictor variables; consequently, when the dependent and independent variables are linearly related, multiple regression can estimate the relationship between them (Osborne & Waters, 2002). Furthermore, because the problem of linearity is frequently significant in social sciences, it is necessary to verify whether study variables are linearly connected. As stated by Keith (2014), if this assumption is violated, all regression model estimates, excluding coefficients of regression, standard errors, and significance tests, may be skewed and incorrect. A regression scaled residual of the dependent variable is shown in Figure 4.2.

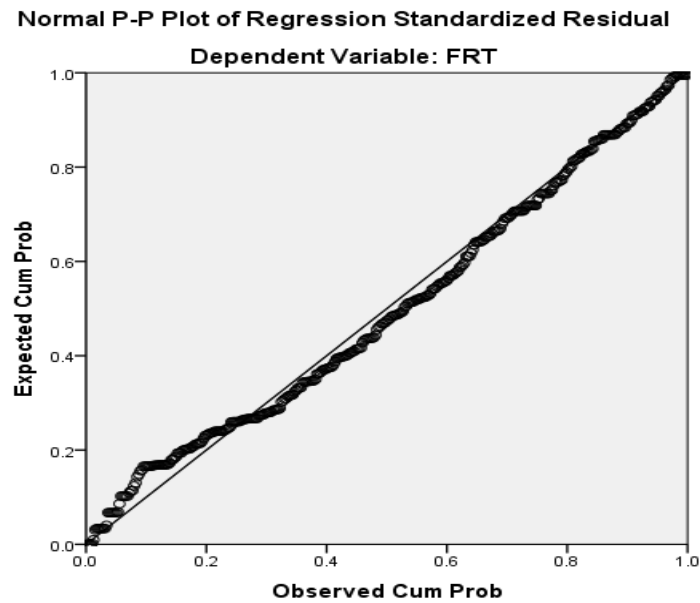


Figure 4. 2: Test of linearity

Source: Research Data, 2022

4.7.4 Test of Heteroscedasticity

Heteroskedasticity refers to a situation where the variance of the residuals is unequal over a range of measured values.

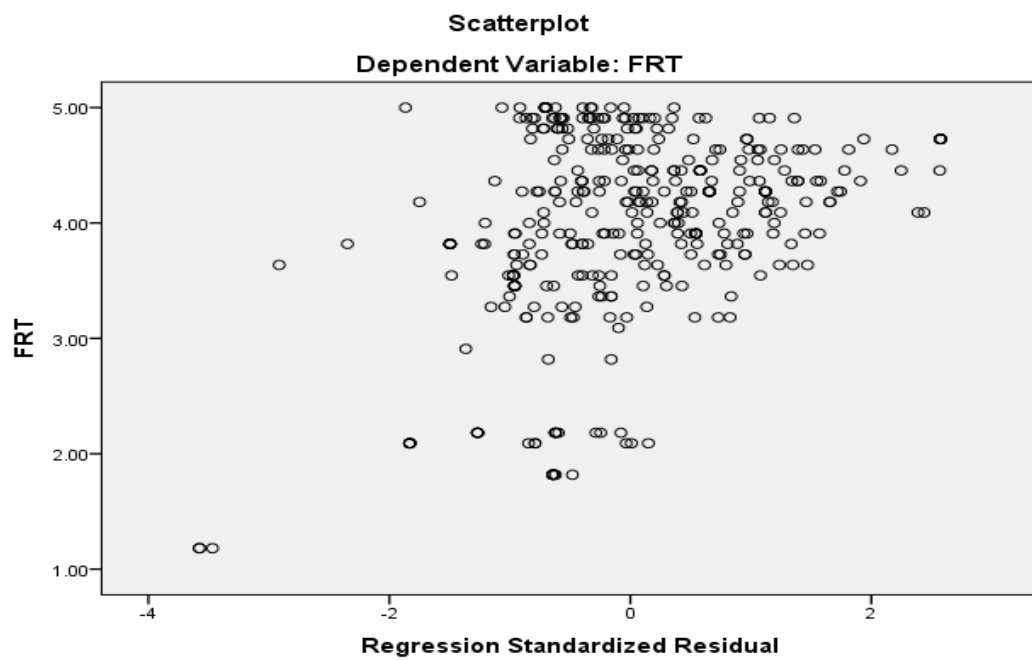


Figure 4. 3: Test of Heteroscedasticity

Source: Research Data, 2022

Under the usual conditions for nonparametric regression models showed that the individual test statistics are asymptotically normally distributed with mean zero but correlated, so that the overall test statistic for heteroscedasticity converges to the maximum value of a multivariate normal vector. Thus, its critical values are readily obtained by using the equicoordinate quantiles from multivariate normal distributions Hayes (2007). From figure 4.3 the data was scattered implying that there was no heteroscedasticity.

4.8 Correlation Analysis

Pearson's measures the strength and direction of the linear relationship between variables. Pearson Correlations results in Table 4.30 all the control variables had a negative and insignificant results while all independent and moderating variable had a positive and correlation relationship. Board member's expertise had a positive and significant effect on financial risk taking at 0.01 level of significant (0.312 and $p < 0.05$). Board member's motivation had a positive correlated effect on financial risk taking that is $p < 0.05$ correlation statistics at 0.01 is 0.669 this means board member's motivation account 75.5% of Financial risk taking. Board member's diversity had a positive and significant effect on Financial risk taking at 0.01 level of significant (0.597 $p < 0.05$).

Board member's independence also had a positive and significant effect on financial risk taking at 0.01 level of significant (0.163 $p < 0.05$). CEO Narcissism had a positive and significant effect on financial risk taking at 0.01 level of significance (0.667) this means CEO Narcissism can account 67% of financial risk taking. CEO polychronicity had a positive and significant effect on Financial risk taking at 0.01 level of

significance that is (0.615 $p < 0.05$). Findings provided enough evidence that there is linear relationship on independent variables and this pave way for further analysis.

Table 4.30: Correlation results

Control Variables		FRT	BEXP	BIND	BMOT	BDIV	POLY	NARC
CEO gender & Board	FRT	1.000						
Size & CEO Tenure &	BEXP	.312**	1.000					
Firm Age & Firm Size	BIND	.163**	.444	1.000				
	BMOT	.669**	.394	.306	1.000			
	BDIV	.597**	.300	.313	.704	1.000		
	POLY	.615**	.375	.371	.503	.408	1.000	
	NARC	.667**	.504	.718	.616	.583	.703	1.000

*, Correlation is significant at the 0.05 level (2-tailed). **, Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data 2022

Where: FRT - Financial Risk Taking
 BEXP - Board Member Expertise
 BIND - Board Member Independence
 BMOT- Board Member Motivation
 BDIV - Board Member Diversity
 POLY - CEO Polychronicity
 NARC - CEO Narcissism

4.9 Hypothesis Testing

Regression is a relevant and widely used statistical tool in research. This serves as a platform for investigating relationships between variables of interest. As a result, it provides a mechanism for quantifying the effect of changes in the response variable caused by changes in the predictor variables (Darlington & Hayes, 2016). As a result, regression analysis was used to validate the model fit and determine the predictive ability of the models in the response variable. Despite there are several regression methods, including forced entry, hierarchical methods, and stepwise methods (Field, 2009), the current study used the hierarchical regression model because it shows exactly what occurs to the regression model as different variables that predict outcomes are introduced. As a result, the researcher was able to systematically

acknowledge the significance of each independent variable in explaining the model's predictive power.

Based on the work of Barron and Kenny (1986), Aiken and West (1991), and Jose (2008), moderation tests were conducted to investigate the moderating effect of CEO traits in the relationship between board member's expertise, board member's motivation, board member's diversity, and board member's independence in private firms in Kenya. Nonetheless, Jose (2008) claims that the interaction effects of both moderators were displayed on a Mod Graph to show their influence on the dependent variable (financial risk taking). This section gives the results for the study's control effects, direct effects, and, finally, the interaction effects of the variables.

4.9.1 Hypothesis Testing For Control Variables

A test to ascertain the effects of control variables on the financial risk taking was performed. This was done to know the extent to which control variables can affect financial risk taking. The regression results in Table 4.31, model 1 showed that the prediction model was statistically significant, ($F = 3.316$, $p < .05$), and accounted for approximately 4% of the variance of financial risk taking ($R^2 = 0.043$, Adjusted $R^2 = 0.030$). Although the predictive effect of the overall model was significant, control variables significantly affect financial risk taking. CEO gender which had a negative and significant effect on financial risk taking ($\beta = -.229$, $p < .05$). Board size was positive and insignificant effect on financial risk taking ($\beta = .451$, $p > .05$). CEO tenure was negative and significant on financial risk taking ($\beta = -.722$, $p < .05$). Firm age had a positive and significant effect on financial risk taking ($\beta = .836$, $p < .05$). Firm size had a negative and insignificant effect on financial risk taking ($\beta = -.282$, $p > .05$).

CEO gender results are consistent with the previous studies (Faccio *et al.*, 2016), that there is a negative association between CEO gender and risk taking. CEO gender reduces the firm ability to take financial risk.

Table 4.31; Regression Results for Control Variables

	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	-.988	.963		-1.026	.306
CEO Gender	-.229	.108	-.114	-2.111	.035
Board Size	.451	.403	.342	1.119	.264
CEO Tenure	-.722	.333	-.572	-2.166	.031
Firm Age	.836	.322	.539	2.596	.010
Firm Size	-.282	.250	-.282	-1.128	.260
Model summary					
R	.208				
R Square	.043				
Adjusted R ²	.030				
Std. Error of the Estimate	.984				
F Change	3.316				
Sig. F Change	.000				
a Dependent Variable: Financial risk taking					

Source: Research Data, 2022

4.9.2 Hypothesis Testing for Independent Variables

Table 4.32 presents results for the control variables and direct effects of independent variables. A multiple linear regression analysis was performed to regress control variables and independent variables with financial risk taking. The joint prediction of all the independent variables as shown in Table 4.32 below was statistically significant ($F = 54.660$, $p < .05$). The combined prediction accounted for approximately 52% of the total variation in financial risk taking ($R^2 = .725$, Adjusted $R^2 = .525$, change in R^2 0.514). All the control variables were insignificant. Board member's expertise had positive and significant effect on financial risk taking ($\beta =$

0.132, $p < 0.05$), Board member's motivation had positive and significant effect on financial risk taking ($\beta = 0.504$, $p < 0.05$) and Board member's diversity had positive and significant effect on financial risk taking ($\beta = 0.209$, $p < 0.05$), while Board member's independence were negative and significant associated with financial risk taking ($\beta = -0.089$, $p < 0.05$). There is increase in R square when independent variables were introduced to the model implying their importance to financial risk taking.

H₀₁ States that there is no significant effect of the board member's expertise on financial risk taking. However, the results in Table 4.32 show a positive and significant relationship between board members expertise and financial risk taking ($\beta = .132$, $p < .05$). Thus, this hypothesis was rejected. This implies that if board member's expertise is considered in board, it increases the ability of such board members to take financial risk.

H₀₂ Proposed that there is no significant effect of board member's motivation on financial risk taking. The results in Table 4.32 show positive and significant relationship with financial risk taking ($\beta = .504$, $p < .05$). This hypothesis was not upheld. This indicated that board member motivation in an important aspect in boards' decision that is if board members are highly motivated there is more financial risk taking.

H₀₃ Hypothesized that there is no significant effect of board member's diversity on financial risk taking. The findings on Table 4.32 reveals that positive significant relationship with financial risk taking ($\beta = .209$, $p < .05$). This hypothesis was rejected.

This suggest that the higher the diverse board members are, the higher they influence financial risk taking.

H₀₄ Postulated that there is no significant effect of board member's independence on financial risk taking. The results in Table 4.32 shows that a negative but significant effect to financial risk taking ($\beta = -.089, \rho < .05$). This hypothesis was rejected. This means that the more the board members are independent they influence negatively to financial risk taking decision. Therefore, an independent board member may be risk adverse and thus reluctant to take financial risk.

Table 4.32; regression results for control variables and independent variables

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	-.417	.688		-.606	.545
CEO Gender	-.064	.077	-.032	-.832	.406
Board Size	.120	.288	.091	.415	.678
CEO Tenure	-.331	.240	-.263	-1.383	.168
Firm Age	.435	.231	.280	1.881	.061
Firm Size	-.088	.179	-.088	-.494	.622
Board member's expertise	.132	.045	.125	2.909	.004
Board member's motivation	.504	.056	.504	9.050	.000
Board member's diversity	.209	.053	.209	3.969	.000
Board member's independence	-.089	.041	-.089	-2.195	.029
Model summary					
<i>R</i>	.725				
<i>R Square</i>	.525				
<i>Adjusted R²</i>	.514				
<i>Std. Error of the Estimate</i>	.697				
<i>F Change</i>	91.665				
<i>Sig. F Change</i>	.000				
a Dependent Variable: Financial risk taking					

Source: Research Data, 2022

4.9.3 Hypothesis Testing for Moderating Effect of CEO Narcissism on the Relationship between Board Characteristics and Financial Risk Taking

In Table 4.33 Model 3 indicate the regression results for control variables, independent variables and moderating variable CEO narcissism on financial risk taking. The results in Table 4.33 shows a statistically significant model ($F = 96.508$, $p < .05$). The combined prediction accounted for approximately 72% of the total variation on financial risk taking ($R^2 = .728$, Adjusted $R^2 = .721$). All control variables were insignificant. Board member's expertise was positive and insignificant, board member's motivation and board member's diversity showed a positive and significant effect on financial risk taking, while board member's independence was negative and insignificant effect on financial risk taking. CEO narcissism had a positive and significant relationship with financial risk taking ($\beta = 0.854$, $p < 0.05$).

Model 4 in Table 4.33 shows the regression results for control variables, independent variables, moderating variable and the interaction of CEO narcissism as a moderator, the results shows a statistically significant model ($F = 107.049$, $p < .05$) and the combined prediction accounted for approximately 81% of the total variation on financial risk taking ($R^2 = .899$, Adjusted $R^2 = .808$). All the control variables were insignificant while independent variables board member's expertise ($\beta = -.186$, $p < 0.05$) and board member's independence ($\beta = -1.064$, $p < 0.05$) had a negative and significant effect on financial risk taking. While board member's motivation ($\beta = .978$, $p < 0.05$) and board member's diversity ($\beta = 0.332$, $p < 0.05$) had a positive and significant effect on financial risk taking.

H0_{5a} stated that CEO Narcissism has no moderating effect on the relationship between board member's expertise and financial risk taking in private sector in Nairobi, Kenya. From Table 4.33 Model 2 Board member's expertise had a positive and significant effect on financial risk taking. Nonetheless, the results showed that CEO narcissism positively and significantly moderated the relationship between board expertise and financial risk taking ($\beta = .508$, $p < 0.05$). Thus, the hypothesis was not accepted. Thus, firms with narcissistic CEOs are likely to strengthen the board members influence on financial risk taking decisions.

