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Evidence from the Industrial, Energy, and Petrochemical Sectors in Qatar, Saudi Arabia and the
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Abstract:

This study examines the relationship between risk-taking behaviour (CFO) and the financial performance of corporations within the Gulf Cooperation Council (GCC) region, specifically within the Industrial, Energy and Petrochemical industries in Qatar, Saudi Arabia, and the United Arab Emirates. The analysis relies on 260 firm-years of observations from 2015-2024, combining descriptive statistics, multiple linear regression, and a Vector Autoregression (VAR) model to determine contemporaneous relationships as well as dynamic feedback between risk-taking and performance. Leverage ratios, capital expenditure intensity, earnings volatility, and cash flow volatility are used to proxy CFO risk-taking, and corporate financial performance is estimated by Return on Assets (ROA), Return on Equity (ROE), and earnings per share (EPS). Based on Agency Theory, Upper Echelons Theory, and Prospect Theory, this study states the influence of executive risk preferences and their impact on firm outcomes. The regression findings are imperative to find statistically significant relationships between the chosen risk factors and

performance, and the VAR findings point to the existence of time-varying, two-way interactions in variables. Together, the results build on a small body of research on CFO behaviour in emerging markets and provide practical implications for boards, investors, and policymakers who aim to tune governance processes and capital allocation in the GCC environment.

Chapter 1: Introduction and Aim of Research

1.1 Introduction:

The Chief Financial Officer (CFO) responsibilities have expanded from a purely technical recordkeeper to a key collaborator in company strategy formulation. Recent literature confirms that CFOs actively engage in strategy development, implementation and improvement (Sax & Andersen, 2019). This transformation has gained heightened relevance in the Gulf Cooperation Council (GCC). The relationship between the developing capital markets of the GCC and escalating complexity has increased the competitiveness of the regional financial landscape. According to Gulf Today (2025), the nominal GDP in the GCC will reach \$ 5.878 trillion by the end of 2024, highlighting the region's economic diversity.

Given their roles, CFOs are key decision-makers for the efficiency of the company because their decisions regarding capital structure, investment funding, and risk management directly impact investor valuations (Barbi & Febo, 2025). Risk-taking which was once seen as mismanagement, is increasingly represented as a driver of innovation and a source of long-term competitiveness. Risk-taking in this context means that CFOs show a willingness or desire to do uncertain things, such as enter new markets and change capital structures. However, these decisions should be calibrated precisely. Otherwise, they could destabilise the firm (Bsoul et al., 2022)

Although some studies have focused on aligning risk management with strategic alignment, there appears to be little empirical research on the alignment of CFO behaviour and long-term corporate performance, particularly in an emerging market context such as the GCC (Carvalho and

Antunes,2021). Due to the distinctive regulatory and institutional environments in the area, this presents a significant gap in the literature.

The key outcome which can be easily measured is corporate financial performance, which means that the particular order of a business may not be able to corrupt operations as everything is well planned and preset. According to Günther et al. (2020), profitability ratios, return on investment, and shareholder value are indicators of organisational health. Recent literature offers additional evidence that CFOs who enjoy more autonomy and strategic power are more likely to engage in large financial actions that determine the risk and performance volatility of the firm (Firk et al., 2023). Outcomes in uncertain business settings characterised by regulatory alterations, technological disturbances, and macroeconomic turmoil are especially important (Tayem, 2023). This dissertation examines the contribution of CFO risk-taking behaviour to corporate financial performance in capital-intensive industries, with particular reference to the GCC region.

1.1 Research Gap / Problem Statement:

CFOs are valued for their expertise in corporate operations. However, this has led to limited studiousness compared to that of CEOs (Firk et al., 2023). Most studies still consider the CEO as the principal strategic decision-maker impacting corporate performance. Few studies have analysed how CFO risk-taking affects corporate financial performance (Barbi & Febo, 2025), despite its importance. There is a research gap in the member states of the Gulf Cooperation Council (GCC), specifically Qatar, Saudi Arabia, and the United Arab Emirates. According to Al-Amri et al. (2017), the difference between these economies lies in their high growth rates, capital-intensive production, quality of governance, and associated institutional realisation influencing CFO's risk-related decisions.. The GCC countries have unique institutions, including state-owned companies and family businesses, with changing regulatory environments. It is a perfect setting to examine CFO behaviour, but one that has not been examined. This study investigates the link between CFO risk-taking behaviour and financial performance in major GCC industries. By focusing on emerging economies with specific institutional characteristics, this study adds to the literature on executive behaviour in emerging markets, an underdeveloped area of corporate finance.

1.2 Research objectives and questions

1.2.1 Research Objectives

1. To identify and validate firm-level financial indicators that effectively proxy CFO risk-taking behaviour, including leverage ratios, investment-to-assets ratios, research and development spending and earnings volatility.
2. This study evaluates the impact of CFO risk-taking behaviour on corporate financial performance using established performance metrics, including Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS).
3. This study examines sectoral differences in CFO risk-taking behaviour and its performance implications across firms operating in the Industrial, Energy, and Petrochemical sectors in the GCC region.

1.2.2 Main Research Question

How does the risk-taking behaviour of CFOs, as reflected in firm-level financial decisions, affect corporate financial performance in the Industrial, Energy, and Petrochemical sectors in Qatar, Saudi Arabia, and the UAE?

1.2.3 Sub-Questions:

1. What financial indicators can be used to effectively proxy CFO risk-taking behaviour, and how do these indicators vary across sectors and countries?
2. To what extent does CFO risk-taking behaviour impact corporate financial performance, as measured by accounting-based and market-based performance indicators?
3. Are there measurable differences in the relationship between CFO risk-taking behaviour and firm performance across the Industrial, Energy, and Petrochemical sectors?

1.3 Theoretical Significance

This study expands the evidence on finance and governance. CFOs are seen as protectors against financial failures, as their mistakes can lead to company collapses, such as Enron and Barings. This study demonstrates that CFO-specific measures serve as valid proxies for executive risk preferences and impact measurable financial performance. It extends executive behaviour research beyond Western contexts by examining the industrial, energy, and petrochemical sectors of Qatar, Saudi Arabia, and the United Arab Emirates, providing insights into executive decision-making in emerging markets. This study contributes to the literature by developing a framework using Agency Theory, Upper Echelons Theory, and Prospect Theory to understand CFO risk-taking behaviour and performance outcomes in emerging markets.

1.4 Practical Significance:

The research findings benefit stakeholders in the GCC markets. For corporate boards and managers, understanding the link between CFO risk-taking and firm performance helps in the recruitment, compensation, and evaluation of senior financial managers. This enables organisations to align CFO incentives to enhance shareholder value while managing the risks. These insights can help policymakers frame governance for effective risk management and economic growth. The findings aid in designing corporate governance codes that balance entrepreneurial spirit and control. This study provides investors and analysts with a framework to assess corporate financial management quality by observing CFO characteristics and decision patterns, helping them make better decisions in GCC markets.

1.5 Theoretical Foundations

This study is grounded in three complementary theoretical frameworks that explain the relationship between executive characteristics, risk-taking behaviour, and corporate performance: Agency Theory, Upper Echelons Theory, and Prospect Theory. Agency Theory deals with the principal and agent problems of corporate governance, where the distance between shareholders and managers can cause executives to assume too much risk or spend too much on risk avoidance. Researchers have pointed out that CFOs may tend to optimise compensatory protections rather than shareholder value maximisation (Jensen & Meckling, 1976). Upper Echelons Theory postulates that the experiences, values, and personalities of top management influence organisational performance. Hambrick and Mason (1984) proposed that managerial background characteristics predict organisational performance and outcomes, thereby indicating the importance of CFO characteristics for investigating risk-taking behaviour. Prospect Theory: This behavioural perspective on decision-making suggests that risk-takers discount gains and losses differently and exhibit loss aversion. Managers can either take riskier options to absorb losses or conservative options to store gains (Kahneman & Tversky, 1979). These theories offer a framework for understanding how the demographic traits of CFOs and their behavioural tendencies influence risk-taking and firm performance.

1.6 Research Scope:

This study examines the institutional and economic contexts of Qatar, Saudi Arabia, and the United Arab Emirates, the three most economically important Gulf Cooperation Council members. Corporate financial officers have considerable influence on financial risk management, which is mainly subject to local business market conditions. GCC markets are characterised by different types of governance that affect executives' decisions. Al-Amri et al. (2017) document that earnings management practises continue to exist due to weak enforcement and concentrated ownership preventing regulation. Governance reforms addressing agency problems have not obviously affected financial performance, but evidence suggests that they may make CFOs conservative. Operators of this project are companies in the Industrial, Energy and Petrochemical sectors, which represent a core sector in the GCC economy with high capital intensity and government intervention. CFOs of large, state-related companies in these sectors deal with complex agency relationships and public scrutiny, suggesting a greater risk-moderating effect. The study has five years of variation, allowing for changes in CFO behaviour and firm performance while accounting for macroeconomic cycles and regulatory changes.

1.7 Research Structure:

Chapter One: Introduction

This chapter sets the research in context by reviewing the changing role of the Chief Financial Officer (CFO) from a technical controller to a strategic decision-maker. It concludes that the risk-taking behaviour of the CFO is important for financial performance, especially for capital-intensive firms. This chapter describes the research problem, objectives, and questions, and clarifies their theoretical and practical importance. It covers Agency Theory, Upper Echelons Theory and Prospect Theory as models of CFO behaviour. This study focuses on listed companies in Qatar, Saudi Arabia, and the United Arab Emirates in the Industrial, Energy, and Petrochemical sectors.

Chapter Two: Literature Review

Chapter 2 reviews the literature on the effect of CFO risk-taking on corporate financial performance. It describes corporate financial performance and its most common measures: return on assets (ROA), return on equity (ROE), and Earnings Per Share (EPS). This study addresses the behavioural aspects of CFOs (age, tenure, and education) and their effects on financial decisions. This review assesses risk-taking behaviour using airline economic variables of leverage, investment, and cash percentage. Studies across sectors and GCC nations have shown varying CFO effects. The literature review identifies research gaps and establishes a conceptual framework for the empirical investigation.