H0_{5b} postulated that CEO Narcissism has no moderating effect on the relationship between board member's motivation and financial risk taking in private sector in Nairobi, Kenya. From the finding in table 4.33 the results from model 2 on direct effect of board member's motivation indicated a positive and significant effect on financial risk taking. While the interaction of CEO narcissism on board member's motivation showed a negative and significant effect on financial risk taking ($\beta = -.332$, $p < 0.05$), this implies that motivated board members with a narcissist CEO on the board affect negatively financial risk taking decisions. Narcissistic CEO demonstrate their superiority by adopting financial risk taking but motivated board members may feel reluctant due to their intrinsic value of the firm thus reducing financial risk taking. CEO narcissism has a positive association with bold visions, but his or her visions may not be aligned with boards' needs and aspirations.

H0_{5c} postulated that CEO Narcissism has no moderating effect on the relationship between board member's diversity and financial risk taking in private sector in Nairobi Kenya. The findings in Table 4.33 model 2 showed the direct effect

relationship and it indicated a positive and significant effect on financial risk taking. The moderating effect of CEO narcissism, on board member's diversity had a negative and significant effect on financial risk taking ($\beta = -.582, p < 0.05$), this implies that diverse board members with a narcissist CEO in the board negatively affect financial risk taking decision. Diverse board members have diverse ideas and a narcissist CEO cannot influence such board members hence negative associations. Narcissistic CEOs' confidence in their superior understanding of a given risk strategy can erode the interest of board members, hence negative association.

H_{05d}: Stipulated that CEO Narcissism has no moderating effect on the relationship between board member independence financial and risk taking in private sector in Nairobi Kenya. From the findings in table 4.33 shows a significant model. The findings on direct effect between board member's independence and financial risk taking was negative but significant as in Model 2. The moderating effect of CEO narcissism on board member's independence showed a positive and significant effect on financial risk taking ($\beta = .993, p < 0.05$) this can be further explains that CEO narcissism and independent board members influences financial risk taking decisions. Thus, firms with narcissist CEOs tend to have a belief that board members with close association with the management diminish the propensity to take financial risk.

Table 4. 33: Hierarchical Regression Results for CEO Narcissism

Variables	Model 1	Model 2	Model 3	Model 4
(Constant)	0.988 (0.963)	-0.417 (0.688)	-0.821 (0.522)	-0.389 (0.444)
CEO Gender	-0.229* (0.108)	-0.064 (0.077)	-0.004 (0.059)	0.018 (0.050)
Board Size	0.451 (0.403)	0.120 (0.288)	-0.242 (0.219)	0.152 (0.185)
CEO Tenure	-0.722* (0.333)	-0.331 (0.240)	-0.288 (0.182)	-0.204 (0.154)
Firm Age	0.836* (0.322)	0.435 (0.231)	0.396* (0.175)	0.210 (0.149)
Firm Size	-0.282 (0.250)	-0.088 (0.179)	-0.210 (0.135)	-0.076 (0.115)
Board member's Expertise		0.132** (0.045)	0.038 (0.035)	0.978*** (0.099)
Board member's Motivation		0.504*** (0.056)	0.279*** (0.044)	-1.064** (0.81)
Board member's Independence		-0.089* (0.041)	-0.0541*** (0.041)	-1.064*** (0.081)
Board member's Diversity		0.209*** (0.053)	0.039 (0.041)	0.332** (0.105)
CEO Narcissism			0.854*** (0.052)	-0.020 (0.184)
CEO Narcissism* Board member's Expertise				0.508*** (0.174)
CEO Narcissism* Board member's Motivation				-0.332*** (0.150)
CEO Narcissism* Board member's Diversity				-0.582** (0.196)
CEO Narcissism* Board member's Independence				0.993*** (0.183)
Model Summary				
<i>R Square</i>	0.043	0.525	0.728	0.808
		0.514	0.721	0.801
<i>Adjusted R Square</i>	0.030			
<i>R Square Change</i>	0.43	0.482	0.203	0.080
<i>F statistics</i>	3.316	44.413	96.508	107.049
<i>Sig. F Change</i>	0.1	0.000	0.000	0.000

*Significance at 10 %

** Significant at 5 %

*** Significant at 1 %

Source: Research Data, 2022

4.9.4 Hypotheses Testing for Moderating Variable CEO Polychronicity

Table 4.34 model 3 tested regression results for control variables, independent variables and CEO polychronicity and the findings showed that all control variables were insignificant while board member's expertise was insignificant, board member's motivation had a positive and significant effect on financial risk taking, board member's diversity had a positive and significant effect on financial risk taking and board member's independence had a negative but significant effect on financial risk taking. CEO polychronicity had a positive and significant effect on financial risk taking ($\beta = 0.392$, $p < 0.05$), meaning CEO polychronicity influences risk taking positively.

On Model 4 it shows the findings of all the control variables, independent variables, CEO polychronicity and the interaction of CEO polychronicity on the model as a moderator. The findings showed that the model was fit ($F = 72.848$, $p < .05$). The combined prediction accounted for approximately 75% of the total variation in financial risk taking ($R^2 = .741$, Adjusted $R^2 = .731$). All the control variables were insignificant, independent variables showed a negative but significant relationship between board member's independence on financial risk taking, while it further showed positive and significant relationship between board member's expertise, board member's motivation and board member's diversity on financial risk taking. CEO polychronicity was insignificant. On the moderation effects

H_{06a}: This hypothesis stipulated that CEO Polychronicity has no moderating effect on the relationship between board member expertise and financial risk taking in private sector in Nairobi Kenya. The findings in table 4.34 model 2 explain a positive

and significant relationship between board member's expertise and financial risk taking. On moderation effect in model 4 shows that CEO polychronicity moderates board member's expertise and financial risk taking the findings were positive and significant ($\beta = 0.695$, $p < 0.05$). This hypothesis was rejected. A CEO who is capable of multi-tasking can be in apposition to influence board members who are expert to consider financial risk taking.

H_{06b}: This hypothesis stipulated that CEO Polychronicity has no moderating effect on the relationship between board member motivation and financial risk taking in private sector in Nairobi Kenya. From the findings in table 4.34 model 2 showed that board members motivation had a positive and significant effect on financial risk taking and in model 4 the model was significant for moderation. The findings showed a negative but significant moderating effect of CEO polychronicity on the relationship between board member's motivation and financial risk taking ($\beta = -0.981$, $p < 0.05$). This hypothesis was rejected and conclude that CEO polychronicity moderates the relationship between board member's motivation and financial risk taking negatively. Motivated board members feel so secured with their decision and they also feel part of the organization and for this reason they may not like to jeopardise the firm by investing in multiple projects hence negative decision on financial risk taking. Polychronic CEO is unlikely to interpret negatively the strategic decisions that he or she was associated with because such an exercise would undermine self-esteem.

H_{06c}: The hypothesis stipulated that CEO Polychronicity has no moderating effect on the relationship between board members diversity and financial risk taking in private sector in Nairobi Kenya. In model 2 board member's diversity had a positive

and significant effect on financial risk taking. When CEO polychronicity is moderated to the relationship it changes direction and becomes negatively significant ($\beta = -0.766$, $p < 0.05$). This hypothesis was rejected and conclude that CEO polychronicity moderates negatively the relationship between board member diversity and firm financial risk taking.

H_{06a}: This hypothesis stipulated that CEO Polychronicity has no moderating effect on the relationship between board independence financial and risk taking in private sector in Nairobi Kenya. The findings in table 4.34 board member's independence in model 2 had a negative but significant effect on financial risk taking. When CEO polychronicity is introduce to the model the interaction changed from negative to positive and significant ($\beta = 0.194$, $p < 0.05$). This hypothesis was rejected and conclude that CEO Polychronicity moderates the relationship between board member's independence financial risks taking positively. Polychronic CEOs are more effective in managing multiple demands projects. Consequently, they are more likely to align with board members who are independent.

Table 4. 30: Hierarchical Regression Results for CEO Polychronicity

Variables	Model 1	Model 2	Model 3	Model 4
(Constant)	0.988 (0.963)	-0.417 (0.688)	-0.410 (0.612)	-0.196 (0.513)
CEO Gender	-.229* (0.108)	-0.064 (0.077)	-0.054 (0.069)	-0.015 (0.058)
Board Size	0.451 (0.403)	0.120 (0.288)	0.120 (0.257)	0.080 (0.215)
CEO Tenure	-0.722* (0.333)	-0.331 (0.240)	-0.264 (0.213)	-0.165 (0.179)
Firm Age	0.836* (0.322)	0.435 (0.231)	0.356* (0.206)	0.185 (0.173)
Firm Size	-0.282 (0.250)	-0.088 (0.179)	-0.121 (0.159)	-0.065 (0.133)
Board member's Expertise		0.132** (0.045)	0.049 (0.041)	-0.238*** (0.063)
Board member's Motivation		0.504*** (0.056)	0.386*** (0.051)	0.906*** (0.115)
Board member's Independence		-0.089* (0.041)	-0.158*** (0.037)	-0.513*** (0.062)
Board member's Diversity		0.209*** (0.053)	0.177*** (0.047)	0.557*** (0.112)
CEO Polychronicity			0.392*** (0.040)	0.056 (0.090)
CEO Polychronicity * Board member's Expertise				0.695*** (0.158)
CEO Polychronicity * Board member's Motivation				-0.981*** (0.217)
CEO Polychronicity * Board member's Diversity				-0.766*** (0.210)
CEO Polychronicity * Board member's Independence				0.194*** (0.044)
Model Summary				
<i>R Square</i>	0.043	0.525	0.625	0.741
<i>Adjusted R Square</i>	0.030	0.514	0.615	0.731
<i>R Square Change</i>	0.043	0.482	0.100	0.116
<i>F statistics</i>	3.316	44.413	60.091	72.848
<i>Sig. F Change</i>	0.000	0.000	0.000	0.000

*Significance at 10 %

** Significant at 5 %

*** Significant at 1 %

Source: Research Data, 2022

4.10 Moderating Effect of CEO Narcissism using Mod Graphs

Previous researchers have stated that plotting the nature of the moderator's interaction effect on a graph is the best approach to learn about it (Jose, 2008). Mod Graphs aid in the interpretation of the complicated nature of model interactions. Consequently, the findings in Table 4.33 can be displayed on Mod Graphs to provide a logical interpretation of CEO narcissism's interaction effects in the relationship between board characteristics and financial risk taking. The Mod Graphs are presented in Figures 4.4, 4.5, 4.5, and 4.7 respectively. The result was accomplished by plotting the mean and standard deviation with unstandardized main effect coefficients (board member's expertise, board member's motivation, board member's diversity, and board member's independence), moderator (CEO narcissism) and the interaction effect on the Mod-Graph. Based on the major impacts and the moderator, all were interpreted on low and high levels (Jose, 2008). Furthermore, for interaction effects to be substantial, the graphs should not be parallel but have different slopes or gradients. Figure 4.4 demonstrated that high level of CEO narcissism with high level of board expertise increases financial risk taking compared to CEOs with low narcissism and low level of board expertise, such board members and CEO reduces financial risk taking.

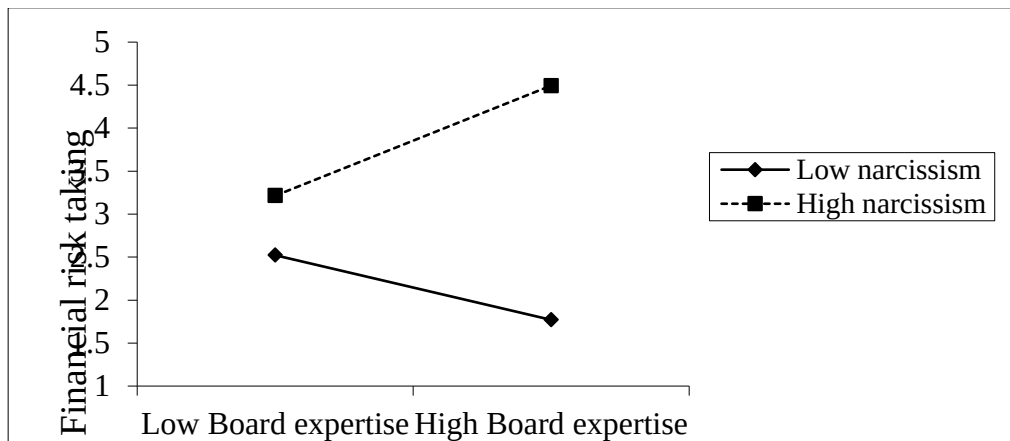


Figure 4. 4: Mod graph for the moderating effect of CEO narcissism on the relationship between board member's expertise and financial risk taking.
Source: Field Data, 2022

The graph in Figure 4.5 revealed that high level of CEO narcissism with high level of board member motivation increases financial risk taking slightly compared to the slope of low level of CEO narcissism with motivated board members. The slope shift gradually increasing financial risk taking. High level of CEO narcissism with high level of motivated board members based on the slope can be positive or negative. Thus, CEO narcissism negatively and significantly moderates the relationship between board member's motivation and financial risk taking.

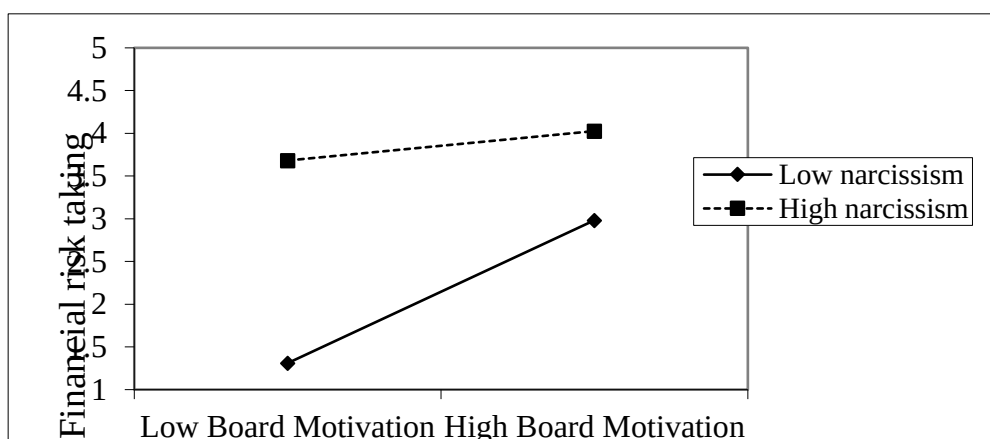


Figure 4. 5: The interaction of CEO narcissism on the relationship between board member's motivation and financial risk taking.
Source: Field Data, 2022

Figure 4.6 demonstrated that high level of CEO narcissism with high level of board diversity increases financial risk taking as shown in the gentle slope compared to the slope when CEOs has low level of narcissism with a less diverse board they tend to increase financial risk taking with a steep slope. This implied that high level CEO narcissism negatively and significantly moderates the relationship between high level of board member's diversity and financial risk taking.

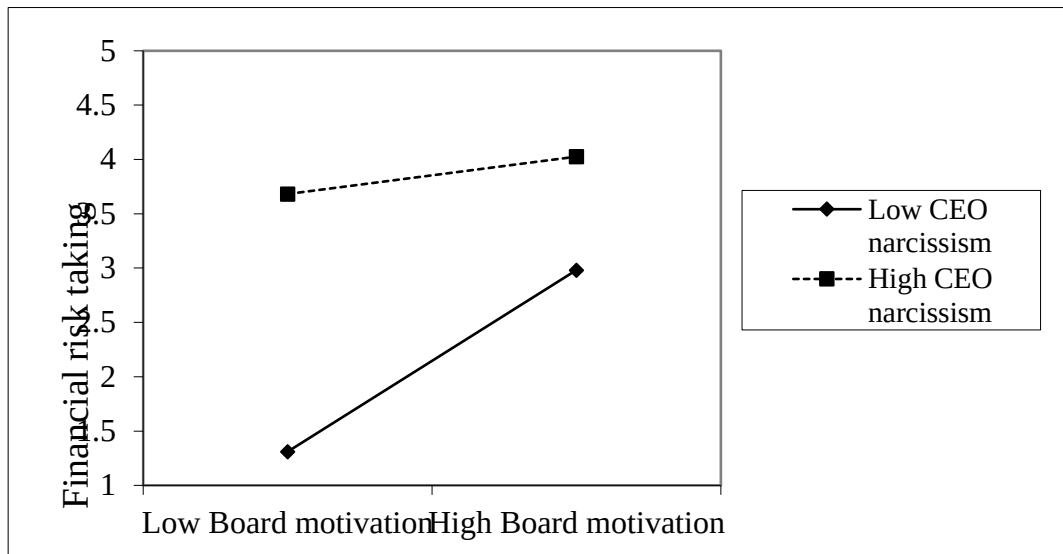


Figure 4. 6: The interaction of CEO narcissism on the relationship between board member's diversity and financial risk taking.

Source: Field Data, 2022

However, the investigation of the interaction plot in Figure 4.7 reveals increasing effect on board members' independence and CEO's narcissism, the desire to participate in financial risk-taking increases. This is depicted in the graph where the slope between high level of CEO narcissism and high level of board members' independence increases financial risk taking. In contrast low level of CEO narcissism with low level of board member's independence reduces financial risk taking.

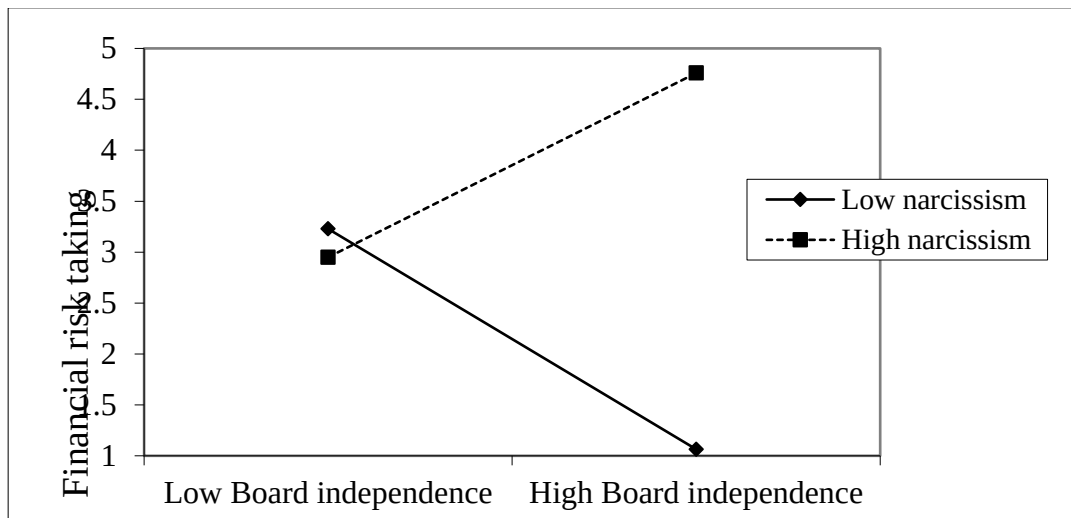


Figure 4. 7: The interaction of CEO narcissism on the relationship between board Member's independence and financial risk taking.

Source: Field Data, 2022

4.11 Moderating Effect of CEO Polychronicity using Mod Graphs

The Mod graphs shown in Figures 4.8, 4.9, 4.10, and 4.11 met the requirement that the graphs are not be parallel and have varied slopes or gradients in order for interaction effects to be meaningful. (Jose, 2008). Graphs were created to see if CEO polychronicity modifies the effect of predictor variables on financial risk taking. The interaction effect of CEO polychronicity and all the predictor variables (board member's expertise, board member's motivation, board member's diversity, and board member's independence), on financial risk taking were assessed at low and high levels. Further, the results in Table 4.34 were also confirmed by plotting them in a Mod graph.

The interaction effect in Figure 4.8 confirmed that CEOs with high polychronicity showed a steep slope between high board members expertise this increases financial

risk taking. While low levels of CEO polychronicity with low level of board expertise reduces financial risk taking. This suggests that in presence of CEOs who are able to multi-task, and the expertise of the board member, encourages firms' decision on financial risk-taking.

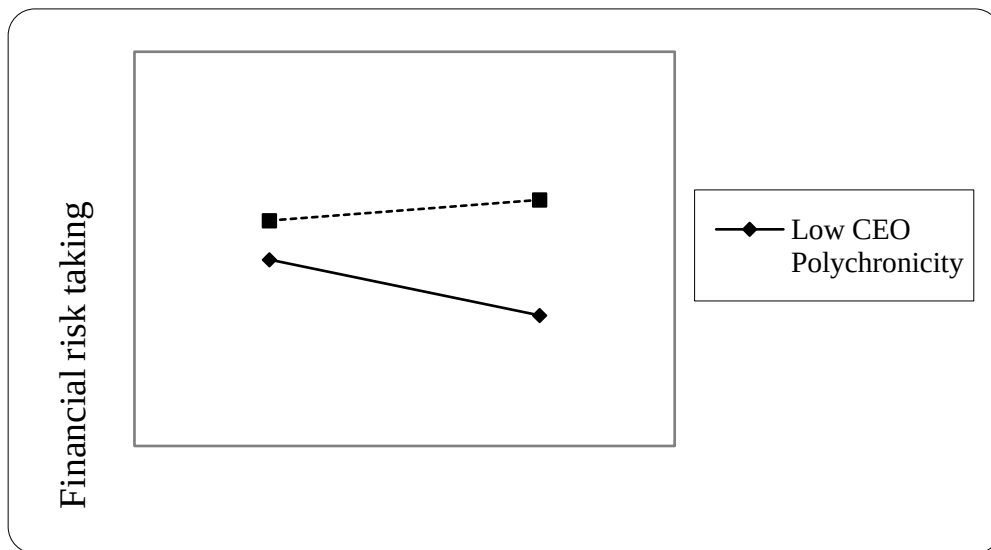


Figure 4. 8: Mod graph of the moderating effect of CEO polychronicity on the relationship between board member's expertise and financial risk taking.

Source: Field Data, 2022

The graph in Figure 4.9 revealed that high level of CEO polychronicity, with high board members motivation reduce financial risk-taking. While compared low level of CEO polychronicity with low level of board motivation increases financial risk taking, as shown by the steepness of the slope. This signified that an enhancing effect of high board members motivation and high CEO polychronicity reduces, the appetite of board members to engage in financial risk-taking.

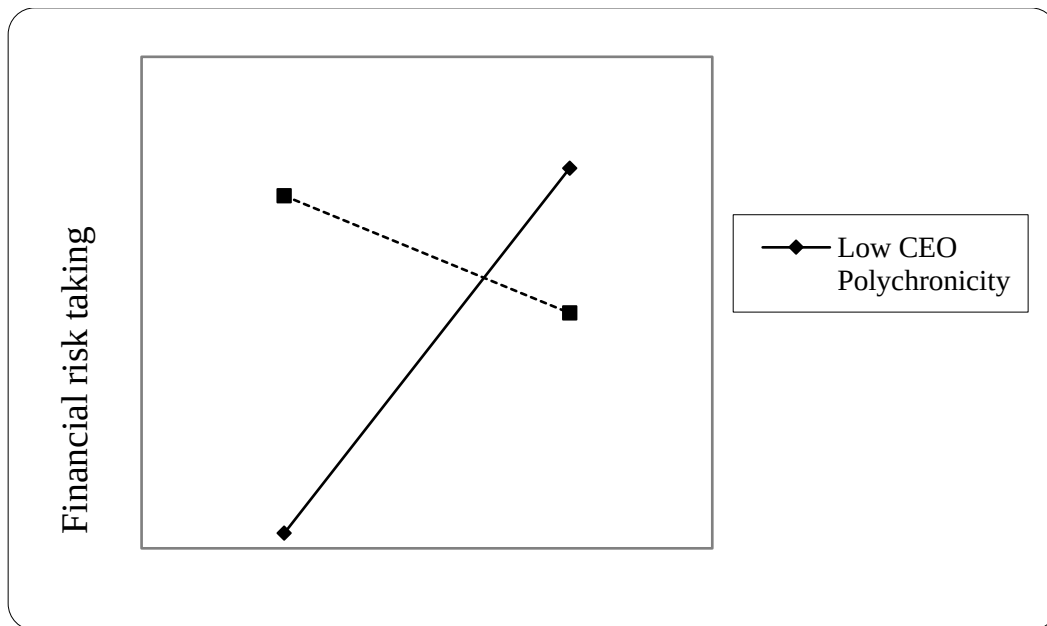


Figure 4. 9: Mod graph of the moderating effect of CEO polychronicity on the Relationship between board member's motivation and financial risk taking.

Source: Research Data. 2022

The interaction plot in Figure 4.10 displays an enhancing effect that as board member's diversity and CEO polychronicity on financial risk taking. High level of CEO polychronicity and high level of board member diversity reduces financial risk taking while low level of CEO polychronicity with low level of board member diversity increases financial risk taking. This implies that in the presence of a polychronic CEO, with diverse board members decrease their ability to focus on financial risk taking.

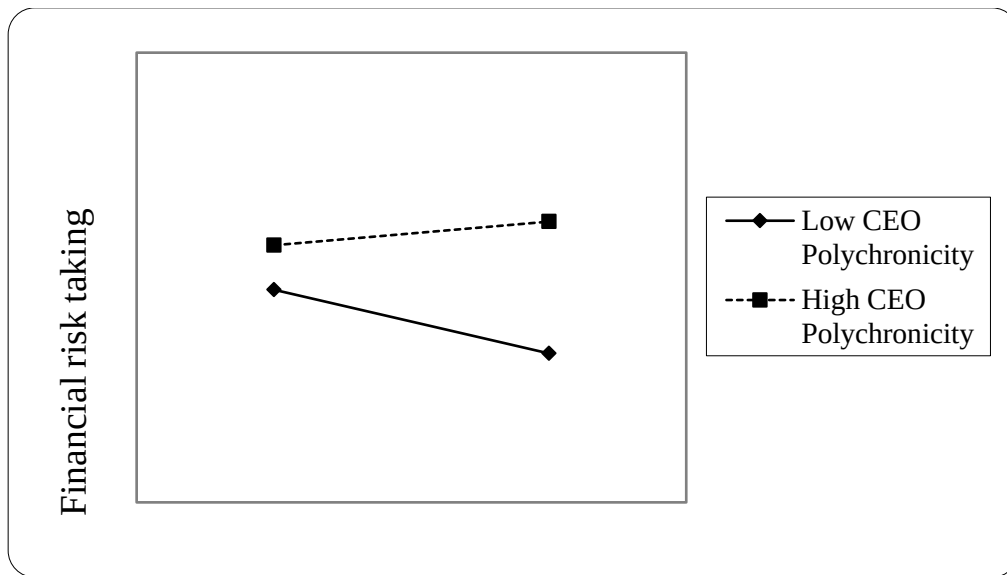


Figure 4. 10: Mod graph of the moderating effect of CEO polychronicity on the relationship between board member's diversity and financial risk taking.

Source: Research Data, 2022

However, the investigation of the interaction plot in Figure 4.11 reveals increasing effect that as the level of high CEO polychronicity and high board member's independence, the desire to participate in financial risk-taking increases. This is depicted in the graph where the slope between board member's independence and financial risk-taking is gentle under high CEO polychronicity than when CEO has low level polychronicity with low board member independence.

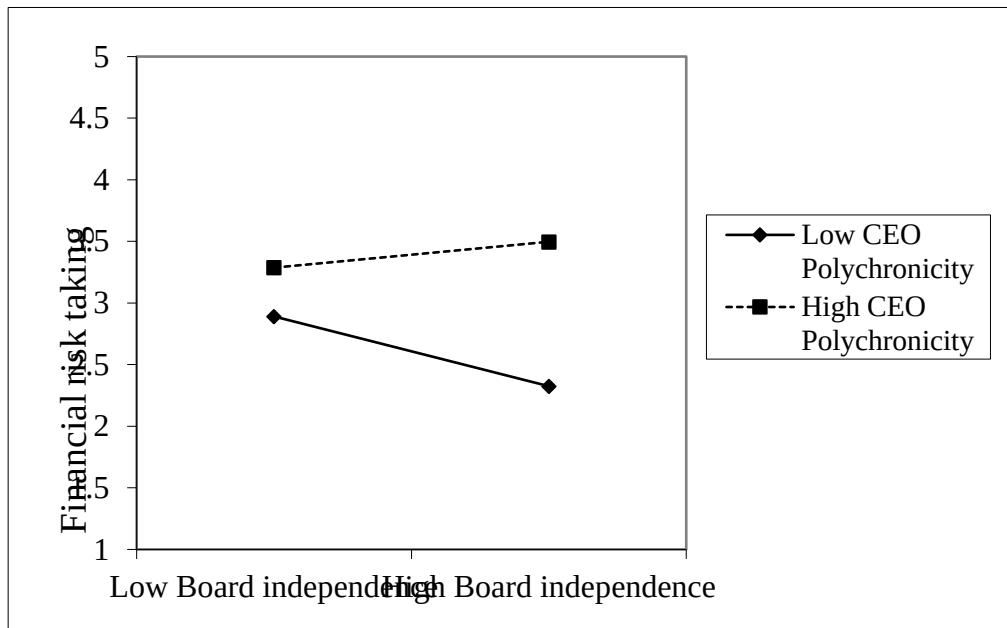


Figure 4. 11: Mod graph of the moderating effect of CEO polychronicity on the relationship between board member's independence and financial risk taking.