Chapter Three:

This chapter describes the empirical strategy used to test the effects of corporate performance of CFO risk-taking in capital-intensive firms across Qatar, Saudi Arabia, and the UAE (2015-2024). Using a quantitative design and a balanced panel of 26 firms, data from QSE, Tadawul, ADX/DFM, and investor reports measure CFO risk-taking through financial leverage (Debt/Assets), capital expenditure (CapEx/Assets), earnings volatility (EBIT/Assets), and cash-flow volatility (CFO/Assets). The performance measures included ROA, ROE, and EPS. The analysis comprises descriptive statistics, time-series tests (ADF/PP/KPSS, Johansen cointegration), OLS, and VAR/VECM modelling, with diagnostics for multicollinearity, serial correlation, normality, and heteroskedasticity.

Chapter Four:

This chapter includes empirical evidence in the form of descriptive statistics, correlation analysis, and regression analysis with ROA, ROE, and EPS as dependent variables with goodness-of-fit and significance tests. Where appropriate, it includes cointegration results and dynamic specifications with stability and variance decomposition tests. It was found that financial leverage adversely impacts performance, capital expenditure intensity has little impact, earnings volatility has a positive relationship with ROA and EPS, and cash flow volatility depresses ROA. This chapter explains these results in terms of agency, upper echelons, and prospect theories and describes the implications for GCC CFO decision-making.

Chapter Five :

The results were interpreted and applied to the theoretical framework and the GCC context. The managerial and policy implications in relation to capital structure, liquidity/risk management, and capital allocation are summarised. The contributions are highlighted, weaknesses are identified, and future research directions are proposed.

Chapter 2: Literature Review

2.1 First Section: CFO Risk-Taking Behaviour

2.1.1 The Evolving Role of the Chief Financial Officer

The earlier literature presents the Chief Financial Officer (CFO) as a conservator of financial resources, who is expected to control spending and ensure that the resources conform to the technical demands of operations (Stenzel & Stenzel, 2004).

However, modern studies suggest that the role of the CFO in the decision-making process should be explored in greater detail, especially when it comes to evaluating its organisational developmental effects. This has been shown to increase the role of the CFO in strategy development, novelty, and governance through empirical research. According to Foley and Lemm (2016), the roles that the CFO is expected to undertake cannot be limited to the maintenance of accounting records but should also include financial management and auditing.

At the non-profit level, CFOs often serve dual roles as protectors and strategists, which may lead to internal role conflict (Daff, 2019). The manner and social characteristics of CFOs significantly influence their companies' performance.

Huang et al. (2022) identified that the organisational identity of a CFO has a significant impact on innovative output, especially in state-owned as well as non-state-owned companies. Maier and Ferreira (2024) highlight that CFOs are concerned with the overall strategic planning of how to position themselves in terms of resource allocation and long-range financing. As their role expands, people increasingly view the CFOs as a catalyst for growth.

This kind of evidence fulfils the thesis sown by Fabozzi, Peterson Drake, and Polimeni (2008), stating that the modern CFO has turned into an active builder of value, ethical governance, and the

sustainability of corporate performance, a shift that has distinctively moved beyond a guardianship model to one of strategic leadership.

However, the literature considers that the trajectory does not assume a straight/linear path. According to Muttakin, Khan, and Tanewski (2019), tenured CFOs, due to their frequent and prolonged stints on the board, can accrue institutional knowledge that may lead to the strategic improvement of governance and transparency. Meanwhile, the strong presence of influence poses the risk of exposure to more aggressive accounting and weak risk management, which implies that strong governance checks and balances cannot be avoided. This duality highlights the necessity for a carefully managed balance between CFO empowerment and oversight.

2.1.2 The Influence of CFO Personal and Demographic Characteristics on Risk-Taking

Recent literature has identified the behavioural processes by which the judgment of a Chief Financial Officer (CFO) is influenced. Hsieh, Wang, and Demirkan (2018) can be used to illustrate how, in the given research topic, the role of the CFO has also significantly changed with the new role developing to be much more of a central player in strategic risk-taking than before. In fact, reckless CFOs perform their monitoring duties, but they also patronise visionary or risky products simultaneously. The study also notes that when there is psychological congruence between CEOs and CFOs, firms are driven into unified, risk-taking strategic actions.

Hsiao et al. (2021) extend this further by finding that a CFO with the above mentioned scores, high shareholding, advanced degrees, longer tenure, and higher compensation, contribute highly to the financial health of a firm as gauged in the increased Z-scores. According to this study, it is specifically highly qualified, stable, and incentivised CFOs that benefit firms, especially as some firms are state-owned or large firms, and the same attributes of the CFOs would ensure prudent

branching of risk and financial management. The results highlight that differences in CFO backgrounds have a fatal influence on financial health, and executive profiles are directly associated with the long-term performance of perfect risk tolerance by firms.

Various researchers have also attempted to determine the effects of educational level and work experience on the level of the risk assessment instrument and methodology employed in the company. CFOs holding high-level degrees or those with more tenured experience are linked to more rigorous sensitivity analysis and scenario planning. Based on lessons provided by the theory of upper echelons, Batra and Verma (2023) assume that the individual traits of a CFO, that is, educational pedigree, cognitive style, and leadership orientation, have a direct influence on the processes of risk information processing and integration into a financial strategy, thereby defining the risk profile of an organisation and the quality of its reporting.

Individually, CFO narcissism operating through the ratio of signature size has been demonstrated to be heavily correlated with a positive correlation between narcissism and risk-taking in the sense of aggressively managed earnings, understated accrual recognition of losses, and financial restatements. The findings indicate that narcissistic CFOs tend to sacrifice the quality of financial reporting by making riskier and more opportunistic accounting transactions, promoting corporate susceptibility to misreporting. These findings highlight the significance of CFO personalities and personality traits as potentially dominant risk factors for engaging in risky financial behaviour and will have an important material effect on corporate-level financial performance (Ham et al., 2017).

A comprehensive analysis of the demographic characteristics of chief financial officers (CFOs) of Chinese listed companies reveals a disturbing correlation between age, gender, and education and the propensity of executives to engage in fraudulent financial reporting. This study finds that CFOs

who are young, male, and less educated are more likely to commit fraud in financial statements. These patterns correspond to individual risk preferences; these executives are financially aggressive. Therefore, individual demographic features seem to play a conclusive role in relation to the willingness of a CFO to leave ethical financial management, including the relevant impacts related to deception in reporting and earnings manipulation (Sun et al., 2019).

A more recent report by Tarkom et al. (2022) reached different conclusions regarding density. A database study of 2,000 and more firms reveals that firms with female CFOs have more efficient working capital structures, are less levered, and are more profitable. Such consequences are supported by board gender diversity and compensation plans that enhance female leadership. The findings indicate the significance of demographic and incentive variables in influencing financial decision-making and firm results.

Collectively, this literature reappraises the evolution of the traditional technical accountant, who has been redefined as a strategic co-leader in risk management and governance. A greater command of higher- and lower-level decision-making fosters behavioural awareness, emotional intelligence, and ethical responsibility. However, this expanding impact needs to be integrated into a robust framework of governance to prevent entrenchment or unchecked executive control. The CFO has become a central figure in the modern environment, not only in terms of financial performance but also in terms of the overall organisational ability to bounce back, transparency, and value production.

2.1.3 Strategic Importance of the CFO in Corporate Governance

Corporate governance can be visualised as a grouping of rules, principles, and processes which guide and regulate a firm to balance the conflicting interests of its stakeholders which are

represented by shareholders, administration, customers, suppliers, financiers, governmental bodies, and the general population. The position of the Chief Financial Officer (CFO) has evolved over the past few years, whereby it used to concentrate more on financial reporting, but now it has become a key, strategic lodging in the governance structure. The modern-day CFO has become an active participant in developing company strategy, overseeing risk management, and contributing to transparency and decision-making of an organisation, hence making the role of governance impossible in an environment seeking sustainable performance and ethical practices (Aguilera & Castillo, 2025).

One of the primary functions of governance is to maintain financial integrity. Empirical research highlights that the role of the CFO is to ensure that financial reporting is fairly reflected by good management of internal control processes and critical observance of external regulations. No less essential are the forward-looking efforts encompassing the determination and reduction of financial and, further, pension-related risks, which, in turn, assumes an advanced understanding of the development of fiduciary duties and capital market expectations. By promoting responsible risk management policy and maintaining compliance with regulations, the CFO strengthens the organisation's financial reporting system and guarantees its credibility (Mangiero, 2012).

It is equally important that the CFO plays a role in building and maintaining trust among stakeholders. Regular and appropriate publication of relevant, time- and place-sensitive, and correct management accounts can help monitoring institutions and top management make judgments. Against the early warning indicators, real-time performance monitoring and subsequent action on such indicators also contribute to accountability and enhance investor and public confidence in corporate disclosure. Open communication with board members, investors,

analysts, and regulatory bodies fosters a culture of effective communication and responsive governance.

In the chain of command of corporate leadership processes, a Chief Financial Officer (CFO) has both the responsibilities of a steward and a tactician. Stewardship value can be observed in the ongoing development and protection of stakeholder trust. The capacity of oversight bodies and executive managers to take well-informed proactive steps is underpinned by the CFO through delivering decision-makers with current, correct, and relevant management accounts. This kind of candidness, especially through the observation of real-time performance and the patching of arising red flags, helps to increase openness and public and investor trust in company revelations. These internal processes are complemented by the successful communication of the CFO with board members, investors, analysts, and regulatory bodies, creating a workplace culture that is transparent and responsive to governance approaches (Chen & Chang, 2020).

Strategically, CFOs are at the centre stage when designing corporate policies regarding the use of capital, long-standing financial structures, and the deployment of limited resources. According to empirical evidence, the selection of internal CFOs, who have vast knowledge of firm specifics, will significantly reduce information asymmetry and the quality and availability of financial disclosures. Such an upgrade can result in enhanced communication with capital markets, more informed investment choices, and the resultant enhancement of financial resiliency and strategic versatility (Mishra et al., 2020).

One of the central propositions of a new generation of scholarly writing on corporate governance overlaps with one of the core beliefs of the chief financial officer (CFO) as a source of technological and structural innovation, an idea with key ramifications for the quality of governance practice. Controlling the implementation of enterprise resource planning (ERP) and

other advanced financial systems, empirical studies reveal that CFOs, and more so, their external counterparts, are the pioneers of implementing these systems. Such dedication towards technology is not only protecting and keeping data integrity and guaranteeing real-time information stream, but it is also fanning a culture of modernisation in the system of governance. CFO leadership is beneficial because it increases internal control, auditability, and the strategic use of financial information across the organisation when deploying these systems (Hiebl et al., 2017).

The role of CFOs is even more evident when they join the board or audit committee. Studies have validated that experienced and competent CFOs are an effective check on CEO dominance, especially in terms of dividend policies, compensation of executives, and capital management. Their autonomous viewpoint prevents any form of managerial opportunism, safeguards minority holders, and ensures a form of ethics in governing the board during discussions. Thus, the presence of an excellent CFO in such environments can significantly enhance the standard of organisational management and strategic planning (Campa & Ginesti, 2024).

However, the increased power and privileged view of sensitive financial information granted to CFOs also brings about the risk of governance problems unless it is balanced by some form of control. Agency issues also appear particularly due to a very strong CFO, who becomes de facto allied to the top of the leadership chain or takes a very self-confident and unilateralist position which can only end in distorted disclosures or poor policy decisions. As empirical evidence reveals, strong board independence and vigilance are the keys to reducing such risks; otherwise, the expected value of strong financial governance may be offset by uncontrolled executive power or low reporting quality (Duong et al., 2020).

Overall, the professional significance of the CFO as part of the corporate governance system is attributed to the combination of highly technical skills, effective strategy, and critical morality that

his position holds. CFOs stabilise financial integrity, support stakeholder confidence, enhance long-term organisational performance, and advocate technological and procedural developments. These benefits can only be achieved in a way that produces strong results regarding governance when they are institutionally supported by reliable checks, personal oversight, and a strong ethical culture throughout the organisation.

2.1.4 Core Dimensions of CFO Financial Decision-Making

First, there is nothing disputable about the fact that the Chief Financial Officer (CFO) plays a pivotal role in directing the financial strategy of a firm, and the highest one of them is the supervision and guidance of the capital structure the business implements. In this respect, the CFO must decide on the most appropriate proportion of debt versus equity financing which is both challenging as it has to be finely balanced to deal with the financial risk situation, and on the other hand, they are expected to drive the total value of the enterprise. Empirical studies have established that CFOs' risk perception is definitive in modelling corporate conservatism; thus, those who are more cautious or pessimistic are more inclined to want to have lower leverage to evade the risk of bearing the costs of financial distress (Lee & Kang, 2020). It is also important to note that CFO influence does not end at relative conservatism in debt policy; in fact, the power of the CFO may outshine that of the Chief Executive Officer (CEO) as he/she advances in experience or acquires a position on the board by embedding the capital-structure directive more in the strategic foundation of the firm.

Figure 1: Leverage trade-off: CFO balancing financial risk (debt) and growth potential (equity).



Second, the CFO plays a vital role in formulating the investment policy of the organisation. In this case, the CFO will be involved in the appraisal, choice, and prioritisation of capital projects in a way that will make the processes strategic in line with the objectives of the firm, but without losing track of the changing business realities. The results support the notion that transformational CFOs can improve capital budgeting by nurturing cross-functional cooperation and encouraging flexibility in shaping investment portfolios by considering internal ability, market need, and opportunity context. Net present value (NPV) and internal rate of return (IRR) are two rigorous evaluation techniques used in both the strategic and operational arenas to help streamline resource allocation in the interest of long-term value creation (Marben, 2022).

Third, the CFO oversees liquidity, ensuring that management monitors both cash balances and the amount of working capital and financial flexibility. Within this role, the CFO must achieve a balance between the need to maintain sufficient liquidity to facilitate regular operations and potential investment opportunities and the inefficient use of cash to maintain excess cash balances. Personal risk tastes are a strong predictor of liquidity policy: the pessimistic, and by extension risk-averse, CFO will universally act to build up cushion reserves against downward shocks and potentially less likely outcomes, whereas the opposite, the optimist or risk-lover CFO, will seek to ensure an efficient deployment of capital rather than costly hoarding. This power can become even stronger with the presence of CFOs in the institution under the theory of institutional authority and impact of board representation, with the softening of the dominance of other executives and alignment of liquidity decisions with the overall risk policy of the company (Zhang et al., 2022).

Under a multidimensional analysis of corporate performance, it is the financial performance of a firm and, by extension, its governance, strategic adherence, and organisational strength that depend heavily on the quality of financial leadership. Therefore, the Chief Financial Officer (CFO) has shifted in their role, deciding between custodial and strategic roles, with influence on decisions that are critical to long-term growth and competitive advantage of the firm. (Marben, 2022). The remainder of this discussion details each of these dimensions.

2.1.4.1 Capital Structure

Capital structure refers to the conscious combination of debt and equity, where businesses finance their daily operations and strategic investments. This structure has a definitive impact on a firm's risk profile, cost of capital, and growth potential. Darmono et al. (2024) believe that capital structure decisions represent a complex interplay between internal factors as profitability, the size

of the firm, asset tangibility, and firm growth opportunities, and external factors including legal, capital market ease of access, and industry deregulation.

The planned combination of debt and equity that finances a corporation, known as the capital structure, is a pillar of corporate finance and, in effect, delegates to the chief financial officer where to lay the main emphasis of strategic decision. The related analytical discourse is generally framed into two prevailing theories: Pecking Order Theory, which places self-funding on a hierarchical level as a means of mitigating informational asymmetries, and Market Timing Theory, which states that firms adjust their capital mix to the opened windows in the equity market (Abeywardhana, 2016). Taken together, these views provide CFOs with an enlightened scaffolding to accomplish, on a case-by-case basis, the best moment and occasion, in terms of focal benefit, to utilise debt financing and/or issue equity. By combining various aspects, including the size of the firm, its profitability, industry standards, and general macroeconomic trends into an equation, CFOs will be able to adjust the capital structure with the appropriate level of precaution and swiftness.

The biggest challenge for the CFO in this system is to set a perfect balance: reducing the cost of capital and maintaining financial flexibility and resilience to risks. Leverage choices have a direct influence on the degree of financial risk to which the firm will be exposed, funding flexibility, and the ability of the firm to undertake long-term expansion opportunities. CFOs contribute to the financial health and stability and the general curb of the valuation of the enterprise through wiser balancing of the capital structure (Khomar & Umar, 2019).

2.1.4.2 Investment Policy

Investment policy is a key driver of economic growth, and it determines how capital will be distributed in areas which will bring growth. As Horieva (2024) notes, effective policy does not only renew and modernise national assets but also develops an environment in which both

domestic and international investors can work with a sense of confidence. This is facilitated by better legal structures, identifying policy areas of strategic priority, and aligning public investment with long-term development goals. Well thought out investment policy will serve to strengthen the climate of investment and will foster long-lasting stability in the economy.

Experimental studies on compensation in the context of executive pay have shown that the compensation of Chief Executive Officers (CEOs) has a palpable impact on the investment policy compared to that of Chief Financial Officers (CFOs). Specifically, broader compensation gaps encourage CFOs to engage in more ambitious investment policies, including higher R&D intensity, which are invariably riskier and more growth-oriented. Empirical studies indicate that such tournament incentives for CFOs can promote value-enhancing projects, ensuring a direct connection between the compensation structure and corporate risk-taking and financial performance (Han et al., 2021).

Ginesti et al. (2021) build further on these considerations and show that the mandate of the CFO goes far beyond the traditional exercise of financial control but rather proactive design of investment decisions and risk management. Their empirical study highlights that a good investment policy, which is possible by making wise choices and judging projects, is the decisive factor in balancing the risk of a firm against its desire to realise long-term and sustainable financial growth. This means that there must be CFO leadership in the absolute strategic investment direction towards effective value realisation and the upholding of a proper risk-reward equation.

2.1.4.3 Liquidity Management

Effective liquidity management is of central importance in the liquidity performance of assets and in promoting the corporate transparency of financial markets. According to Weng (2020), a well-

organised liquidity management firm will be more liquidity exposed to the market and more likely to report financial information, which can reduce risk and increase financial stability. These findings lend credence to the importance of liquidity strategies for corporate financial health.

Market conditions also tend to influence the liquidity frameworks embraced by Chief Financial Officers (CFOs) and financial executives. Short-term withdrawal requirements are typically financed by highly marketable assets under stable market conditions. However, in periods of extreme uncertainty, firms would rebalance their liquid and illiquid portfolios to preserve aggregate liquidity. This active balancing reduces volatility on a short-term basis and can help achieve financial stability in the long term. Hence, liquidity management led by the CFO is a key tool for preventing financial fragility during times of crisis. (Jiang et al., 2021).

In addition, liquidity strategies are assisted by external networks. Wintoki and Xi (2018) first documented that firms with well-connected CFOs are less prone to negative shocks from precautionary savings and face less tight credit constraints. The main mechanism by which these networks operate is by reducing information asymmetry between lenders and firms, increasing liquidity efficiency, and reducing the need for firms to hold unproductive idle cash. In this context, liquidity management as a driver of firm value serves both as a financial control tool and a strategic signal of market confidence.

2.1.4.4 Risk Management

Kim et al. (2021) provide evidence that market-based risk measures, specifically option-implied volatility, can be seen as a good measure of a company's risk management performance because they capture market expectations of future risk. Their research shows that strategic risk management initiatives, including corporate social responsibility (CSR), are linked to reduced implied volatility and lower perceived risks. The benefits are strongest in companies with higher leverage, growth potential, or uncertainty exposure, as these firms face greater financial risks through CSR involvement. The authors emphasise that risk management is dynamic, requiring companies to balance CSR costs against reduced volatility benefits. The study concludes that comprehensive risk management strategies aligned with strategic goals can improve performance and financial stability of banks.

Modern-day research has proven beyond doubt that the role of the chief financial officer (CFO) in enterprise risk management (ERM) is also taking a new shape. Instead of acting as the sole custodian of the books of accounts, the CFO in recent times is placed at the centre of creating and implementing firm-wide risk policies. Empirical research shows that several CFO traits significantly affect the risk-taking behaviour of corporations. For example, as Luo et al. (2025) reveal, CFOs who worked in an audit practice before their current firm displayed notably reduced firm-level risk-taking, and as Qiao et al. (2022) express, elevated CFO overconfidence increases the likelihood of a stock-price crash, which portrays the importance of behavioural traits in reducing or aggravating financial fragility.