Source: Research Data, 2022

4.12 Summary of Hypothesized Testing Results

Table 4. 34: Summary of Hypothesized Testing Results

Hypothesis		Beta values	P values	Decision
H0₁	There is no significant effect of the board member's expertise on financial risk taking.	0.132	0.004	Reject
H0₂	There is no significant effect of the board member's motivation on financial risk taking.	0.504	0.000	Reject
H0₃	There is no significant effect of the board member's diversity on financial risk taking.	0.209	0.000	Reject
H0₄	There is no significant effect of the board member's independence on financial risk taking.	-0.089	0.029	Reject
H0_{5a}	CEO Narcissism has no moderating effect on the relationship between board member expertise and financial risk taking	0.508	0.004	Reject
H0_{5b}	CEO Narcissism has no moderating effect on the relationship between board member motivation and financial risk taking	-.332	0.000	Reject
H0_{5c}	CEO Narcissism has no moderating effect on the relationship between board member diversity and financial risk taking	-0.582	0.003	Reject
H0_{5d}	CEO Narcissism has no moderating effect on the relationship between board member independence and financial risk taking	0.993	0.000	Reject
H0_{6a}	CEO Polychronicity has no moderating effect on the relationship between board member expertise and financial risk taking	0.695	0.000	Reject
H0_{6b}	CEO Polychronicity has no moderating effect on the relationship between board member motivation and financial risk taking	-0.981	0.000	Reject
H0_{6c}	CEO Polychronicity has no moderating effect on the relationship between board member diversity and financial risk taking	-0.766	0.000	Reject
H0_{6d}	CEO Polychronicity has no moderating effect on the relationship between board member independence and financial risk taking	.194	0.000	Reject

Source: Research Data, 2022

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings and how the results relate to both the theory and empirical evidence in the existing literature. Moreover, the chapter covers the conclusion, implications and suggestions for further research.,

5.2 Summary of Findings

The purpose of the study was to examine the moderating effect of CEO narcissism and CEO Polychronicity on the relationship between board characteristics and financial risk taking. Prior to analyzing the data, the study stated that it was cleaned, outliers were examined and removed using several approaches, and missing data was also checked. Firstly, a frequency analysis was performed with minimum and maximum values. The values were cross-checked to find any unusually high or low numbers beyond the Likert scale values that could have been entered incorrectly. Donovan and Sanders (2005) define data coding as the process of transforming acquired data into categories that may be evaluated for relevant information.

The study findings reveal that the response rate was high at 92.28%. All the constructs had high reliability above 70 percent, for instance, financial risk taking had 11 items and a Cronbach alpha value of 0.896, board member's expertise had 7 items and Cronbach alpha value of 0.827, board member's motivation had 5 items and Cronbach alpha value of 0.771, board member's diversity had 5 items and Cronbach alpha value of 0.838, board member's independence had 7 items and Cronbach alpha

value of 0.790, CEO narcissism had 10 items and Cronbach alpha value of 0.960 and CEO polychronicity had 5 items and Cronbach alpha value of 0.832.

Demographic statistics concerning the respondents showed that there was 55.5% of the respondent were male being majority of the respondent. On board, most of the respondent had a board size ranging from 6 to 10 with 45.8% of the total respondents. CEO tenure, majority of respondent had been CEO for a period of between 2 to 5 years that is 47.7% of the respondent. Firm age majority of the respondent had a firm age of between 6- 10 that is 49.1%. Firm size, most of the respondent revealed that they had employees ranging between 600-900 which is equivalent to 38.5% of the respondents.

Following the end result of the factor analysis, the study diagnosed the data and confirmed that it had a normal distribution with no multi-collinearity. No heteroskedasticity and no serial correlation, model was estimated and pave way for regression analysis. From the analysis of variance, the findings showed that the model was fit for analysis. Both in direct effect and indirect effect. However, when all control variables and independent explanatory variables are combined, they explained to the extent of 52 % of the change in financial risk taking. The independent variables that is board member's expertise, board member's motivation, and board member's diversity had a positive and significant effect on financial risk taking. Board member's independence had a negative but significant effect on financial risk taking. On the interaction of CEO narcissism and CEO Polychronicity had positive/negative and significant effect on financial risk taking.

5.2.1 The Effects of Board Member's Expertise and Financial Risk Taking

The first objective of the study was to determine the effect of board member's expertise and financial risk taking. From the findings ($\beta = .132, \rho < .05$) this shows a positive and a significant effect of board member's expertise on firms to take financial risk taking. Firms with board members who are expert and knowledgeable with organization goals tend to consider financial risk taking, this findings are similar to the findings of (Manita, *et al.*, 2018; Ruigrok, *et al.*, (2006). This findings are also in line with the findings of other scholars in the sense that board members who have multiple directorships in other corporations tend to have extensive knowledge on the operations of the firm and the industry at large (Harris, 2014; Faleye *et al.*, 2014). Further this explains that the expertise of the board members increases the ability of boards' decision to take financial risk taking. Board with extensive knowledge of the firm operations have the desire to address the organizational goals and can decide on financial risk-taking decision.

Therefore, if board members have a clear comprehension of the company's activities, critical technologies and competencies, understands weak areas of the firm, know threat and entrants of new competitors, firm's products and services as well as engage in board discussions during board meetings, also presents creative and risk-taking advice, suggestions and solutions are better placed to move the firm to the next level in terms of financial risk taking. This results are consistent with the findings of Kleffner, *et al.*, 2013 the results of this study agree that wealth of expertise among members of the board on a firm and industry operations intuitively can monitor the CEOs actions in order to safeguard interests of the shareholders and other stakeholders of the firm (Useem, 1993). Basically, as a result of their extensive

knowledge on the firm and industry activities, board members can initiate and develop ideas and views (Adobor, 2004; Jaskyte, 2015; Wang, *et al.*, 2015) directed towards financial risk taking. Güner, *et al.*, (2008); De Villiers, *et al.*, (2011) and Hopkin, (2018), argue that a board with expertise on firm main operation and other expertise enable board to go for more financial risk taking decisions.

Although studies have identified board expertise as an important determinant of board performance, some surveys have indicated that the overall level of board expertise is insufficient to enable firm to take financial risk and other responsibilities (Felton and Fritz, 2005; McKinsey Quarterly, 2008). Consequently, various stakeholders are now emphasizing board processes aimed at developing and improving board expertise. They assert that in order to provide good oversight and appropriate input into strategic choices, organizations must make sure that board members have the expertise and skills required (Roy, 2008; Wheelen, *et al.*, 2017; Kakabadse, *et al.*, 2010). Ruigrok, *et al.*, (2006) shown that having diverse knowledge on the board in and of itself may not be adequate; rather, boards' diverse competence, which fluctuates between organizations and through time, must align with firm strategy in order to take risks.

With reference to board turnover, literature highlights that co-operative model characteristics increase the risk that board members become powerful and entrenched as they are insulated and protected from any kind of pressures both internal and external (Aguilera, *et al.*, 2015). The financial experts on the board have a deeper awareness of the intricacy of projects and the dangers associated with them; as a result, they may or may not avoid risks that are unsound for the firm's solvency (Adams, & Jiang, 2020; de Andres *et al.*, 2021; Apergis, 2019). Empirical findings by

Elyasiani and Zhang (2015) suggest that more financial professionals serving as outside directors likely to restrict financial institution risk exposure in relation to ratio, loans to deposits ratio, loans to assets ratio, and annual beta. According to the monitoring advantage hypothesis of financial expertise, such board members should be equipped with the expertise, motivations, and capabilities required to track regulation, and recommend managers, permitting them to mitigate disagreements of interest between inside directors and shareholders.

Scholars have referred the members of the board as capital. Greater percentage of members of the board capital brings the essential knowledge, expertise, and competence, resulting in improved board oversight and performance in service. As a result, professionals could decide to concentrate on enhancing one factor, board capital, to increase both board oversight and service that has been responsibilities, as opposed to investigating multiple unconnected triggers underlying both responsibilities. The concept of board capital establishes a collaborative examination of both of these competing responsibilities. Nevertheless, the fundamental importance of board capital talent, competencies, and expertise fails to tackle how it connects to the present contradictory demands imposed by two separate tasks board member independence and board involvement with CEO. A comprehension of the collaboration that goes above the capital of the board may give insight into resolving disagreements. Furthermore, scarce research studies have not thoroughly proven the significance of members of the board capital in governance open up scarcity for other doings (Merendino, & Melville, 2019; Sauerwald, *et al.*, 2016; Chen, *et al.*, 2016).

Consistent with resource dependence theory (RDT) propositions, the current study reveals that board members with the unique firm and industry expertise provide firms with valuable market information, and resources which in turn enhance financial risk taking (Chen, 2014). As a result, in the private sector, a boards comprised of members with specialized skills and experience adds to the firm's worth in terms of financial risk taking.

5.2.2 The Effects of Board Member's Motivation and Financial Risk Taking

The second objective of the study was to determine the effect of board member's motivation on financial risk taking. The study findings reveal that boards member's motivation was positive and significant to firm financial risk taking ($\beta = .504, p < .05$). This implies that having board members who are motivated to do a good job due to their own shareholding, also board members who are encourage to express their opinions at board meetings, enables such board to take financial risk taking. Board members who are motivated to do a good job due to formal liability by law, and feel good to do their job due to their own academic and professional standards, also feel good with their responsibilities due to their own reputation are willing to go for financial risk taking.

This finding is consistent with the findings of (Carpenter, *et al.*, 2003; right, *et al.*, 2007; Huang, & Wang, 2015; Huse, 2007; Tuwey & Tarus 2016; Zhu, *et al.*, 2016). That's having board member who are motivated on doing their responsibilities enables firms to take more financial risk. Similarly, the results from the current study also support previous scholars' propositions that board member's motivation enables board to take risk (Srivastav, & Hagendorff, 2016; Minguez-Vera & Yagüe, 2017)

found similar results on corporate governance and risk they further concluded that board member's motivation is a key factor to enhance boards' functions.

According to Neokleous (2015), board member motivation is a critical corporate governance instrument that is intended to recruit and retain board members. Following the worldwide financial crisis, the structure of board compensation as part of motivation has attracted a lot of attention. Many developing-country agencies, such as the CRD III (2010) and CRD IV (2013), have suggested guidelines to govern board member compensation in organizations, which has increased board member motivation to participate in board decisions. Furthermore, Chareonwongsak (2017) investigates the association between board motivation and cooperative outcome, the findings indicates that board member motivation includes board legitimacy and function, board size, quality of the board meeting, board members' abilities, transparency in the assessment and reward setting process, and monetary incentives, which can improve board decisions.

As a result, many scholars have been attempting to comprehend this mechanism, and board motivation is one intriguing component that should be investigated further (Vansteenkiste, & Deci, 2010; Hambrick, Werder, & Zajac, 2008; Tuwey & Tarus 2016; Huse, 2007). Notwithstanding knowing that motivational studies have been conducted, studies on board member motivation are relatively few and far between (Silva, 2005). The majority of studies on this topic does not explicitly explore board member motivation; instead, it has concentrated on motivation of board members and CEOs as a whole, with a particular emphasis on CEO motivation. The agency theory also dominates the major body of governance literature, which assumes that board

members are driven to protect the interests of the principles from greedy behavior of the CEO.

The resource dependence theory posits that the board is a provider of professional networks, contacts, knowledge, and resources to the firm (Pfeffer & Salancik, 1978). The results of this study, confirms that board member's motivation is a critical resource in which board members can be motivated to provide ideas, views, and suggestions that may support financial risk taking. Thus, it implies that board members who are motivated feel free to interact and open to divergent views from different stakeholders of the firm are likely to understand the strategies they can take to initiate financial risk taking in private sector. Although, the context in which private sector operate differ, the results of this study provide a consistent argument that board members motivation among board members enhances the flow of ideas and suggestions through their interlocks thus influencing financial risk taking in private sector. Therefore, there is sufficient empirical evidence that board member's motivation is highly associated with financial risk taking in private sector in Kenya.

5.2.3 The Effects of Board Member's Diversity and Financial Risk Taking

The third objective of the study was to determine the effects of board members diversity on financial risk taking. The findings on Board member's diversity and financial risk taking had positive and significant results ($\beta = .209, p < .05$). This further explains that increase in board member's diversity increases the decision of the board to take more financial risk taking. The study results are consistent with the suggestions made by Bhagat, *et al.*, (2015) that there is a positive association between board diversity and risk taking. Post & Byron (2015) supports this statement that the

presence of diverse board encourages investors especially the gender diverse board, since most of diverse board members have diverse characteristics like education, gender, ideas, knowledge, and nationality this enables them to focus on the growth and expansion of the firm, so they engage in risky decision to enable progress of the firm.

Extant studies have acknowledged board member diversity especially gender diversity among board members to encourage diverse information and gender-based rule to be invaded in the board, this is to develop and integrate board member's with knowledge as well as to coordinate their competences towards their decisions (Menicucci, & Paolucci, 2021). Therefore, the results of the current study are consistent with this argument since among the other predictor variables board member diversity was found to have predictive effect on financial risk taking. This further explains that board member's diversity is a key figure in the governance of private sector in Kenya. Thus, board member's diversity influences financial risk taking (Nielsen, & Huse, 2010).

The study results agrees with the suggestions of Manita, *et al.*, (2018) who argued that board diversity increases the ability of the board to take risky financial decisions. Today, almost every organization in the U.S promotes diversity. Private, government, and educational institutions all strive to achieve diversity in their workforces, management teams, representatives, educators, and student bodies. However, there is ample research suggesting that diversity has both costs and benefits. The findings for the role of diversity in corporate boards, has become an area in which many countries have recently introduced mandated minimum levels of diversity. A social

segmentation technique of grouping board members on the basis of employment-related traits might assist to identify expertise and expertise across the board members and facilitate the application of a diverse pool of intellectual assets in carrying out the board's supervisory functions (Sun, *et al.*, 2022).

varied board, in accordance to agency theory, can improve management oversight since heterogeneous boards include directors from various backgrounds (Poletti & Brian 2019; Abdullah, *et al.*, 2016). Consequently, organizations with diverse boards' members distribute more knowledge, potentially reducing disparities in information and agency costs while simultaneously increasing credibility. Form resource dependency theory, board members are full of resources that can enhance firms ability to take risk (Minguez-Vera & Yagüe, 2017; Martínez-Ferrero, *et al.*, 2016). Women are less risk-taking than men, owing to studies in both psychology and economics literatures. According to a meta-analysis of 150 studies on risk taking, men are more likely than women to engage in dangerous experiments, cognitive risk taking, and gambling (Sila *et al.*, 2016).