From a firm-level perspective, Ittner and Oyon (2020) demonstrate that ERM sophistication grows in intensity when CFOs adopt a wider responsibility for overseeing risk. However, extensive experience suggests that the context of CFO engagement in the process of introducing ERM is well below the indicators set by theoretical models (such as those outlined in the COSO ERM standards (Ojeka et al. 2019)). This disconnect between the formal institutional structure and managerial practice continues to be one of the key constraints to institutionalising integrated risk management in the organisation. Equally important is the question of inter-functional coordination between CFOs, risk managers, and board members. In terms of the mechanisms for reconciling imperatives related to compliance and the need to account for strategic partnerships, Coccozza (2024) notes that communication is a significant tool in this regard. Vij and Palan (2022) observed that auditors and CFOs must coordinate closely for risk factors to be embedded in the planning of strategic interventions. To navigate these vicissitudes, Mishra et al. (2019) outline a resource-based approach to risk identification and mitigation, in which the strategic role of the CFO is central to ensuring that risk management is sensitive to the capabilities and strategic goals of the organisation over a longer-term horizon. In summary, the available literature indicates that CFO stewardship of ERM is in the process of graduating in the capstone role of a strategic leader at a very fast pace, beyond its accountancy requirement-related role. However, ongoing discrepancies between the formal and operative realms of the implementation of structures, as well as limitations in cross-functional communications, limit the achievement of integrated risk management.

2.1.5 Determinants of CFO Risk-Taking Behaviour

In the existing literature, Muttakin et al. (2019) use tenure as a knowledge/credibility proxy to show how it guards against opportunistic accounting/aggressive debt management by the Chief Financial Officer (CFO). This results in behavioural resilience that promotes sensible financial reporting and reduces earnings management and bias towards risk-averse debt and investment decisions, which affect the financial stability of the firm and its long-term decision-making.

A similar line of questioning on CFO risk preferences was provided by a parallel strand of enquiry from Ge et al. (2011), which illustrates that overconfident or risk-stressed CFOs tend toward aggressive accounting and earnings management. The conclusion of the findings of the present association between riskier financial behaviour, such as lower-quality accruals and higher volatility in debt and investment behaviour, with younger male CFOs is notable.

A complement to this evidence is the study by Donatella and Tagesson (2020), who studied tenure, experience in the sphere of the previous activity in the public sector, and gender among opportunistic accounting practices in Swedish municipalities. Their findings indicate that long-tenured CFOs and those with significant previous experience at the municipal level have a reduced tendency to engage in opportunistic revenue recognition and other unsafe accounting practices. Gender, on the other hand, has no statistically significant correlation with such behaviour, as the presentation of differences in the sector with regard to the impact of demographic characteristics on financial policy.

Combined, the two outcomes above prove that behavioural characteristics, such as age, gender, education, tenure, and professional background, determine CFO risk attitudes and decision-making with observable implications for earnings management, debt policy, and accounting

conservatism. Nevertheless, empirical consistency is hard to find and even harder in the context of gender and cross-sector differences. One of the most salient research gaps relates to how various variables, such as gender and directorship, impact non-traditional financial performance variables, such as sustainability, implying that more research is required in various organisational contexts to understand the relationship between them.

First, Liu (2017) finds that firms tend to have a higher leverage ratio when a CFO sits on the board, indicating that the organisational higher leverage ratio can be explained by the fact that a CFO has more influence and thus the organisations are better able to tolerate risk by experiencing an increased recourse to financing through debt. Mobbs (2014) focuses on the external monetary effects of CFO governance power. In his work, the researcher evaluates the influence of CFO board membership on leverage, pay-out policy, and cash retention. The results indicate that companies whose boards are composed of CFOs have persistently higher leverage ratios due to their eagerness to take risks and finance that risk with more debt. They also pay shareholders more and thus have less liquidity, altogether indicating a more assertive approach to liquidity management unless it engulfs the business altogether. Mobbs concludes that CFOs in powerful governance positions play a considerable role in shaping the financial risk profile of companies, especially in decisions concerning capital structure and liquidity.

Lee and Kang (2020) identify that the more experienced the CFOs of the firms are, the less aggressive are their earnings management and the lesser is the level of discretionary accruals a firm reports that represent the conservative or risk-averse renewed reporting strategy. Moreover, the more seasoned the CFO, the more moderate the levels of capital expenditure and R&D expenditure, indicating less risk in investment decision-making compared to junior peers. They

propose that the personal experience and tenure of CFOs determine whether they are willing to take or shun financial risks.

According to Yan, Chen and Xu (2019), financially competent CFOs lead to a more effective use of investments in firms based on avoiding costly investing errors and prioritising capital investments on the firm strategy. In addition, responsible liquidity actions are likely to be promoted by such CFOs, who retain more cash and reduce risks to which the firm may be exposed regarding liquidity exercise. This implies that the financial expertise of a CFO causes not only conservative investment by the firm, but also liquidity management *полка pilula* with immediate effects on the risk-taking attitude of the firm.

The literature consistently points out the role of the CFO's risk-taking behaviour and experience in key financial metrics: leverage, investment level, and cash reserves. More powerful CFOs have a stronger influence on boards and tend to promote increased leverage and more discriminating investments, whereas more financially knowledgeable or experienced CFOs are more cautious in reporting and more cautious concerning liquidity policy. Although there is good documentation that CFO traits determine observable financial strategies, more studies are required on the interaction of firm-specific environments, market circumstances, and governance issues with risk preferences by the CFO and their effect on financial performance.

Over the past decades, the academic study of executive risk-taking has tended to focus almost singularly on chief executive officers, and there are numerous cited studies confirming the likelihood of aggressive or over-ambitious risk-taking among them (particularly when it is rewarded by compensation schemes or through power at the board level) (Beck & Mauldin, 2014).

However, since 2014, the discipline has widened its focus to chief financial officers, who have a large role in the risk exposure of a corporation, investment strategy, and financial reporting. Evidence-based research indicates that the experimental and board-level control amassed by CFOs will enhance their capability to offset the authority of CEOs, thus influencing risk management procedures, reporting quality, and financial stability (Hoitash et al., 2016).

Contrary to the conventions building up the stereotypical image of the risk-seeking CEO, new empirical findings show that increasing levels of CFOs are conservative decision-makers. Their power, which is measured in terms of remuneration, tenure, and the election of members to board positions, is likely to encourage them to reduce investment risk, which may further lead to underinvestment and loss of opportunity to boost shareholders wealth (Chy & Buadi, 2025).

This relationship is further supported by recent panel data studies using large-sample analysis, which show a negative correlation between measures of CFO power and risk-taking measures, including R&D intensity and earnings volatility (Florackis & Sainani, 2021).

Recently, however, an increasing amount of research has focused on the role that both demographic and personal characteristics play in the risk behaviour of CFOs. As shown by Ginesti et al. (2021), age and tenure are associated with increased levels of conservatism and gaps in volatility tolerance, especially when such situations are perceived as having a high level of uncertainty. Their results indicate that gender is also a statistically significant factor, as female CFOs reveal a tendency towards greater accounting conservatism and a reduced tendency towards aggressive earnings management.

The impact of academic qualifications and professional knowledge is also cross-modal in nature. According to Datta and Iskandar-Datta (2014), compared with CFOs with higher levels of business

education or professional financial standards, more innovative and risk-bearing investment approaches are shown. Liu et al. (2024) complicate this picture, however, by indicating that this introduction of this credentialing, in particular circumstances, may even lead to a paradoxical increase in earnings management activity.

There is even more complexity when the reporting of costs interacts with excessive caution and incentives to compensate. When risk aversion is greater, higher firm value may boost attributes such as careful financial decision-making and quality of reporting, whereas lower risk aversion might allow firms to take more risks to ensure that their compensation is maximised. According to Friedman (2016), agency conflicts, the structure of reporting systems, and personal traits contribute to the attitude of financial risk that a CFO can take which determines the risk level of the firm and its performance.

Krystyniak and Staneva (2024) add more nuance by demonstrating that the extent to which gender disparities (including lower degrees of leverage in firms run by women) arise during the period of non-rebalancing of the structure of capital tends to decline under reasonably-active rebalancing of capital structures. Their findings dispute the common belief about the innate risk aversion of women and highlight the role of structural and environmental circumstances (i.e. adjustment costs and external market factors) in the decision-making process of CFOs, which indicates that the psychology of an individual might be less crucial than morally assumed.

2.2 Second Section: Corporate Financial Performance

2.2.1 Defining and Understanding the Nature of Corporate Financial Performance

Corporate Financial Performance (CFP) can be defined as the long-term capability of a firm to create returns, prudent distribution of resources, and enhanced shareholder value throughout the duration. The importance of understanding and measuring CFP for stakeholders is that it can provide information about the operational efficiency and strategic effectiveness of a firm and its long-term viability. Financial performance is a multisided, multifaceted concept that combines profitability, value creation, and resource optimality (Hada, 2020).

The current state of the literature generally estimates CFP using two categories of indicators: (1) accounting-based indicators and (2) market-based indicators. Various accounting measurements, such as Return on Assets (ROA), Return on Equity (ROE), and net profit margins, continue to dominate practice, as they provide a clear perception of the effectiveness of a company in transforming assets and equity assets into profit. Such figures are appreciated for their conceptual simplicity and the opportunity to demonstrate the efficiency of internal operations (Galant & Cadez, 2017). Nonetheless, accounting-based measures tend to be manipulated in certain cases and are not necessarily a completely accurate representation of a firm's economic performance.

Bhagavath and Sasirekha (2025) expand on this topic by indicating that the financial status of a firm is signified by associated ratios, which include liquidity, solvency, profitability, and efficiency. The empirical evidence of their study shows that a careful financial statement analysis will give an organisation the power to identify strengths and weaknesses, raise the level of profitability, and advance the level of operation. These insights and observations can enable CFOs

to obtain the evidence required to determine data-based strategies, reduce risk, and inform strategic long-term planning that delivers sustainable corporate growth.

A different perspective on market indicators considers investor sentiment along with more macro-based considerations. One of these, a commonly known indicator, is Earnings Per Share (EPS), a measurement of how much of a firm's profit is divided by the number of outstanding common shares. EPS has been deemed to be among the most straightforward measures of profitability, as it ties the economic gains of a firm with the shareholder value. In a more recent study of Bangladeshi firms, Sobhan et al. (2024) establish that EPS is a critical line of evidence that indicates whether the share price dynamics embodied in the latter reflect in the market in response to managerial decisions and adherence to governance guidelines when determining shareholder confidence and financial health.

New criticisms have also influenced most of us to embrace more comprehensive performance models that suit changing business conditions. Press and Brzeszczyński (2022) continue to argue that, despite the enduring presence of classical indicators, such as ROA and ROE, market-based indicators and composite models (especially those linked to sustainability and stakeholders' interests) are becoming increasingly important. More recent paradigms recognise that financial performance is more than profitability but also deals with long-term robustness, risk, and ethical congruence. Therefore, there is a growing tendency to incorporate an integrated performance analysis, both in academia and practice, when assessing the CFP today, in which Environmental, Social, and Governance (ESG) are systematically included.

However, Brisset (2017) warns that not all elements of financial performance can be modelled using a theoretical framework. The results point toward external realities, in particular, market volatility, which in many cases competes with the generality of models. Black-Scholes-Merton

option pricing mechanism. This inconsistency between theory and practice highlights the urgency for CFOs to balance and adjust their strategic responses when there is a change in macro-environmental factors. Financial performance does not just happen as a consequence of mathematical computation; it is the outcome of the silent interplay between measurement, agility, and situational awareness.

2.2.2 Theories of Financial Performance

Ibrahim et al. (2025) suggested an integrated theoretical framework that combines stakeholder theory and a natural resource-based view to explore the consequences of environmental strategy on financial performance (where green accounting takes the lead). The study concludes that businesses that consider a wide range of stakeholder considerations and use the company's environmental resources strategically are more likely to adopt green accounting practices. This, in turn, enhances efficiency, mitigates risks, and increases financial impact. For CFOs, the research findings underscore the fact that the most important consideration is to align sustainability activities with long-term value creation and risk-sensitive decision-making. Sharing their understanding of signalling theory, Elwisam et al. (2024) explore the ability of transparent financial communication to influence investor confidence and the value of a firm. Their empirical findings revealed that lucid and believable reporting attracts more capital and improves companies' financial performance. CFOs, who successfully apply the signalling theory, may utilise financial disclosures to comply with regulatory mandates, besides influencing investor expectations and optimum capital structure which are important components of performance-based risk management.

Bashir and Qureshi (2023) take a more general scope and attempt to synthesise various theoretical approaches, such as agency theory and the theory of planned behaviour, in their attempt to survey how people make their financial choices based not only on their trait characteristics but also on the incentives placed upon them by institutions. They concluded that theory can be used to inform engagement with CFO behaviour, particularly risk-taking, and can also inform intervention to understand how good financial management can be encouraged. These results highlight the importance of applying the appropriate theoretical perspective for evaluating financial performance in real-life organisational contexts.

2.2.3 Determinants of Financial Performance

When evaluating corporate performance, researchers note that the results can be driven by a dense cluster of both internal and external factors, each of which significantly influences the other. As for internal determinants, corporate governance plays a key role. For example, Mansour et al. (2022) claim that effective governance which takes the form of board competence, transparency, and accountability, improves financial results extensively. Their results indicate that well-designed governance systems provide strategic alignment, executive control, and enhanced ethical governance-related decisions. Thus, such systems act to reduce the underlying conflicts of agency, improve regulatory compliance, and the ability of the organisation to provide predictable returns and value over the long term. Therefore, internal governance is both a rampart against mismanagement and a creator of sustainable financial performance.

Khan et al. (2018) took a more general perspective in accounting for the internal and external determinants of organisational performance. Their findings highlight the importance of corporate

governance, its capital structure, and the characteristics of executive leadership, including transformational leadership. Ethical and strategic leadership encourages internal innovation, trust among stakeholders, and good judgement. Externally, the level of market competition and the corporation's reputation are critical to financial performance: a good market position generates investors and clients, and a good reputation builds credibility in the financial market. Accordingly, the research found that an enterprise's ability to deliver the appropriate balance between internal governance and sensitivity to forces outside itself is key to maintaining its competitive advantage and financial health.

In the Gulf, Abed et al. (2025) examine the effect of board quality on the financial performance of GCC countries. They stress that board composition, gender diversity and the existence of sustainability committees show quantifiable impacts on financial and non-financial performance outcomes. They concluded that gender-diverse boards are positively related to increased sustainability practices and, hence, increased long-term financial performance. Interestingly, some board characteristics, such as board size or independence, have mixed impacts, but female representation was found to be an interesting factor that significantly affects good governance and corporate survival. This indicates that an inclusive and sustainability-oriented design of internally administered governance lays a firm in a better place to react to the needs within the environment and, more recently, government regulation, which, in turn, improves their performance financially.

2.2.4 Significance of Financial Performance

Pereira and Dias (2024) established that the Chief Financial Officer (CFO) plays a critical role in enhancing financial performance within corporations, especially in the face of volatility and uncertainty. They concluded that effective CFOs establish strong corporate governance, utilise advanced financial evaluation techniques, and have sound financial reporting, which enhances firm

value and efficiency. In addition, with the changes that have come to CFOs over the past few decades, being no longer a financial controller but a strategic partner, there is more informed risk-taking that leads to better financial performance. Therefore, this study highlights the mutuality of financial performance and the procedure of strategic actions of CFOs and, thus, directly refers to the stabilisation and development of an organisation through the performance of the CFO.

The financial strength and strategic participation of chief financial officers (CFOs) are strongly associated with high-quality accounting reporting and firm performance. Empirical studies show that CFOs rewarded on chief executive officer (CEO)-like bases have a greater impact on financial performance, with inordinate focus such as with CEO payoffs destroying independence and supporting reporting quality. Therefore, the research indicates the necessity to balance CFO compensation and power to maintain high financial performance and efficient governance (Caglio et al. 2018).

2.2.5 Dimensions of Financial Performance

Financial performance is often analysed in terms of various aspects, including return on investment (ROI), return on equity (ROE), and return on assets (ROA). According to Safi et al. (2024), financial intelligence in senior management positively impacts these dimensions, leading to the easy provision of strategic decisions which directly contribute to the improvement of profitability and utilisation of resources. These findings emphasise the value of an integrated perspective of financial performance measurement, which can assist chief financial officers (CFOs) and senior executives in identifying sources of value creation, evaluating risks, and generating sustainable growth in their organisations.

El-okah (2024) names seven dimensions of entrepreneurial marketing: proactiveness, risk-taking, innovativeness, opportunity focus, resource leveraging, customer intensity, and value creation, and states that all of them have financial and non-financial effects on the performance of the firm. The research indicates that all the dimensions do not add to performance in a similar way, and this is an indication of the significance of all-rounded/flexible approaches. To the CFO, such an identification of dimensions allows them to form subtler forms of risk and decision-making that may contribute to better overall financial performance.

This means that not only should the performance of a firm be measured in terms of the accounting-based measures of performance (e.g., ROA), but also in terms of accounting-based measures of performance (e.g., EPS). The results of this research indicate two-sided good correlations among the items of intellectual capital and accounting-based and market-based performance, which highlights the significance of intangible resources in financial evaluation. With this multidimensional viewpoint, CFOs can incorporate risk, efficiency, and market competitiveness into their economic control structures (Hamdan, 2018).

2.2.6 Sectoral and Regional Variations in Performance

The effect of sectoral and regional dynamics on financial performance at the firm level is significant, as proven by recent empirical research that formally assessed the influence of geographic contexts, industry features, and institutional factors on CFO risk-taking and decision-making.

According to Kristof et al. (2024), not only sectoral but also regional differences were observed in financial performance across the Balkan and Eastern Europe regions, which points out that country

membership and financial indicators (margin, liquidity, trade turnover, profitability, and leverage) are key factors in hurting firm performance compared to sectoral affiliation. Interestingly, the evidence suggests that, even though more-developed nations might live on the frontier of regional development, they do not necessarily yield better financial performance, as the least developed economies always have a weaker industry mix. These findings highlight the need to consider regional differences when CFOs benchmark their performance and distribute resources on a cross-border basis.

To supplement this regional perspective, Kumar and Sujit (2018) empirically show that value creation in GCC firms is the main driver of firm size, management efficiency, profitability, and excess liquidity, and greater financial risk is associated with a poorer value of the market. Therefore, the current best advice is for CFOs to focus on internal basics and smart risk management regardless of industry or location to maximise value and guarantee sustained performance.

Sector-specific effects also emerge during restructuring. Kumaraswamy et al. (2019) examine the question of post-merger financial performance in GCC companies and note that mergers and acquisitions have a low impact on the profitability factor and leverage but do manage to create a massive post-merger liquidity loss. These findings support the idea that restructuring financial performance varies between sectors, thus requiring CFOs to be pessimistic and circumstance-savvy in their strategic financial choices around the transitional period.

Alam (2025) also reveals that the major differences in economic growth and environmental performance among members of the GCC are highly evocative and, as such, cogent variance in financial prosperity, energy utilisation and tourism translates directly into carbon emissions and the future financial outlook. Such regional and sectoral differences have direct implications for

CFOs working to develop sustainable locally adjustable risk-management responses in a growing environmental and economically pressurised world.

2.2.7 Role of CFOs in Driving Financial Performance

Engel et al. (2018) explored the factors influencing turnover by examining the determinants of CFO turnover to assess how managerial performance in financial reporting quality, capital and liquidity management, and regulatory compliance affects CFO employment. Poor performance in these areas increases the likelihood of a forced exit, while strong social ties with the CFO and high internal influence decrease the likelihood of dismissal. The study concludes that effective financial leadership necessitates a blend of technical skills and strategic relationship management, as executive positions are maintained through adept navigation of both economic and socio-political landscapes.

Building on these observations, Henrichs (2025) tests the correlations between power allocation and firm performance and finds that symmetric power structures and collegial communication between CEOs and CFOs are positively associated with firm performance. In the case of the structural and social power of CFOs, they are able to make better contributions to strategic decision-making, risk management, and financial performance. This fact further reveals why CFOs should be empowered in the executive team to enhance the quality of value creation and governance.

In another study, Chatpibal et al. (2024) used grounded theory to define the modern situation of the CFO role, which now incorporates investment efficiency, digitalisation, and strategic collaboration with the CEO, in addition to the classical role of supervisor of finances. According to their analysis, the new requirements that CFOs must handle are a combination of ethical and professional fronts coupled with adaptivity and technological skills allied to profitability and

performance optimisation. This type of expansion prepares CFOs to deal with risk and seize future opportunities; thus, they become more resilient and support the organisation's long-term financial stability.