Studies on members of the board has explored board structure, size, including the participation of independent board members on company boards (Harjoto, *et al.*, 2018), and concluded that independent board members improves the monitoring responsibilities. Nevertheless, an essential but often neglected component influencing a board's capacity to fulfill its oversight and advisory functions includes director heterogeneity (also known as diversity). Recently, regulators and investors globally have demanded a board with a broader membership.

On the contrary the same direction, is absolutely possible that board member's diversity might intensify disagreements and destabilize the board's members decision-making procedures, rendering compromise harder and the resulting conclusions more unpredictable (Krause *et al.*, 2024). The alternate approach argues that board member's diversity contributes to greater, not reduced, company risk and performance variability. Though research in both psychology and economics show that women have a lower risk appetite than males, it continues to be debatable whether or not increasing female board members involvement signifies that companies take less risk (Nelson, 2015; Mata, *et al.*, 2018; Fisher, & Yao, 2017; Montford & Goldsmith, 2016). If corporations with more female members' board undertake less risky strategy and choices regarding investments, they could eventually grow disadvantaged in their industry. Furthermore, boards' members today have higher responsibilities for their role in risk monitoring. Board gender diversity could additionally be vital for successful risk monitoring.

Similarly, resource dependence theory confirms that the board diversity creates an enabling environment whereby board members openly interact and use their knowledge and skills to come up with new ideas (Abdullah, *et al.*, 2016; Triana, 2014). Moreover, with diverse boards are prone to take on financial risk. Board member's diversity have significant effect on financial risk taking among private sector firms in Kenya.

5.2.4 The Effects of Board Member's independence and Financial Risk Taking

From the findings board member's independence on financial risk-taking shows a negative significant effect that is the higher board members are independent affects

negatively the board decision to take financial risk taking ($\beta = -.089, \rho < .05$). Increase in independence among the board members reduces their decision to take financial risk taking. The relevance is that board members in private sector firms have close family, friendship or business ties with the board members, they are also connected with persons or firms with huge interests in the firm as well as closely associated to each other through common memberships on other boards. This denotes that a compromised level of board independence increases the chances of a conflict of interests thus reducing the likelihood of financial risk taking in private sector. However, in line with prior studies, a board with independent directors brings a neutral view and objectivity to the boardroom that is in line with shareholder-wealth maximization (Iren & Tee, 2018; Fama & Jensen, 1983).

Therefore, for any board to be involved in strategic initiatives of the firm such as financial risk taking, it has to be independent so as to monitor and advice the CEOs objectively (Field *et al.*, 2013) as well as mitigate the conflict that may arise between CEOs and shareholders (Lu & Wang, 2018). Extant studies have acknowledged the inherent contribution that independence of the board has on risk management. Arguably, outside directors are deemed to be independent and are providers of resources (Carpenter, *et al.*, 2003; Tuggle, *et al.*, 2010). To corroborate this argument Huybrechts, *et al.*, (2013) postulated that a board with members who are not independent increases the conflict of interest affecting board decision.

CEOs' approaches to management account for a significant portion of the heterogeneity in company capital framework, investment, reimbursement, risk taking and transparency regulations (Bamber, *et al.*, (2010), Graham, Li, and Qiu

(2012); Bernile, *et al.*, (2017)). Furthermore, the supporting documentation indicate that a minimal portion of the variability in CEOs' managerial styles reflected differences among their personal lives and professional circumstances (Gupta, *et al.*, (2019); Benmelech and Frydman (2014)). The underlying theme running across this field of studies is the presence of a repetitive connection among intervention and impact. Current scholarship shows that being privy to a certain the macroeconomic situation, personal and career-related incident may have a one-way influence on the CEO's financial risk-taking and, consequently business strategy.

Members of the board, are considered a vital part of a company's corporate governance framework, fulfills the twin responsibility of overseeing and counseling chief executive officer. (Harris and Raviv 2008; Tricker, 2015; Larcker, & Tayan, 2020; Das, 2022). While members of the board are capable of contributing to the advising execution, the oversight responsibility mainly falls on independent members of the board. Somewhat unexpectedly, amid major corporate scandals in the early 2000s, corporate governance initiatives and legislation focused heavily on enhancing board member independence. The foundation of the academic research on boards of directors emphasizes members' independence and its influence on company efficiency and decision-making processes. Though independence of board members influences boards' surveillance motive and is an essential prerequisite for boards' successful supervision of chief executive officer, whatever is equally crucial depends on if independent board members have the capacity to undertake their oversight role. However, analysis on the subject of members of the board competency has been sparse, with the only noteworthy exceptions being publications that examine the effects of independent board members possessing accounting and financial skills

(Abbott, & Snidal, 2021; Calk, *et al.*, 2016). The general public's awareness of the subject increased following the recent financial crisis worldwide, as either policymakers or academics doubted whether and to what extent the credentials of independent board members have been accountable for the poor performance of the corporate governance systems in a number of financial companies. The amount of time that independent members of the board possess previous work experience in the firm's business influences the efficiency of board oversight.

The appointment of independent board members on corporate boards, according to the existing research, is an affirmative vote for board independence (Mallin, 2015). Similarly, Jensen and Meckling (1976) stipulated that enhancing the number of independent board members can aid in managing and minimization of agency conflicts. Independent board members are seen to be efficient at oversight and risk taking procedures since they are independent from senior executives and would be passionate about protecting their reputation in risk taking (Fama, 1980). Independent board members, in accordance with their reputation hypothesis, would stimulate investing in less risky ventures that would assist corporations avoid losses and so safeguard their firm's images (Pathan, 2009; Johnson, *et al.*, 1993). Because they are independent of management and would be interested in safeguarding their own reputation in risk taking, independent board members considered to be effective in monitoring and risk taking methods (Fama, 1980). In accordance to the reputation hypothesis, independent members of the board would encourage investments in less hazardous projects that would assist corporations avoid losses and so safeguard their firm's image (Akbar *et al.*, 2017).

Although the board independence has broadly been interrogated in literature, potential effects on risk taking have received mixed reactions from diverse scholars. Generally, the monitoring role of the independent board of directors tends to curtail the efforts of financial risk taking than their advising function. For instance, the results of this study are consistent with Faleye *et al.*, (2011) findings that the existence of independent directors on the boards leads to fewer patents. Moreover, independent members of board monitor managerial decisions, thus they are more likely to constrain R&D cuts (Minton, *et al.*, 2011). In the same way, the results of this study are consistent with Minton, *et al.*, (2014) point of view that independent boards of directors have inadequate firm-specific knowledge, which reduces their ability to offer advice to the executives based on quality market information and trends thus hindering financial risk taking. Further, in contrast, Ozdemir, *et al.*, (2021) and Ramly, & Ramli, (2022) Showed that an independent board of directors have negative association with risk taking.

The arguments of the current are in consensus with resource dependence theory propositions that beside board's ability to monitor the CEOs on company affairs, outside independent directors are providers of critical market information and resources to the firm (Chen, *et al.*, 2016). Further, from resource dependence perspective, outside members of the boards act as a conduit of communication between the firm and its external environment (Pfeffer and Salancik 1978) in addition to being able to gain the assistance and commitment of other institutions and partners on whom the firm relies for its operation (Hillman *et al.*, 2000). Moreover, to corroborate this argument, outside board of directors may influence financial risk-taking activity by their involvement in setting the strategic direction of the firm, while

inside board may not consider financial risk taking (Johnson, *et al.*, 1993). Therefore, the study postulates that lack of independence of the board members reduces board's decision on financial risk taking.

5.2.5 The Moderating Effect of CEO Narcissism on the Relationship between Board Characteristics and Financial Risk Taking.

The study hypothesized that CEO narcissism does not moderate the relationship between board member expertise and financial risk taking. However, the results showed that CEO narcissism moderates positively and significantly the relationship between board member expertise and financial risk taking ($\beta = 0.505$, $\rho < 0.05$). Besides, the higher CEO narcissism is, it strengthens the effect board members' expertise on financial risk taking than when CEO narcissism is at low level. This means that narcissistic CEOs are more likely to take bold actions that may encourage board members who are experts, knowledgeable and experience to make financial risk taking decisions. This is consistent with the previous findings which alludes that a narcissist CEO tend to focus on bold actions that has the impact to trigger board members with expertise and experience to engage in risky financial decisions (Buyl *et al.*, 2019; Agnihotri & Bhattacharya, 2021).

The interaction of CEO narcissism on the relationship between board member's motivation and financial risk taking showed a negative and significant results ($\beta = -0.332$, $\rho < .05$). Similarly, when CEO is narcissist and the board members are motivated, theirs is gentle slope downward on the graph as board member's motivation increases. This implies that a narcissist CEO have significantly stronger tendencies of taking risk due to their superiority. Given that a narcissistic CEOs are

“all knowing” personality, have an inflated view of their own competence and intelligence, and may consider others incompetent and are willing to dismiss their opinions (O’Reilly & Hall, 2021; Kausel *et al.*, 2015). Owing to these characteristics, it means that narcissistic CEOs have tendencies to ignore expert advices from motivated board members thus weakening their ability to engage in risky initiatives. This is consistent with the findings of (Tang, *et al.*, 2015) that having a motivated board member tend to consider the shareholders interest and focuses on less risk to maintain firms’ share value. The narcissist CEO on the other hand have a tendency to overrate their influence on risk taking, however, board members who are knowledgeable are likely to be skeptical about the viability of financial risk taking. Also narcissistic CEO pursue strategies and policies that in their opinion will attract board’s attention and admiration and showcase their sense of vision and leadership of which board members may feel biased (Kausel *et al.*, 2015).

The third variable was the effects of board member’s diversity on financial risk taking. The findings from the direct relationship showed positive and significant results on financial risk taking. This is consistent with the findings of other scholars (Manita *et al.*, 2018). When CEO narcissism was introduced to the model it shows a negative and significant results on financial risk taking ($\beta = -0.582, \rho < 0.05$). Diverse board members have diverse backgrounds in relation to their education and firm’s operation, hence they cannot jeopardize firms operation to a narcissist CEO. Similarly, the mod-graph were used to explain high/low level of CEO narcissism and when there is high level of CEO narcissism, it reduces financial risk taking as board diversity increases. This results are consistent with the findings of (Ljungqvist & Raff, 2023; Cragun, 2020; Yahya, *et al.*, 2022; Martínez-Ferrero, *et al.*, 2023;

Teodósio, *et al.*, 2021; Agnihotri, & Bhattacharya, 2021). Even though CEO with high level of narcissism care about the future of the firm and his/her reputation (myopic management), arrogant, self-serving, power-oriented, and lacking in empathy may differ with diverse board in decision regarding financial risk taking. Therefore, being boastful and self-centered, narcissistic CEOs may lack the ability to establish long-term effective relationships with other organization board members reducing financial risk taking. The upper echelons theorists argued that narcissistic CEOs have a tendency to dismiss the immense diverse contributions from a diverse board in terms of opinions, views and insights hence weakening the effect of diverse board members on financial risk taking in the firms they lead (Yahya, *et al.*, 2022; Martínez-Ferrero, *et al.*, 2023).

On the contrary the same direction, is absolutely possible that board member's diversity might intensify disagreements and destabilize the board's members decision-making procedures, rendering compromise harder and the resulting conclusions more unpredictable (Krause *et al.*, 2024). The alternate approach argues that board member's diversity contributes to greater, not reduced, company risk and performance variability. Though research in both psychology and economics show that women have a lower risk appetite than males, it continues to be debatable whether or not increasing female board members involvement signifies that companies take less risk (Nelson, 2015; Mata, *et al.*, 2018; Fisher, & Yao, 2017; Montford & Goldsmith, 2016). If corporations with more female members' board undertake less risky strategy and choices regarding investments, they could eventually grow disadvantaged in their industry. Furthermore, boards' members today have

higher responsibilities for their role in risk monitoring. Board gender diversity could additionally be vital for successful risk monitoring.

The fourth variable was the effect of board member's independence on financial risk taking, the findings had a negative and significant effect on financial risk taking, indicating the higher the independence of the board the lesser they tend to consider financial risk. The interaction of CEO narcissism on the relationship between board member's independence and financial risk taking showed a positive and significant effect on financial risk taking ($\beta = 0.993$, $p < .05$). Financial risk-taking increases when board members are independent and when the CEO is a narcissist, and financial risk taking decreases when board members are not independence with on narcissist CEO. This implies that the higher the narcissist CEO is on the board with independent board members increases the board's ability to take decision regarding financial risk taking of any firm. Narcissistic CEOs are more likely to appoint new board members with similar narcissistic characteristics or have experience with other narcissistic CEOs who can support their decisions regarding financial risks. Narcissistic CEOs owing to their persuasive and domineering attitude are more likely to influence independent board members to take to take financial risks (Langabeer and DellFraine, 2011). This is consistent with the findings of (Zhu & Chen, 2014; Srivastav, & Hagendorff, 2016; Bachrach, *et al.*, 2022; Chen, *et al.*, 2021; Zhu, & Chen, 2015; Terjesen, *et al.*, 2016). Having and independent board members with a narcissist CEO increases the potential ability of the board members to take financial risk taking.

As demonstrated from the findings and previous scholar's findings and conclusion, numerous variables influence how members of the boards interact with chief

executive officers. Studies on chief executive officers and members of the board interactions identifies such relationships using a range of terms, which involves CEO authority, oversight, engagement, and alertness, among others. As a result, the structure and emphasis for research differ significantly in accordance with the theoretical framework that is used. As an example, research scholars that utilize resource dependence theory stress the relationship between the members of the board and the chief executive officer, concentrating on the knowledge as well as resources that the members of the board provides. Within the contrary, studies anchored in agency theory portray the association involving members of the board and the chief executive officer in an increasingly combative approach. Institutional theory provides alternative approach: instead of concentrating on outcomes related to performance, that it seeks to clarify how diverse influences determine decisions rendered by the members of the board and chief executive officers. Consequently, these concepts provide distinct and frequently opposing justifications for relationships between chief executive officers and members of the board.