2.2.8 Regional and Contextual Nuances: GCC Literature

The focus on Qatar, Saudi Arabia, and the United Arab Emirates in the Gulf Cooperation Council has revealed a galaxy of institutional features that predetermine the power of the CFO. By analysing listed firms in the GCC, Al-Amri et al. (2017) indicate that real earnings management is the norm because of limited regulatory management and extremely concentrated ownership which grants CFOs substantial latitude, especially within less transparent industries. Despite policy changes in governance implemented to combat agency problems, the impact of such agency policy changes on the performance of the financial sector has been observed to vary significantly across the region. In others, conservatism and risk aversion may be exacerbated by institutional transition and inertia.

These are qualified by sector- and firm-size effects. The nature of state-controlled or resource-intensive companies, which characterise most of the industrial and petrochemical industries in the GCC countries, works in an environment of greater attention and complex relationships with agencies, emphasising the role of the CFO in managing financial risk in the corporate environment (Kateb & Belgacem, 2024).

Overall, however, this development of scholarship after 2014 has led to a modification of the approach to empirical enquiry that stops treating the centre of gravity of risk-taking activity by CFOs as the domain of chief executive tasks. The GCC results confirm that agency and upper-echelon models overlap with specific institutional boundaries, incentives, and susceptibilities to determine the impact of CFOs on firm-level financial risk-taking.

Chapter 3: Methodology

Introduction

This chapter presents the methodological framework used to test the connection between Chief Financial Officer (CFO) risk-taking behaviour and corporate financial performance in the Industry, Energy, and Petrochemical sectors in Qatar, Saudi Arabia, and the United Arab Emirates. The research paradigm is positivist and uses quantitative research to prove theoretically formulated hypotheses on CFO risk-taking behaviour and its performance consequences in the distinct institutional setting of the Gulf Cooperation Council (GCC) region.

3.1 Research Philosophy and Approach

3.1.1 Research Paradigm

This study is based on the positivist paradigm, which argues that reality is independent of the researcher and can be objectively measured using empirical observations (Saunders et al., 2019). This position suits the research on CFO risk-taking behaviour and financial performance, as the two constructs can be operationalised into measurable indicators that apply to audited financial reports. The paradigm correlates with Agency Theory (Jensen & Meckling, 1976), Upper Echelons Theory, and Prospect Theory, which define the testable relationships among the variables that can be observed and used to test hypotheses statistically, allowing for conclusions that can be generalised.

3.1.2 Research Approach

The investigation is deductive and quantitative in nature because it proceeds through theory-based propositions into empirical evidence. The investigation is deductive and quantitative because of the advanced literature on executive behaviour and firm performance which can offer a solid foundation for hypothesis development. We base our estimation of relationships on numerical data and standardised

financial ratios across firms and years to allow statistical inference, cross-firm comparability, and reproducibility of findings. The descriptive component is a baseline characterisation of risk-taking and performance indicators (Mishra et al., 2019), and an analytical dynamic component, using pooled ordinary least squares (OLS) applied to contemporaneous relations and a VAR(2) system to estimate dynamic lead-lag interactions. (Qiao et al., 2022). Observable financial decisions and reporting practices are used to make behavioural inferences about risk preferences, which are in line with the literature on executive-level aggressiveness in accounting and disclosure (Ge et al., 2011).

3.2 Research Design

3.2.1 Overall Research Design

This study employs a longitudinal panel data design that combines cross-sectional variation (across firms) with time-series variation (across years) to provide a comprehensive analysis of the risk-performance relationship.

Key Design Features:

- **Time horizon:** 10-year period (2015-2024)
- **Cross-sectional units:** 26 publicly listed companies
- **Total observations:** 260 firm-year observations
- **Geographic scope:** Qatar, Saudi Arabia, United Arab Emirates
- **Sectoral focus:** Industrial, Energy, Petrochemical sectors

3.2.2 Panel Data Advantages

The multi-year panel will allow us to see firms over economic cycles, higher statistical precision due to many observations of a company, and study the temporal dynamics using lag structures

(for example, VAR). The 10-year window helps evaluate the changing risk-performance relationships and law reforms in GCC corporate governance.

3.3 Data Collection Methods and Procedures

3.3.1 Data Collection Strategy

Data collection followed a multistage process designed to maximise coverage, accuracy, and reliability while minimising missing observations.

3.3.2 Detailed Data Collection Process

Stage 1: Initial Sample Identification. We first identified all publicly listed companies in the target sectors across the Qatar Stock Exchange (QSE), Saudi Exchange (Tadawul), Abu Dhabi Securities Exchange (ADX), and Dubai Financial Market (DFM) for the UAE, producing an initial pool of 51 firms for analysis.

Stage 2: Preliminary data availability assessment. Stock exchange databases were then reviewed as primary sources, revealing that exchanges typically provided only four years of historical financial data, which was insufficient for the required 2015–2024 period.

Stage 3: Company website collection of information. We expanded the collection to each company's investor-relations site, downloaded annual reports for 2015–2024 where available, assessed the completeness and consistency of reporting, and cross-checked figures across years.

Stage 4: Refinitiv Workspace verification. To ensure accuracy and completeness, we used Refinitiv Workspace to match company website data to database records, verify consistency across sources, and retain only observations that aligned.

Stage 5: Final sample selection. The final sample comprises 26 firms for which complete 10-year audited financials were available, the data were consistent across sources, and all required variables could be computed reliably.

3.4 Research Instruments and Data Sources

The primary instruments are financial ratio analysis and performance derived from audited financial statements and corporate reports found in the open markets. These instruments are chosen given the recognised conventions when performing explorations in the areas of corporate finance studies as well as the particular requisite of gauging CFO risk-taking and company performance (Barbi & Febo, 2025).

Software and Analytical Tools:

Microsoft Excel: Data were organised, cleaned, and initial data description was performed using descriptive statistics with the help of Microsoft Excel. This makes its study more reproducible because it is transparent and open (Batra & Verma, 2023).

EViews: An advanced panel data analysis package used in econometrics. EViews is an adequate tool used for pooled OLS estimation, VAR(2) specification and diagnostics (lag selection, stability checks), and result visualisation (Chen & Chang, 2020).

Refinitiv Workspace. Used as the primary market intelligence platform to source company fundamentals, audited financial statements, pricing/returns series, and corporate actions for the listed firms.

Data Sources and Collection Instruments:

This research is based on secondary data from official stock market websites, namely, the Qatar Stock Exchange (QSE), Saudi Exchange (Tadawul), Dubai Financial Market (DFM), and Abu Dhabi Securities Exchange (ADX). These websites offer their audited financial status, annual reports, and governance publications, which are fundamental aspects of gauging CFO risk-taking and the financial performance of

entities (Kumar & Sujit, 2018). Where the available history is incomplete, additional information can be sourced through corporate and investor relations websites. The indicators of CFO risk-taking are numerous and include elements such as financial leverage and earnings volatility, which can be examined based on existing literature (Luo et al., 2025). Corporate finance performance is measured in terms of accounting-based measures, such as Return on Assets (ROA) and Earnings Per Share (EPS), as is standard practice in performance measurement.

Measurement Validation and Reliability:

Financial ratios and performance measures are measured using well-known definite formulae found in corporate finance studies, so that they are comparable between firms and periods (Hada, 2020). Each construct was measured using multiple measures to limit the effect of measurement mistakes.

3.5 Data Collection Methods

The data collection strategy was designed to build a comprehensive and reliable dataset for empirical analysis. It combines multiple secondary data sources to ensure high quality and objectivity.

Secondary Data Sources:

This study uses secondary data obtained in the form of publicly available financial information that has been externally audited and reviews its regulatory contents, which makes it reliable for conducting scholarly research (Galant & Cadez, 2017). GCC stock exchange financial statements and annual reports provide data on financial statements for the quantitative 2015-2024 period, capturing several economic cycles (Alam, 2025).

Data Collection and Quality Assurance Procedures:

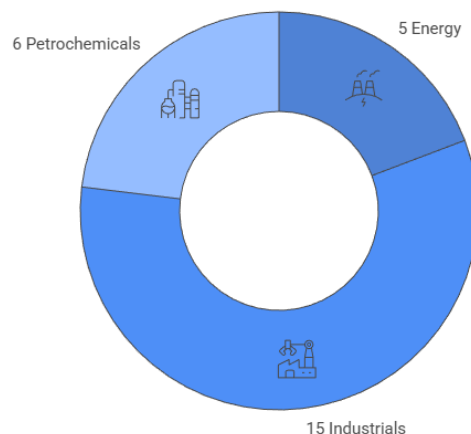
Circumspect quality assurance procedures, such as the cross-referencing of multiple sources, systematic checks for missing data (Al-Amri et al., 2017), and templates for data collection, greatly reduced distortion due to human error. The ultimate dataset was compared with industrial standards to ensure that it adhered to the strict standards of empirical studies (Kristof et al., 2024).

3.6 Study Population and Sample

The research population consists of all publicly traded companies in the industrial, energy, and petrochemical sectors in Qatar, Saudi Arabia, and the United Arab Emirates. These industries are capital-intensive, and decisions concerning the risks undertaken by the CFO are highly influential on the performance of corporations (Jihen & Manal, 2025). The companies operate in the same regulatory and economic environment of the Gulf Cooperation Council (GCC), which has been characterised by profound economic development and changes in governance (Abed et al., 2025).

Figure 2: Sectoral distribution of sampled firms (n = 26), GCC 2015–2024.

Distribution of Sampled Companies by Sector (firms)



The sampling frame included 51 listed companies in the Qatar Stock Exchange (QSE), Saudi Stock Exchange (Tadawul), and Abu Dhabi Securities Exchange/Dubai Financial Market (ADX/DFM) across the energy, industrial, and petrochemical sectors. The breakdown was as follows: Qatar, 12 firms (3 energy, 3 industrials, 6 petrochemicals); the United Arab Emirates, 11 firms (1 energy, 9 industrials, 1 petrochemicals); Saudi Arabia, 28 firms (1 energy, 3 industrials, 24 petrochemicals); combined, 5 energy, 15 industrials, and 31 petrochemicals ($N = 51$). For the 10-year analysis (2015-2024), inclusion required the continuous availability of audited financial statements in USD from exchange disclosures and company websites. Firms without complete time series data were excluded because of panel and measurement bias. The final sample comprised 26 firms with proportional representation across countries and sectors. These companies cover key subsectors within industrials, energy, and petrochemicals, enabling tests of CFO risk-taking across diverse conditions while maintaining data credibility.