5.2.6 The Moderating Effect of CEO Polychronicity on the Relationship between Board Characteristics and Financial Risk Taking

In model 3 regression was done to check the effect of CEO polychronicity on financial risk taking and from the finding it explain that CEO polychronicity had an effect on financial risk taking the results were positive and significant effect ($\beta = .392$, $\rho < .05$). The direct effect on the relationship between board member's expertise and financial risk taking was positive and significant. Hypothesis 6 was to establish the moderating effect of CEO polychronicity on board member's expertise and financial risk taking. The interaction of CEO polychronicity on the relationship showed a

positive and significant results on financial risk taking ($\beta = 0.695, \rho < .05$). Financial risk taking increases with board member's expertise when CEO polychronicity is high than when it is at low levels. This means that having a CEO who can multi-task in an organization with board members who are expert and knowledgeable enables board members to take financial risk taking.

Time-related qualities and talents are crucial in the present-day business environment (Franczak, *et al.*, 2024). When businesses grow more intricate, it will be anticipated for them to adopt an approach that prioritizes juggling to manage the rapid shifts as well as requirements imposed by their external surroundings (Fletcher, *et al.*, 2021). Presented by pressures amid complicated and unpredictable settings, private firms CEOs must remain diligent in delegating their personal time in order to execute effectively their roles. Nevertheless, little has been established concerning the way time-related ideas, including polychronicity, influence the success of private firms (Shah, 2022).

Chief executive officer and members of the board association is troublesome. In order to establish a productive collaboration via the chief executive officer that optimizes investor value instead of simply minimizing agency expenses, the members of the board need to comprehend the growth of the chief executive officer authority and responsibility, since both parties impact the chief executive's intentions and conduct. In contrast, current literature has established a component of CEO power besides to management competence, Chief executive officers obtain influence from an array of elements (Sariol, & Abebe, 2017; Pettigrew, & McNulty, 2019; Gupta *et al.*, 2019). Examples of this elements of power include possessing personal prestige and status in

the society, holding shares, sitting as a board chairman/chairlady, controlling board members selection, and participating in acceptance and persuasive actions towards the members of the board (Ingersoll, *et al.*, 2019; Amedu, & Dulewicz, 2018; Shemesh, 2017; Flickinger, *et al.*, 2016). The chief executive officer influence tends to evolve and grow as time passes, irrespective of its precise provenance. Despite the tenure of a chief executive officers has been employed as an indication of chief executive authority in a variety of research studies, this field of study still does not sufficiently represent the transformation of the chief executive officer dominance in the process of analysis, particularly in terms of how it relates with the chief executive officer advancement in leadership.

Polychronicity and decentralized decision-making, both of which entail daily actions throughout an organization, both constitute essential factors for determining corporate performance. Polychronicity negatively impacts enterprises via presumed making decisions decentralization. The reason for this is due to the fact that when new enterprises use a decentralized making decisions framework, CEOs are more inclined to participate in making choices and that benefit due to their polychronic orientation, which boosts their capacity to oversee numerous tasks concurrently. A polychronic immediate perspective may improve CEOs' capacity to juggle several concurrent pressures when working in a workplace with a decentralized leadership structure, hence increasing their influence. Gaining a more thorough comprehension of the precursors of CEOs is likely to help project management groups grow more effective and equipped to confront complicated issues, persevere despite a multitude of challenges, eliminate confusion, disorientation, and delay, and, as a consequence,

increase entire business performance (McGee and Peterson, 2019; Agnihotri, & Bhattacharya, 2022; Lin, *et al.*, 2022).

This means that a CEO with a high polychronicity enhances the predictive strength of the board member's expertise on financial risk taking. In line with previous studies of (Ali *et al.*, 2019; Chen, 2020; Agnihotri, & Bhattacharya, 2022), thus with this kind of attributes they collaborate with board members whose expertise and knowledge may be useful in supporting financial risk taking. Drawing from stewardship theory, CEOs with an attitude of polychronicity enhance the board's vitality by allowing board members to provide leadership and advise them on financial risk taking, this increases financial risk taking.

The second variable was to determine the effect of board member's motivation on financial risk taking the results were positive and significant to financial risk taking. On the interaction of CEO Polychronicity on the relationship between board member's motivation and financial risk taking, the findings showed a negative and significant effect on financial risk taking ($\beta = -0.981$, $p < .05$). When the level of board member's motivation increases, the rate of financial risk taking decreases at an increasing rate when a CEO is seen as a highly polychronic than when seen as less polychronic. This implies that the presence of a polychronic CEO with motivated board members reduces the ability of a firm to consider financial risk. Working on multiple projects concurrently and switching away from an unfinished project and nonperforming projects can have negative consequences, such as attentional fragmentation and a superficial rather than a deep evaluation of issues, which reduces

the motivation of motivated board members to take financial risk (Chen 2022; Tang, *et al.*, 2020).

The third variable for the study was the direct effect of board member's diversity and financial risk taking the findings were positive and significant to financial risk taking. The interaction effect of CEO polychronicity on the relationship between board member's diversity and financial risk taking showed a negative and significant effect on financial risk taking ($\beta = -0.766, p < .05$). Financial risk-taking decreases with the rising level of diversity among board members more so when CEO polychronicity is high than when it is low. This means that with diverse board, and CEO polychronicity can reduce the decision to consider financial risk taking. Diverse board are associated with diverse ideas, expertise and experience and may disagree with the ideas of a polychronic CEOs. Scholars have also demonstrated that polychronic CEOs are creative and capable of gathering detailed and useful information that may support the uptake of risky ventures (Agnihotri & Bhattacharya, 2022); however, consumption of such information in the board may not be achieved due to a potential lack of consensus arising as a result of distinct personalities and varied viewpoints by diverse board members, reducing their ability to engage in financial risk taking (Muhammad & Migliori, 2023). This findings are consistent with the findings of (Bernile, *et al.*, 2018; Cucari *et al.*, 2018 Gulamhussen, & Santa, 2015; Muhammad, & Migliori, 2023).

The fourth variable was the direct effect of board member's independence and financial risk taking the findings were negative and significant to financial risk taking. The introduction of the interaction variable of CEO polychronicity on the relationship

between board member's independence and financial risk taking showed a positive and significant effect on financial risk taking ($\beta = 0.194, \rho < .05$). Financial risk taking increases with the rising level of independence among board members more so when CEO polychronicity is high than when it is low. This means that the CEO who is polychronic do enables board members who are independent to consider financial risk taking. In other words, CEO polychronicity strengthens the virtue of the board independence to consider financial risk taking. This is attributed to the idea that polychronic CEOs are willing to juggle several projects at ago. As such, board independence involvement in financial risk taking of the firm enhance provision strategic guidance and advice that supports financial risk taking. This finding are consistent with the findings of (Sila, *et al.*, 2016; Faccio, *et al.*, 2016; Chen, *et al.*, 2016; Chen, & Ebrahim, 2018).

According to recent research, CEO polychronicity may influence risk taking only under certain contingency scenarios (Chen, 2020). The findings corroborate this research stream as findings further shows a moderating effect of CEO polychronicity on financial risk taking in private firms in Kenya. The findings provide preliminary evidence to the assertion that polychronic CEOs are an important facilitator of financial risk taking to be able to juggle with various project at ago to enhance decisions making.

5.3 Conclusion of the Study

The purpose of this study was to examine the moderating effect of CEO narcissism and CEO polychronicity on the relationship between board members characteristics and financial risk taking in private sector in Kenya. Although various studies have

studied the relationship between boards characteristics and risk taking, to the best knowledge of the researcher, there is dearth of empirical evidence on the relationship between corporate boards through their characteristics remains unclear (Rachdi, & Ameer, 2011; Berger, *et al.*, 2014; AlAbbad, *et al.*, 2019; Younas, *et al.*, 2019). Hence, the need to study the extent to which board member's characteristics enables decision regarding financial risk taking in private firms in Kenya.

Recognizing the drivers of financial risk taking as a fundamental to finance and accounting research. A particular indicator that has gotten considerable interest is the demographics of the members of the board and CEOs attributes (Shemesh, 2017; Farag, & Mallin, 2018); Osei Bonsu, *et al.*, 2024; Malik *et al.*, 2020). Based on the agency theory, chief executive officers are motivated by their own interests, cautious about risk, and have personal interests that differ from the interests of investors. Consequently, chief executive officers are going to indulge in egoistic acts at the detriment of investors if given a chance (Kolev *et al.*, 2017; Bosse, & Phillips, (2016). Members of the boards comprised of independent members are supposed to aid and safeguard investors against CEOs' self-interested conduct through oversight of chief executive officers as well as providing opportunities to behave in the best interests of shareholders (Fama and Jensen, 1983). As a result, companies employing a higher proportion of independent board members are expected to perform better.

The research concludes that board member's expertise contributes to financial risk taking. Board members with expertise provides expertise on the best decision to be undertaken since they have superior knowledge about opportunities and constraints related to risk taking financial activities. In essence, expert board members can adjust

effectively to dynamic market trends by frequently trying out new ideas, pursuing creative approaches to the operations, regularly seeking out ways of carrying out and delivering financial. Therefore, a knowledgeable board with regard to the firm and industry dynamics are able to decipher firm's operation that will lead to financial risk taking.

The study further concludes that board member's motivation enables board members to take financial risk. Enabling board members to express their opinions, selecting board members who are qualified academically and understand their responsibility as board members are motivated to take financial risk. Motivated board member tend to believe in the growth of the firm hence they will consider more financial risk and other risk decisions to enhance the overall firm performance.

The study provide evidence that board member diversity influences the board member to take financial risk. Studies on diverse board have shown inconsistent results when it comes to risk. Gender diverse board have been found to have negative impact on risk taking so as to age, this variables were controlled in the study, and the findings of this study are consistent with the findings of other scholars' regarding diverse board members influencing the decision by the board diverse board members have diverse expertise and diverse experience to choose what is best for the firm. Financial risk taking is a core decision of board members, from the findings diverse board are enablers of firms' financial risk taking.

The study also infers that board member's independence influences negatively financial risk taking. Board independence allow board members give advice to the

CEOs and serve as link between the firm and its environment to secure critical resources. Basically, independence enables the board to make decisions objectively and perceive the firm from the family point of view where they can help nurture, care for and develop capable man power to execute firm affairs effectively. Indeed, board members who are independent tend to be conscious on financial risk taking.

The moderated regression results provide evidence that CEO narcissism increases financial risk taking and moderates the independent variables. Moreover, the findings infer that the strength of the board member's expertise enables board members to have the ability to take financial risk. This means that CEO with a high narcissism enhances the predictive strength of the board member's expertise on financial risk taking. In essence, narcissist CEOs have the appetite for greater achievements, hence, with the risk-taking attitude, such CEOs may convince, inspire as well as incorporate private ideas, views, and suggestions of the board members, thus strengthening the influence of board expertise on financial risk taking. Hence, high CEO narcissism encourages expert board members towards financial risk taking.

Moderating regression results for CEO narcissism on the relationship between board member's motivation and financial risk taking was negative but significant. Narcissism CEOs believe in their experienced superiority bold ideas that can significantly influence board decisions. Motivated board members on the other hand may feel part of the firms and may disagree with such narcissist CEO. Narcissists CEOs believe they should dominate and control decision making; because they believe their knowledge and experience are superior to others, it follows that their decisions should, thus, lead to the best outcomes. At the same time, narcissists have a

lower need for intimacy, are less empathetic, and have less gratitude for the board which makes it easier to be comfortable exploiting and dominating board members. Given that narcissistic CEOs are “all knowing” personality, have an inflated view of their own competence and intelligence, and may consider others incompetent and are willing, motivated board members will dismiss such opinions thus reducing financial risk taking.

On the contrary, CEO narcissism reduces board member's diversity influence on financial risk taking. It means that, as the level of diversity among board members increases, the rate of financial risk taking is also reduced when CEO narcissism is high or low. The reduction of financial risk taking is more enhanced when the CEO is highly narcissistic than when the CEO is non narcissist. The upper echelons theorists argued that narcissistic CEOs have a tendency to dismiss the immense diverse contributions from a diverse board in terms of opinions, views and insights hence weakening the effect of diverse board members on financial risk taking in the firms they lead.

The findings on board member's independence on financial risk taking reveal negative and significant effect on financial risk taking. When CEO narcissism is introduced to the relationship, it becomes positive and significant. In this regard, as the level of independence increases among the board members, the rate of financial risk taking also increases when both CEO narcissism is high or low. Narcissistic CEOs' sense of superiority and arrogance also combine with their exploitativeness and entitlement tend to influence their interactions with others. Essentially, board members who are independent intensify their monitoring and advising function in a

competitive business environments to engage in risky activities, however, since narcissistic CEOs have confidence that they can maneuver in such difficult situations, the appetite to take financial risk is greatly enhanced.

The findings also conclude that CEO polychronicity increases the effect of board member's expertise on financial risk taking. Board expertise with a CEO who is able to multi-task facilitate the decision by the board to take financial risk. Due to intense competition in the same industry narcissist CEO are forced to invest in multiple project which is in line with board expertise. In essence, polychronic CEOs have the appetite for greater achievements, hence, with the risk-taking attitude, such CEOs may convince, inspire as well as incorporate private ideas, views, and suggestions of the board members, thus strengthening the influence of board expertise on financial risk activities. Hence, high CEO polychronicity increases expertise of the board members towards financial risk taking. Board expertise is a key aspect in any board to improve decision made by board.

Also, the moderating effect of CEO polychronicity on the relationship between board member's motivation and financial risk taking, the findings showed a negative but significant relationship. Motivated board members may be reluctant to take financial risk taking since they feel they are part of the business and won't take financial risk. Further, private firms operate in a volatile business environment, it requires up to date information on the changes in the market and means to respond. Indeed, in such unstable conditions, leadership is needed to surmount the challenges that comes with uncertain changes in the market. A polychronic CEO, may lower motivated board

members' trust in both the viability and sustainability of projects in a competitive context, resulting in their unwillingness to engage in risk-taking ventures.

The moderating regression results of CEO polychronicity on the relationship between board member's diversity and financial risk taking, the findings were negative but significant. Scholars have also demonstrated that polychronic CEOs are creative and capable of gathering detailed and useful information that may support the uptake of risky projects however, consumption of such information in the board may not be achieved due to a potential lack of consensus arising as a result of distinct personalities and varied viewpoints by diverse board members, reducing their ability to engage in financial risk taking.

The findings conclude that CEO polychronicity increases the effect of board member's independence on financial risk taking. In other words, the strict monitoring role of the board members increase efforts towards financial risk taking especially with a high level of CEO polychronicity. CEOs who are polychronic are able to defend their firms in a competitive environment by initiating risk taking strategies. Independent board members are more objective and able to monitor the CEO to participate in result oriented activities such as risk taking. However, as a result of intense monitoring by the board CEOs may feel threatened and insecure in terms of their jobs, hence, hesitant to engage in risk taking activities of the firm that can yield growth and increase firm competitiveness.

5.4 Recommendations and Implication of the Study

This section covered practical, theoretical as well as policy implications together with limitations and recommendations for future research.

5.4.1 Practical Implications

The study has practical implications. First, the justification provided in this study underscores that the specific unique resources which members of the board bring into the board may be crucial in certain strategic decisions. Hence, the results shed some light on the relevance of the specific board characteristics in strategic decision-making including those related to financial risk taking. The findings of this research contribute to the intellectual discussion on whether the context in which board members operate provides a better understanding of how the board functions. Second, the results would be valuable to regulators and private sector firms in Kenya, particularly on the alignment of the board members. Thus, the study extends academic knowledge to the current debate on boards' decisions and financial risk taking. As such, there is a need for private sector to have board members who are expert, motivated, diverse and independent to be competent to decide for the future of the firm.

Further, board members should be expert, motivated, diverse and independent to make decisions on complex issues such as financial risk taking. Third, the study elaborates the CEO's role in the relationship between board characteristics and financial risk taking. The results underscore the relevance of the CEO's traits in the board decision-making process by suggesting that board members should be aware of the CEO traits. In this regard, firms need CEOs who are narcissist and polychronic to

inspires board members to engage in financial risk taking to improve on their firms' competitiveness growth and expansion. Intrinsically, board members provide strategic advice and guidance when CEOs initiate risky ideas. Thus, the results provide support to the view that the board of directors are not mere monitors but also advisors of the CEOs.

5.4.2 Theoretical Implications

The research was based on prospect theory, resource dependency theory, human social theory, and upper echelons theory. First, by introducing prospect theory this research offers important theoretical justification for the value of taking risk for the firm. The theory was formulated first by Kahneman and Tversky (1979) as an alternative method of explaining choices made by individuals under conditions of risk. According to the theory, people undervalue probable outcomes in compared to certain results. Furthermore, the theory asserts that the certainty effect causes risk-aversion in decisions involving known benefits and risk-seeking in decisions involving certain losses (O'Donoghue, *et al.*, 2018; Kahneman and Tversky 1979). Hence individuals facing a choice among different prospects disregard components that are common to all prospects under consideration. Therefore, in support of this theory, the results showed that board members and CEO are enablers of financial risk taking because they are able to undertake decision that are likely to favor the firm.

The study theory was also informed by resource dependency theory which draws its arguments from both sociology and management (Pfeffer and slancik, 1978). It states how the external resources of the firm affect the behavior of the firm. Therefore, the acquisitions of external resources are vital for strategic management of any

organization. One aspect of resource dependence theory, based on Pfeffer and Salancik (2003), is that it views board members as a provider of resources for the firms in the form of skills, network, experience, diversity independence and motivation. A board having high level of links to external environment is expected to facilitate the access to various resources for the firm (Bhatt & Bhattacharya, 2015). Therefore, in support of this theory, the results showed that board members are full of resources that can benefit a firm, the resources are in the form of expertise, motivation diversity and independence and as a results, board members are more likely to undertake strategic initiative including risk taking.

The third theory was Human Capital Theory by Coleman (1988) According to the notion, social resources can be turned into usable capital for development, which is referred to as social capital. An information channel exists in social capital, giving a foundation for two people to trust and influence each other. Information can be increased through resource conversion to enable an individual and a community to attain common goals (Hsiao *et al.*, 2016). Because an enterprise is a community of people (board members and CEO), its internal and external networks and linkages influence social capital. Hollenbeck, (2015) indicated that through relationships and interpersonal networks, social capital prompts people to create value. To establish how CEO narcissism and CEO polychronicity and their relationship with board members affects financial risk taking, the findings supports this theory by determining the extent of relationships that exist within an interpersonal network when CEO and board members uses such relationships to solve problems by influencing each other on financial risk decisions.

The fourth theory was the upper echelon's theory, the theory explains that the organization reflects its top managers. Individual top managers, according to the notion, have a significant impact on organizational outcomes through the decisions they make, which are influenced by the managers' qualities. According to Hambrick and Mason (1984), the qualities of the higher echelons, as well as their strategic choices, assist to explain an organization's performance.

Based on the assumption that senior managers' choices are impacted by their cognitive basis and their values (CEO), Hambrick and Mason (1984) developed the hypothesis that managerial traits might be used to (partially) predict organizational results. Because such psychological constructs are difficult to monitor, they proposed that top managers' demographic features can be utilized as proxies for their cognitive background and values.

Upper echelons theory has been critiqued for the "black box" effect, which occurs because there is a lack of explanation for how CEO characteristics influence firm-level outcomes (Kraft & Bausch, 2016). In this context, scholars have recently begun to explore the mediating and moderated mediating mechanism to explain the path through which CEOs' traits influences firm outcomes, such as firm innovativeness (Stock, & Xin, 2019). The study extends the upper echelon literature by investigating the underlying top echelon and financial risk taking. Within this context, the study investigates social networks' role as a moderator and contributes to the social network literature, where previous studies have received very little attention (Karami & Tang, 2019). In the private sector context, the association between CEO traits, that is the CEO polychronicity and CEO narcissism and the board members decide on financial

risk taking, thus extending implications of upper echelons theory on financial risk taking and antecedents of risk taking.

According to Hambrick and Mason (1984), the situational characteristics of the organization, such as external environment or firm characteristics, can influence both the characteristics and strategic choices of upper echelons, which are thus antecedents to managerial characteristics and/or organizational outcomes (Bromiley, *et al.*, 2016). According to upper echelons theory, CEO traits also affect organizational performance. The findings support this theory based on the upper echelons' characteristics, that is CEO traits (narcissism and polychronicity) and board personal characteristics like expertise, motivation, diverse and independence affect their decision to take financial risk.

5.4.3 Policy Implications

This research has several implications for policy; by studying board characteristics, CEO traits and financial risk taking in the private sector in Kenya, useful insights may be due to policy-makers and shareholders. Shareholders may seek to hire board members with relevant set of skills to achieve firm objectives and improve their competitiveness. The findings suggest that private firms should focus on identifying an able CEO and board members who have been endowed with unique resources such as expertise, diverse, motivated, and independence and engage other members openly so as to give risk taking decision and provide professional advice to consider financial risk taking. In addition, the results suggest that private firms should consider appointing CEOs who are narcissist and polychronic since they are known for their best performance. Financial risk taking enable firm to be firm, policy makers should

consider encouraging firm to take financial risk to remain competitive and sustain this ever changing market environment.

5.4.4 Managerial implications

The findings imply that firms' performance can be improved if CEOs have a low felt time pressure and a high capacity to synchronize their pace of activity with board members. CEOs, founders, and boards of directors of both public and private companies may benefit from this discovery by encouraging CEOs to be more narcissistic and polychronic, as well as by encouraging CEOs to pace their actions with board members who provide enriching financial risk taking. The upper echelon team, comprising the board of directors, is capable of recruiting, training, coaching, and advising CEOs. Firms can undertake narcissism and polychronicity assessments for senior executives' functioning, particularly from a private standpoint, and can provide for coaching for desired behavioral attributes. To make CEOs more polychronic, leadership development institutes might utilize a variety of interventions based on observations or interviewing techniques. Alternatively, when hiring new CEOs, corporations should ensure that the CEOs are polychronic and narcissistic to increase overall firm performance and remain innovative.

5.4.5 Limitations and Recommendations for Future Research

The research study had some shortcomings, some of which present opportunities for further research. Firstly, the study discussed only a few board characteristics when determining the relationship between board characteristics and financial risk taking; thus, future studies should include CEO backgrounds, age, gender, and education, firm size, technology, as well as board chairman's characteristics and human capital.

Second, the study focused on CEO narcissism and CEO polychronicity as moderators in board characteristics, yet other traits such as CEO hubris, optimism and due diligence may be insightful in such relationship. Third, because the study was cross-sectional, future researchers may utilize a longitudinal approach to investigate how boards promote risk-taking over time.

Fourth, analysis by use of SEM could be an avenue for future researchers to further explore the latent relationship among variables. Finally, the study collected data on board characteristics and financial risk taking from the CEO. Future researchers should engage board members to respond to some of their attributes in relation to financial risk taking. Private firms and other firms should consider board members who are experts, motivated, independent and are diverse to consider financial risk taking. The study also recommends that board characteristics and CEO qualities assist organizations to be sustainable by taking financial risk into account; thus, each firm should consider hiring a board with the correct characteristics and examining CEO personal features to boost firm sustainability. The ultimate outcome of a corporation is primarily dependent on the decisions of the board and CEO. The study adds value to the understanding of the effect of board characteristics on financial risk taking in private firms and how CEO polychronicity and narcissism influences this association, particularly in Kenya.

Lastly, prior research ought to have a broader scope. As stated, few of subjects on chief executive officers and members of the board relationship are being thoroughly reviewed, whereas other topics remain in the darkness. In a comparable manner geographic representation has overwhelmingly focused on the developing nation

leaving the third world countries understudied. Whilst studies have contributed to advancements towards comprehending the way chief executive officers and members of the boards bond in various circumstances, additional attention is needed. Systematically reviewing previous studies as well as suggesting intriguing questions for further study, studies hope to promote additional studies on this area.

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APPENDICES

Appendix I: Introductory Letter

I am a PhD student at Moi University. As a requirement for the course, I am required to submit research on board characteristics, CEO narcissism, CEO polychronicity and financial risk taking in private sector in Nairobi Kenya. I would highly appreciate if you could kindly complete the Questionnaire to assist me collect data. Your information alongside others will help me in my research and was used strictly for academic purposes. It was treated as confidential; therefore, do not write your name on the questionnaire.

Thank you in advance,

Yours faithfully,

Chepkwony Protus Kiprop

Appendix II: Questionnaire for the Company Chief Executive Officer (CEO)

Section A: Financial Risk Taking

Please tick (✓) the extent of agreement to each of the statements provided on
Key: SA -Strongly Agree, A-Agree, N-Neutral, D-Disagree, SD- Strongly Disagree

		SD	D	N	A	SA
RT1	Our firm seek thrills in having high returns on risk taking					
RT2	Our firm perceive risk taking as an opportunity to make money					
RT3	Our firm considers risk taking as a mark of progressive					
RT4	Putting money into investment is preferable the best for future return.					
RT5	When money is invested, our company has complete control over the return.					
RT6	Our firm considers value of return on investment for the future.					
RT7	When we invest we plan on having a specific amount at a future date.					
RT8	Our firm is attracted rather than scared by any financial risk taking.					
RT9	Our firm focuses more on wining than on losing when taking financial risks.					
RT10	Our firm would take any financial risk even if it would be hurting.					
RT11	Our firm perceive taking risks as an important aspect of the business decisions.					

SECTION B: Board Member's Expertise

Please tick (✓) the extent of agreement to each of the statements provided below on-board member's expertise:

Key: *SA -Strongly Agree, A-Agree, N-Neutral, D-Disagree, SD- Strongly Disagree*

		SD	D	N	A	SA
BE1	Our board members have extensive knowledge of the firm's main operations.					
BE2	Our board members have extensive knowledge of the firm's critical technology and key competence.					
BE3	Our board members have the expertise and desire to address the organization's goals					
BE4	Our board members have extensive knowledge of the firm's weak sides and its products and services.					
BE5	Our board members have extensive knowledge of the development regarding the firm's customers, markets, products, and services.					
BE6	Our board members have extensive knowledge of threats from entrants and new products and services.					
BE7	Our board members have extensive knowledge of actual board activity in other firms.					

SECTION C: Board Member's Motivation

Please tick (✓) the extent of agreement to each of the statements provided below on-board member's motivation:

Key: *SA -Strongly Agree, A-Agree, N-Neutral, D-Disagree, SD- Strongly Disagree*

		SD	D	N	A	SA
BM1	Our board members are positively motivated to do a good job due to their own shareholding.					
BM2	Our members are encouraged to express their opinions at board meetings.					
BM3	Our board members are positively motivated to do a good job due to formal liability by law.					
BM4	Our board members are positively motivated to do a good job due to their own academic and professional standards.					
BM5	Our board members are positively motivated to do a good job due to their own reputation.					

SECTION D: Board Member's Diversity

Please tick (✓) the extent of agreement to each of the statements provided below on-board member's diversity:

Key: *SA -Strongly Agree, A-Agree, N-Neutral, D-Disagree, SD- Strongly Disagree*

		SD	D	N	A	SA
BD1	Our board members represent diversity with regards to functional background (e.g. sales, finance, accounting, marketing etc.)					
BD2	Our board members represent diversity with regard to industrial background (e.g. different industries and firms).					
BD3	Our board members represent diversity with regards to educational background (different universities, schools and type of education).					
BD4	Our board members represent diversity with regards to personality (different degree of creativity, orientation on action, attitude to listening).					
BD5	Our board members represent diversity with regards to age.					

SECTION E: Board Member's Independence

Please tick (✓) the extent of agreement to each of the statements provided below on-board member's independence:

Key: *SA -Strongly Agree, A-Agree, N-Neutral, D-Disagree, SD- Strongly Disagree*

		SD	D	N	A	SA
BI1	Our board members have no close friendship connections to the CEO.					
BI2	Our board members have close business ties to the firm					
BI3	Our board members have no close family relations to the CEO.					
BI4	Our board members have no close connections to each other through common membership on other boards					
BI5	Our board members have close ties to other persons and firms which holds large stakes in the firm					
BI6	Our board members are free to object or disapprove CEOs decisions or suggestions					

SECTION F: CEO narcissism

Please tick (✓) the extent of agreement to each of the statements provided below on CEO narcissism:

Key: *SA -Strongly Agree, A-Agree, N-Neutral, D-Disagree, SD- Strongly Disagree*

		SD	D	N	A	SA
NA1	I am an extraordinary person					
NA2	I like to be the center of attention					
NA3	I think I am a special person					
NA4	I like having authority over people					
NA5	I find it easy to manipulate people					
NA6	I insist upon getting the respect that is due me					
NA7	I really like to be the center of attention					
NA8	People always seem to recognize my authority					
NA9	I am going to be a great person					
NA10	I can make anybody believe anything I want them to					

SECTION G: CEO Polychronicity

Please tick (✓) the extent of agreement to each of the statements provided below on CEO Polychronicity:

Key: *SA -Strongly Agree, A-Agree, N-Neutral, D-Disagree, SD- Strongly Disagree*

		SD	D	N	A	SA
PO1	I like to juggle several projects at the same time.					
PO2	I would rather complete an entire project every day than complete parts of several projects					
PO3	I believe people should try to do many things at once					
PO4	I believe it is best to complete one project before beginning another					
PO5	I believe it is best for people to be given several projects to perform					

SECTION H: CONTROL VARIABLES

1. What is your gender

Male

Female

2. What is the total number of board members in your firm?

1 to 5

6 to 10

11 to 15

above 16

3. How long have you been working with the firm as a CEO?

Below 2 years

2-5

5-10

above 10 years

4. How long has your firm been operation since inception

Below 5 years

5 - 10 years

above 10 years

5. How many employees are there in your firm?

1 to 300

301 to 600

601 to 900

901 to 1200

Above 1200

Appendix III: University Research Authorization



MOI UNIVERSITY
SCHOOL OF BUSINESS AND ECONOMICS
POSTGRADUATE OFFICE

Tel (053) 43620
Fax No: (053) 43360
Telex No. 35047 MOIVARSITY

P.o Box 3900
Eldoret
Kenya

REF: SBE/DPHIL/BM/007/15

DATE: 26th July, 2022

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

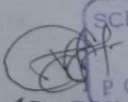
RE: CHEPKWONY PROTUS KIPROP- SBE/DPHIL/BM/007/15

The above named is a bonafide student of Moi University, School of Business and Economics undertaking a Doctor of Philosophy in Business management specializing in Finance option.