Table 1: Final Sample Distribution by Country and Sector

No.	Country	Sector	Ticker	Company Name
1	Qatar	Industrial	AHCS	Aamal Company
2	Qatar	Industrial	GISS	Gulf International Services Q.P.S.C.
3	Qatar	Industrial	GWCS	Gulf Warehousing Company
4	Qatar	Petrochemicals	IQCD	Industries Qatar Q.P.S.C.
5	Qatar	Petrochemicals	MPHC	Mesaieed Petrochemical Holding Company Q.P.S.C.
6	Qatar	Energy	QFLS.QA	Qatar Fuel Company
7	Qatar	Energy	QGTS	Qatar Gas Transport Company Limited (Nakilat)
8	Qatar	Energy	QNNS	Milaha – Qatar Navigation
9	Saudi Arabia	Industrial	1211	Saudi Arabian Mining Company (Ma'aden)
10	Saudi Arabia	Industrial	1301	United Wire Factories Co
11	Saudi Arabia	Industrial	2040	Saudi Ceramics Company

12	Saudi Arabia	Petrochemicals	2060	National Industrialisation Company (Tasnee)
13	Saudi Arabia	Industrial	2310	Sahara International Petrochemical Company (Sipchem)
14	Saudi Arabia	Petrochemicals	2330	Advanced Petrochemical Company
15	Saudi Arabia	Industrial	2380	Rabigh Refining and Petrochemical Company (Petro Rabigh)
16	Saudi Arabia	Industrial	3002	Najran Cement Company
17	Saudi Arabia	Industrial	3010	Arabian Cement Company
18	Saudi Arabia	Industrial	3040	Qassim Cement Company
19	Saudi Arabia	Energy	4030	National Shipping Company of Saudi Arabia (Bahri)
20	UAE	Industrial	ADSB	Abu Dhabi Ship Building PJSC
21	UAE	Petrochemicals	DANA	Dana Gas PJSC
22	UAE	Industrial	EMSTEEL	Emirates Steel Arkan PJSC
23	UAE	Industrial	NMDC	National Marine Dredging Company PJSC
24	UAE	Industrial	RAKCEC	RAK Ceramics PJSC
25	UAE	Industrial	SCIDC	Sharjah Cement & Industrial Development
26	UAE	Energy	TAQA	Abu Dhabi National Energy Company PJSC

Table 2: Sample Distribution Summary

Category	Count	Percentage
Total Sample Size	26	100%
By Country:		
Qatar	8	30.80%
Saudi Arabia	11	42.30%
UAE	7	26.90%
By Sector:		
Industrial	16	61.50%
Energy	5	19.20%
Petrochemicals	5	19.20%

The sample size of 26 companies is deemed sufficient with respect to the intended statistical analysis which is inclusive of multiple regression analysis and panel data analysis. The size of this sample fits well with other studies within the GCC region and has adequate statistical power to identify significant correlations between CFO risk-taking behaviour and corporate financial performance (Hair et al., 2019). The representation of balanced countries and sectors contributes to the generalisation of the results within the GCC environment, as well as keeping attention to capital-intensive industries where risk decisions of CFO play the most critical role.

The financial information of all chosen companies is presented in a full set of 10 years (2015-2024) according to several sources, such as stock exchange databases, annual reports of companies, and the proprietary database Refinitiv; thus, the data reliability and consistency in a longitudinal study are guaranteed.

3.7 Variables, Indicators, and Measurements

Table 3: Summary of Variables, Indicators, and Measurement Tools

Variable	Indicator	Measurement Tool (Formula)	Previous Studies Using Same Measurement	Code in This Study
Independent Variables (CFO Risk-Taking Behavior)	Financial Leverage Ratio	Total Debt ÷ Total Assets	Krystyniak & Staneva (2024); Darmono et al. (2024)	X1
	Capital Expenditure Intensity	Capital Expenditures ÷ Total Assets	Batra & Verma (2023)	X2
	Earnings Volatility	Standard deviation of EBIT (or Net Income) over T years ÷ Total Assets	Qiao et al. (2022); Al-Amri et al. (2017)	X3
	Cash Flow Volatility	Standard deviation of Operating Cash Flow	Mishra et al. (2019)	X4

		over T years ÷ Total Assets		
Dependent Variables (Corporate Financial Performance)	Return on Assets (ROA)	Net Income ÷ Total Assets	Hsiao et al. (2021); Hamdan (2018); Safi et al. (2024)	Y1
	Return on Equity (ROE)	Net Income ÷ Shareholders' Equity	Ojeka et al. (2019); Duong et al. (2020)	Y2
	Earnings Per Share (EPS)	Net Income ÷ Weighted Average Shares	Bhagavath & Sasirekha (2025)	Y3

Limitations of the Methodology of Proxy Variables. Financial ratios are legitimate and sensible proxies for CFO risk-taking practices, and their limitations should also be recognised. These indicators are firm-level outputs and strategies, and not the personal behavioural characteristics and cognitive risk preferences of individual CFOs. Leverage Ratios, capital spending intensity, and measures of volatility, as opposed to being dependent on psychological and other behavioural influences of CFO decision-making, are signs of what actually transpires as a result of such decision-making. This methodological strategy continues the proven custom in executive behaviour studies (Barbi and Febo, 2025); however, future studies with direct behavioural scale ratios or surveys can furnish substitute information about CFO risk attitudes.

3.8 Statistical Methods Used

This empirical study uses statistical tools suitable for quantitative financial studies to examine the relationship between corporate performance and risk-taking through CFO behaviour. Method selection is influenced by the research questions, panel data nature, and need for strong inferences. Descriptive analysis explains the data characteristics, followed by inferential statistical procedures to test the hypotheses. This study employs descriptive statistics, pooled ordinary least squares (OLS) regressions for ROA/ROE/EPS, and a VAR model. This approach provides a comprehensive understanding of the dynamics between executive behaviour and firm outcomes.

3.8.1 Descriptive Statistics

Descriptive statistics form the basis of quantitative analysis by providing a breakdown of the sampled data and omitting important variable information. This preliminary step is significant in understanding the distribution, central tendency, and dispersion of data for inferential analysis. In this study, descriptive statistics portray financial and risk descriptions from selected firms using standard tools: mean, standard deviation, extreme values, skewness, and kurtosis.

The mean indicates the central tendency of a variable, representing the average score of the variable values. Parulian and Siregar (2025) used mean values to calculate corporate financial performance, finding that Southeast Asian companies' ROA averaged 8.2 percent. For GCC companies, the average financial leverage showed a debt-to-assets ratio of 0.35.

The standard deviation measures the dispersion of a variable from the mean value. Akbar and Rangkuti (2025) found that PT Pertamina Patra Niaga's earnings volatility had a 12.3% standard deviation, indicating high profitability variation. The Max/Min values help identify possible outliers affecting the results. Research has shown that manufacturing firms' ROA ranges from -15% to 45% (Hasanah et al., 2025).

Skewness measures the asymmetry of a distribution. In finance, the negative skewness of stock returns indicates the likelihood of large losses. Pulatov and Islamov (2025) found that bank profitability had a positive skewness of 1.8, showing that most banks performed below average.

Kurtosis quantifies distribution "tailedness." In terms of firm income, leptokurtosis indicates atypically intense cash flow volatility. Studies show that kurtosis above 3.0 presents an increased likelihood of extreme financial events.

3.8.2 Simple and Multiple Linear Regression

Regression analysis models the correlation between dependent and independent variables in empirical studies. This study uses simple and multiple linear regressions to test how CFO risk-taking affects corporate financial performance. Simple Linear Regression examines the effect of one independent variable on a dependent variable, showing the impact of each risk-taking indicator. Lucian et al. (2017) found that a 1% increase in the leverage ratio decreases ROA by 0.23%. Multiple Linear Regression, the primary tool, assesses several independent variables, controlling for others. The general form is as follows: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k + \epsilon$, where Y is the dependent variable (e.g. ROA), $X_1, X_2, \dots, X_k$ are independent variables for CFO risk-taking and controls, β_0 is the intercept, and $\beta_1, \beta_2, \dots, \beta_k$ are the regression coefficients. Baird et al. (2012) used multiple linear regression for corporate social and financial performance, with $ROA = 0.085 + 0.142(CSR_Score) - 0.089(Leverage) + 0.034(Firm_Size) + \epsilon$; R^2 was 0.67, explaining 67% of ROA variance. Wagner and Blom (2011) found that the adjusted R^2 of their model was 0.58, with financial leverage showing a significant negative coefficient of -0.156 ($p < 0.01$).

3.8.3 Vector Autoregression (VAR) Model

A Vector Autoregression (VAR) model characterises the dynamic relationships between CFO risk-taking and corporate financial performance. Unlike conventional regression models with unidirectional causality, the VAR model treats all variables endogenously and analyses the bidirectional causality. The variables in a VAR are defined as linear combinations of the past values of the variable and all other system variables. Sample Size Guidelines for VAR Analysis. Although the current study is suitable in terms of sampling CFO risk-taking and performance through the application of a VAR methodology, as a rather small sample ($N=26, T=10$) is used, this limitation could prevent a deeper set of insights than those on the same topic

with a huge sample size. Expansive data generally handle more powerfully how a VAR model works, but in our case, our methodology is easily defensible and can be informative in terms of lead-lag relationships and feedback effects in the GCC context. The 260 firm-year observations have adequate power to perform a meaningful analysis, but with this limitation.

Singh (2025) demonstrated a Time-Varying Parameter VAR model analysing the effect of monetary policy on carbon emissions, showing the ability of VAR models to capture complex time-varying relationships in financial systems. Oliva et al. (2021) utilised a VAR model to forecast industrial production using

$$: Y_t = A_1 Y_{t-1} + A_2 Y_{t-2} + \dots + A_p Y_{t-p} + \epsilon_t$$

Where Y_t is a vector of financial performance variables, and $A_1, A_2, \dots, A_p$ are coefficient matrices. Their VAR(2) model achieved an R^2 value of 0.78. Babarinde (2020) used VAR analysis to examine the impact of coronavirus on stock prices in Nigeria, finding bidirectional causality between market volatility and corporate financial performance, where a 1% volatility shock led to a 0.34% decrease in stock returns over six months. The VAR model examines the shock impacts of risk-taking factors on corporate performance through impulse response functions (IRFs) and forecast error variance decomposition (FEVDs). IRFs show how the effects are transmitted dynamically in the system. These methods will evaluate the research questions, with specific details on the empirical models and variable definitions provided below.