He has completed course work, defended proposal and is proceeding to the field to collect data for his research entitled: *"Board Characteristics, CEO traits and Financial risk taking: A study of Private Firm in Nairobi Kenya"*

Any assistance accorded to him will be highly appreciated.

Yours faithfully,



Dr. RONALD BONUKE
CHAIRPERSON, SGSC

SCHOOL OF BUSINESS &
ECONOMICS
MOI UNIVERSITY
P O Box 3900 ELDORET 30100

Cc. COD Accounting & Finance



(ISO 9001:2015 Certified Institution)

Appendix IV: Nacosti Research Authorization

 REPUBLIC OF KENYA Ref No: 938684		NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION 	
		Date	
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P. O. Box 30623, 00100 Nairobi, KENYA
Land line: 020 4007000, 020 2241349, 020 3310571, 020 8001077
Mobile: 0713 788 787 / 0735 404 245
E-mail: dg@nacosti.go.ke /
registry@nacosti.go.ke
Website:
www.nacosti.go.ke

Appendix V: Raw Data

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.752	52.288	52.288	5.752	52.288	52.288	3.642	33.112	33.112
2	1.159	10.535	62.823	1.159	10.535	62.823	3.232	29.382	62.494
3	1.078	9.797	72.620	1.078	9.797	72.620	1.114	10.126	72.620
4	.577	5.244	77.863						
5	.543	4.935	82.798						
6	.476	4.331	87.129						
7	.369	3.354	90.483						
8	.316	2.877	93.360						
9	.292	2.653	96.013						
10	.225	2.042	98.055						
11	.214	1.945	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrixa

	Component		
	1	2	3
FRT1		.727	
FRT2		.708	
FRT3		.729	
FRT4		.789	
FRT5		.758	
FRT6			.943
FRT7	.730		
FRT8	.806		
FRT9	.779		
FRT10	.803		
FRT11	.856		

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings	Rotation Sums of Squared Loadings				
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.932	56.172	56.172	3.932	56.172	56.172	3.931	56.159	56.159
2	1.012	14.454	70.626	1.012	14.454	70.626	1.013	14.467	70.626
3	.650	9.282	79.908						
4	.434	6.200	86.108						
5	.422	6.032	92.140						
6	.302	4.321	96.461						
7	.248	3.539	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrixa

	Component	
	1	2
BE1		.997
BE2	.782	
BE3	.790	
BE4	.836	
BE5	.842	
BE6	.825	
BE7	.778	

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings			
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %		Total	% of Variance
1	2.677	53.542	53.542	2.677	53.542	53.542		1.819	36.372
2	.843	16.855	70.397	.843	16.855	70.397		1.701	34.025
3	.591	11.819	82.215						
4	.505	10.093	92.308						
5	.385	7.692	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrixa

	Component	
	1	2
BM1		.911
BM2		.654
BM3	.530	.604
BM4	.846	

BM5	.822
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Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.069	61.383	61.383	3.069	61.383	61.383	2.936	58.712	58.712
2	.910	18.208	79.590	.910	18.208	79.590	1.044	20.879	79.590
3	.521	10.426	90.016						
4	.263	5.264	95.280						
5	.236	4.720	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrixa

	Component	
	1	2
BDI1		.987
BDI2	.879	
BDI3	.878	
BDI4	.899	
BDI5	.752	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings			
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.401	56.678	56.678	3.401	56.678	56.678	3.328	55.470	55.470
2	1.073	17.886	74.563	1.073	17.886	74.563	1.146	19.093	74.563
3	.816	13.597	88.161						
4	.614	10.226	98.387						
5	.064	1.065	99.451						
6	.033	.549	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrixa

	Component	
	1	2
BIND1		.880
BIND2		.545
BIND3	.590	
BIND4	.962	
BIND5	.966	
BIND6	.959	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Total Variance Explained

Component	Initial Eigenvalues						Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.557	75.573	75.573	7.557	75.573	75.573	5.592	55.920	55.920
2	.747	7.473	83.046	.747	7.473	83.046	2.713	27.126	83.046
3	.487	4.869	87.916						
4	.439	4.390	92.305						
5	.259	2.590	94.896						
6	.225	2.254	97.149						
7	.139	1.386	98.535						
8	.074	.741	99.277						
9	.053	.529	99.805						
10	.019	.195	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrixa

	Component	
	1	2
NAR1		.847
NAR2	.851	
NAR3	.859	
NAR4	.840	
NAR5	.844	
NAR6	.842	
NAR7	.782	
NAR8		.782
NAR9	.784	.527
NAR10	.774	.527

Extraction Method:
Principal Component
Analysis.
Rotation Method:
Varimax with Kaiser
Normalization.
a. Rotation converged in
3 iterations.
Total Variance
Explained

Component	Initial Eigenvalues	Extraction Sums of Squared Loadings	Rotation Sums of Squared Loadings
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	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.020	60.401	60.401	3.020	60.401	60.401	2.340	46.805	46.805
2	1.342	26.836	87.237	1.342	26.836	87.237	2.022	40.432	87.237
3	.403	8.061	95.298						
4	.171	3.419	98.717						
5	.064	1.283	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrixa

	Component	
	1	2
PO1		.965
PO2		.962
PO3	.910	
PO4	.751	
PO5	.940	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Moderation results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.208 ^a	.043	.030	.98470715	.043	3.316	5	365	.006
2	.725 ^b	.525	.514	.69741189	.482	91.665	4	361	.000
3	.853 ^c	.728	.721	.52841976	.203	268.822	1	360	.000
4	.899 ^d	.808	.801	.44664756	.080	36.971	4	356	.000

a. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size

b. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size, Zscore(BEXP), Zscore(BDIV), Zscore(BIND), Zscore(BMOT)

c. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size, Zscore(BEXP), Zscore(BDIV), Zscore(BIND), Zscore(BMOT), Zscore(NARC)

d. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size, Zscore(BEXP), Zscore(BDIV), Zscore(BIND), Zscore(BMOT), Zscore(NARC), Zscore(bmot1), Zscore(bexp1), Zscore(bdiv1), Zscore(bind1i)

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.078	5	3.216	3.316	.006 ^b
	Residual	353.922	365	.970		
	Total	370.000	370			
2	Regression	194.416	9	21.602	44.413	.000 ^c
	Residual	175.584	361	.486		
	Total	370.000	370			
3	Regression	269.478	10	26.948	96.508	.000 ^d
	Residual	100.522	360	.279		
	Total	370.000	370			
4	Regression	298.980	14	21.356	107.049	.000 ^e
	Residual	71.020	356	.199		
	Total	370.000	370			

a. Dependent Variable: Zscore(FRT)

b. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size

c. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size, Zscore(BEXP), Zscore(BDIV), Zscore(BIND), Zscore(BMOT)

d. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size, Zscore(BEXP), Zscore(BDIV), Zscore(BIND), Zscore(BMOT), Zscore(NARC)

e. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size, Zscore(BEXP), Zscore(BDIV), Zscore(BIND), Zscore(BMOT), Zscore(NARC), Zscore(bmot1), Zscore(bexp1), Zscore(bdiv1), Zscore(bind1i)

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.988	.963		-1.026	.306
Gender of respondents	-.229	.108	-.114	-2.111	.035
Board Size	.451	.403	.342	1.119	.264
CEO Tenure	-.722	.333	-.572	-2.166	.031
How long has your firm been operation since inception	.836	.322	.539	2.596	.010
Zscore: How many employees are there in your firm?	-.282	.250	-.282	-1.128	.260
2 (Constant)	-.417	.688		-.606	.545
Gender of respondents	-.064	.077	-.032	-.832	.406
Board Size	.120	.288	.091	.415	.678
CEO Tenure	-.331	.240	-.263	-1.383	.168
How long has your firm been operation since inception	.435	.231	.280	1.881	.061
Zscore: How many employees are there in your firm?	-.088	.179	-.088	-.494	.622
Zscore(BEXP)	.132	.045	.125	2.909	.004
Zscore(BIND)	-.089	.041	-.089	-2.195	.029
Zscore(BMOT)	.504	.056	.504	9.050	.000
Zscore(BDIV)	.209	.053	.209	3.969	.000
3 (Constant)	-.821	.522		-1.573	.117
Gender of respondents	-.004	.059	-.002	-.074	.941
Board Size	.242	.219	.184	1.107	.269
CEO Tenure	-.288	.182	-.228	-1.587	.113
How long has your firm been operation since inception	.396	.175	.255	2.261	.024
Zscore: How many employees are there in your firm?	-.210	.135	-.210	-1.548	.123
Zscore(BEXP)	.038	.035	.036	1.102	.271
Zscore(BIND)	-.541	.041	-.541	-13.096	.000
Zscore(BMOT)	.279	.044	.279	6.290	.000
Zscore(BDIV)	.039	.041	.039	.939	.349
Zscore(NARC)	.854	.052	.854	16.396	.000
4 (Constant)	-.389	.444		-.878	.381
Gender of respondents	.018	.050	.009	.359	.720
Board Size	.152	.185	.115	.818	.414
CEO Tenure	-.204	.154	-.162	-1.325	.186
How long has your firm been operation since inception	.210	.149	.135	1.405	.161
Zscore: How many employees are there in your firm?	-.076	.115	-.076	-.659	.511
Zscore(BEXP)	-.186	.072	-.176	-2.576	.010
Zscore(BIND)	-1.064	.081	-1.064	-13.175	.000
Zscore(BMOT)	.978	.099	.978	9.869	.000
Zscore(BDIV)	.332	.105	.332	3.170	.002
Zscore(NARC)	.020	.184	.020	.109	.914
Zscore(bexp1)	.508	.174	.508	2.917	.004
Zscore(bmot1)	-.332	.150	-.332	-2.204	.000
Zscore(bdiv1)	-.582	.196	-.582	-2.972	.003
Zscore(bind1i)	.993	.183	.993	5.415	.000

a. Dependent Variable: Zscore(FRT)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.208 ^a	.043	.030	.98470715	.043	3.316	5	365	.006
2	.725 ^b	.525	.514	.69741189	.482	91.665	4	361	.000
3	.791 ^c	.625	.615	.62052396	.100	96.004	1	360	.000
4	.861 ^d	.741	.731	.51857646	.116	39.865	4	356	.000

a. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size

b. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size, Zscore(BEXP), Zscore(BDIV), Zscore(BIND), Zscore(BMOT)

c. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size, Zscore(BEXP), Zscore(BDIV), Zscore(BIND), Zscore(BMOT), Zscore(POL)

d. Predictors: (Constant), Zscore: How many employees are there in your firm?, Gender of respondents, CEO Tenure, How long has your firm been operation since inception, Board Size, Zscore(BEXP), Zscore(BDIV), Zscore(BIND), Zscore(BMOT), Zscore(POL), Zscore(bexp2), Zscore(bdiv22), Zscore(bind22), Zscore(bmot2)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.988	.963		-1.026	.306
	Gender of respondents	-.229	.108	-.114	-2.111	.035
	Board Size	.451	.403	.342	1.119	.264
	CEO Tenure	-.722	.333	-.572	-2.166	.031
	How long has your firm been operation since inception	.836	.322	.539	2.596	.010
	Zscore: How many employees are there in your firm?	-.282	.250	-.282	-1.128	.260
2	(Constant)	-.417	.688		-.606	.545
	Gender of respondents	-.064	.077	-.032	-.832	.406
	Board Size	.120	.288	.091	.415	.678
	CEO Tenure	-.331	.240	-.263	-1.383	.168
	How long has your firm been operation since inception	.435	.231	.280	1.881	.061
	Zscore: How many employees are there in your firm?	-.088	.179	-.088	-.494	.622
	Zscore(BEXP)	.132	.045	.125	2.909	.004
	Zscore(BIND)	-.089	.041	-.089	-2.195	.029
	Zscore(BMOT)	.504	.056	.504	9.050	.000
	Zscore(BDIV)	.209	.053	.209	3.969	.000
3	(Constant)	-.410	.612		-.669	.504
	Gender of respondents	-.054	.069	-.027	-.778	.437
	Board Size	.120	.257	.091	.466	.641
	CEO Tenure	-.264	.213	-.209	-1.236	.217
	How long has your firm been operation since inception	.356	.206	.230	1.729	.085
	Zscore: How many employees are there in your firm?	-.121	.159	-.121	-.762	.446
	Zscore(BEXP)	.049	.041	.047	1.197	.232

	Zscore(BIND)	-.158	.037	-.158	-4.282	.000
	Zscore(BMOT)	.386	.051	.386	7.574	.000
	Zscore(BDIV)	.177	.047	.177	3.761	.000
	Zscore(POL)	.392	.040	.392	9.798	.000
4	(Constant)	-.196	.513		-.382	.703
	Gender of respondents	-.015	.058	-.008	-.266	.790
	Board Size	.080	.215	.061	.372	.710
	CEO Tenure	-.165	.179	-.131	-.926	.355
	How long has your firm been operation since inception	.185	.173	.119	1.071	.285
	Zscore: How many employees are there in your firm?	-.065	.133	-.065	-.490	.624
	Zscore(BEXP)	-.238	.063	-.225	-3.753	.000
	Zscore(BIND)	-.513	.062	-.513	-8.282	.000
	Zscore(BMOT)	.906	.115	.906	7.907	.000
	Zscore(BDIV)	.557	.112	.557	4.955	.000
	Zscore(POL)	.056	.090	.056	.619	.537
	Zscore(bexp2)	.695	.158	.695	4.408	.000
	Zscore(bmot2)	-.981	.217	-.981	-4.523	.000
	Zscore(bind22)	.194	.0044	.194	4.400	.000
	Zscore(bdiv22)	-.766	.210	-.766	-3.652	.000

a. Dependent Variable: Zscore(FRT)