3.9 Ethical Considerations

3.9.1 Research Ethics Framework

This study adheres to the Newcastle Business School guidelines and university regulations through several principles. It is based on publicly available secondary data which are based on audited financial reports and regulatory filings found through official stock exchanges and stock investor-related websites. No human participants were involved in any primary data collection

process; therefore, there are no ethical groups, such as informed consent and privacy of participants, to consider.

Data Protection, Transparency, and Reproducibility: All procedures comply with the GDPR and university data protection policies, focusing exclusively on firm-level financial information. The processing of data was good practice: all of the sources were thoroughly documented, variable definitions and formulae were standardised, and each analysis scenario was captured in materials to allow replication and validation of results independently.

Conflicts of Interest: None of the financial, commercial, or personal relationships exist and may be viewed as having an impact on the analysis or interpretation.

Ethics Review Status: Considering that only publicly available secondary data were used and no human subjects or confidential data were involved, formal approval by the ethics committee was not necessary according to the guidelines provided by Newcastle Business School.

3.10 Research Limitations

Although the sample of 26 listed firms (260 firm-years) is sufficiently statistically effective, it limits the external validity and is biased towards industrial companies, which gives an uneven sample of sectors. The limitation to depth due to reliance on publicly available audited reports is present, as are the key CFO-level characteristics that are inconsistently disclosed. Therefore, risk-taking is proxied by financial measures that do not necessarily reflect the underlying behaviour. The 2015–2024 window could overlook long-term cycles, and relationship stability in GCC markets could be influenced by structural changes. The use of three GCC countries also restricts the generalisability of the results to other emerging markets with other institutions. Regarding causal inference, endogeneity cannot be fully avoided, even with controls and

sophisticated estimators, and possible reverse causality might still exist. Finally, focusing on listed companies presents survivorship and selection biases in favour of bigger, more established firms, which might not be representative of the overall firm population.

Chapter 4 : Results and Findings

4.1 Introduction

The empirical relationship reported in this chapter is between CFO risk-taking and corporate financial performance in 26 GCC-listed firms (260 firm-years, 2015-2024). We start with descriptive statistics and then introduce multiple regression estimates of ROA, ROE, and EPS, and a VAR(2) system to reveal dynamic feedback. We conclude with hypothesis-level results and a brief summary (Pham & Dao, 2022)..

4.2 Descriptive Statistics

Table 4.1 presents the descriptive statistics for all variables across 260 firm-year observations, providing insights into the central tendencies, variability, and distributional properties of CFO risk-taking behaviour indicators and corporate financial performance measures.

Table 4: descriptive statistics

Variable	Indicator	Mean	Standard deviation	Max	Min	Skewness	Kurtosis
Independent Variables (CFO Risk-Taking Behavior)	Financial Leverage Ratio	0.254163	0.218234	0.777199	0.0000000	0.468342	2.072404
	Capital Expenditure Intensity	0.035148	0.047069	0.355482	0.0000000	3.627663	19.70035
	Earnings Volatility	0.0000496	0.000105	0.000524	0.000000352	3.037048	11.07053
	Cash Flow Volatility	0.0000966	0.000218	0.001267	0.000000674	2.94135	11.43577
Dependent Variables (Corporate Financial Performance)	Return on Assets (ROA)	0.052147	0.074274	0.545567	-0.174492	1.998438	13.16278
	Return on Equity (ROE)	0.047956	0.402831	0.333109	-6.136991	-14.0334	215.4667
	Earnings Per Share (EPS)	0.718423	1.493908	6.971556	-3.00577	1.289359	6.597182

Source: Author's calculations using EViews 12.

The financial leverage ratio (X1) has a moderate variability of an average of 25.4% and a standard deviation of 21.8, indicating the different capital structure choices of GCC companies. The intensity of capital expenditure (X2) is highly positively skewed (3.63), indicating that most companies have conservative investment strategies with infrequent aggressive capital investment (Batra & Verma, 2023). The volatility values (X3, X4) show very high kurtosis values of more than 11.0 which represent kurtic distributions with a more probable occurrence of extreme financial events (Akbar & Ranguti, 2025). However, the heterogeneity in the performance measures can be seen ROA displays decent profitability (mean 5.2%) with moderate dispersion, whereas ROE displays excessive dispersion (standard deviation 40.3 %) and negative skewness (-14.03), and which is supported by occasional extreme profitability failures. The large values of the

kurtosis variables across variables indicate that the distributions are non-normal, thus favouring the application of consistent econometric tools (Hasanah et al., 2025).

4.3 Vector Autoregression Analysis

Table 5: VAR Model Summary Statistics

	X1	X2	X3	X4	Y1	Y2	Y3
X1(-1)	0.067599 (0.07501) [0.90119]	0.013465 (0.01641) [0.82063]	-3.34E-05 (3.7E-05) [-0.89828]	3.92E-05 (6.5E-05) [0.60148]	-0.052250 (0.02560) [-2.04084]	-0.059475 (0.14889) [-0.39945]	-0.764170 (0.52344) [-1.45991]
X1(-2)	-0.178733 (0.07403) [-2.41436]	-0.004152 (0.01619) [-0.25638]	9.38E-05 (3.7E-05) [2.55709]	0.000241 (6.4E-05) [3.75597]	0.057944 (0.02527) [2.29325]	0.033660 (0.14694) [0.22907]	-0.312583 (0.51658) [-0.60510]
X2(-1)	0.328243 (0.30267) [1.08448]	-0.018527 (0.06621) [-0.27983]	-4.47E-05 (0.00015) [-0.29814]	-0.000314 (0.00026) [-1.19324]	0.023759 (0.10331) [0.22999]	-0.001606 (0.60078) [-0.00267]	-2.598343 (2.11208) [-1.23023]
X2(-2)	-0.369682 (0.29279) [-1.26264]	-0.062419 (0.06404) [-0.97462]	-0.000211 (0.00015) [-1.45075]	-0.000620 (0.00025) [-2.43703]	-0.057728 (0.09993) [-0.57768]	0.173127 (0.58116) [0.29790]	2.097429 (2.04309) [1.02660]
X3(-1)	433.7815 (215.627) [2.01172]	63.24873 (47.1665) [1.34097]	0.100713 (0.10687) [0.94241]	-0.104099 (0.18724) [-0.55595]	-38.87168 (73.5964) [-0.52817]	15.87685 (428.005) [0.03710]	171.0756 (1504.67) [0.11370]
X3(-2)	557.9292 (216.001) [2.58299]	-30.56918 (47.2483) [-0.64699]	0.088511 (0.10705) [0.82680]	1.075439 (0.18757) [5.73356]	11.78299 (73.7239) [0.15983]	-165.4763 (428.747) [-0.38595]	3982.934 (1507.28) [2.64246]
X4(-1)	-142.5715 (93.2972) [-1.52814]	-35.49074 (20.4079) [-1.73907]	-0.078120 (0.04624) [-1.68947]	-0.067880 (0.08102) [-0.83786]	-39.48339 (31.8435) [-1.23992]	-68.66194 (185.188) [-0.37077]	-613.0746 (651.038) [-0.94169]
X4(-2)	-216.9662 (91.5440) [-2.37008]	-4.662526 (20.0244) [-0.23284]	-0.040617 (0.04537) [-0.89524]	-0.187011 (0.07949) [-2.35251]	-58.71488 (31.2451) [-1.87917]	16.27094 (181.708) [0.08954]	-1493.726 (638.804) [-2.33832]
Y1(-1)	0.382837 (0.27030) [1.41633]	0.105242 (0.05913) [1.77997]	-0.000179 (0.00013) [-1.33556]	-2.31E-05 (0.00023) [-0.09838]	-0.010600 (0.09226) [-0.11490]	-0.341468 (0.53653) [-0.63644]	0.500455 (1.88619) [0.26533]
Y1(-2)	-1.175238 (0.27043) [-4.34585]	-0.119410 (0.05915) [-2.01865]	0.000221 (0.00013) [1.64621]	0.001007 (0.00023) [4.28803]	0.168124 (0.09230) [1.82149]	0.553513 (0.53678) [1.03118]	-0.483076 (1.88707) [-0.25599]
Y2(-1)	-0.063294 (0.03491) [-1.81302]	-0.006247 (0.00764) [-0.81803]	1.19E-05 (1.7E-05) [0.68978]	1.37E-05 (3.0E-05) [0.45067]	0.004980 (0.01192) [0.41795]	0.002121 (0.06930) [0.03060]	0.108200 (0.24361) [0.44414]
Y2(-2)	0.078308 (0.03481) [2.24948]	0.007113 (0.00761) [0.93405]	-4.32E-05 (1.7E-05) [-2.50223]	-9.97E-05 (3.0E-05) [-3.29850]	-0.006062 (0.01188) [-0.51021]	-0.019361 (0.06910) [-0.28019]	-0.432930 (0.24292) [-1.78220]

Y3(-1)	-0.021567	0.004215	1.24E-05	9.88E-06	0.014819	0.063223	0.233034
	(0.01030)	(0.00225)	(5.1E-06)	(8.9E-06)	(0.00352)	(0.02044)	(0.07187)
	[-2.09411]	[1.87125]	[2.43487]	[1.10509]	[4.21571]	[3.09275]	[3.24264]
Y3(-2)	0.025476	0.004294	-1.00E-05	-2.67E-06	-0.010751	-0.016242	-0.148794
	(0.01062)	(0.00232)	(5.3E-06)	(9.2E-06)	(0.00362)	(0.02107)	(0.07407)
	[-2.39996]	[1.84942]	[-1.90546]	[-0.28990]	[-2.96725]	[-0.77084]	[-2.00870]
C	0.307513	0.032038	4.18E-05	-1.98E-05	0.051397	0.016794	0.955809
	(0.03694)	(0.00808)	(1.8E-05)	(3.2E-05)	(0.01261)	(0.07333)	(0.25781)
	[8.32356]	[3.96441]	[2.28552]	[-0.61802]	[4.07598]	[0.22901]	[3.70748]
R-squared	0.167232	0.131631	0.098706	0.365149	0.165078	0.047110	0.139450
Adj. R-squared	0.119253	0.081602	0.046780	0.328573	0.116975	-0.007789	0.089870
Sum sq. resids	10.16471	0.486356	2.50E-06	7.66E-06	1.184131	40.04838	494.9611
S.E. equation	0.204524	0.044738	0.000101	0.000178	0.069807	0.405966	1.427192
F-statistic	3.485560	2.631075	1.900893	9.983336	3.431794	0.858127	2.812671
Log likelihood	51.10467	443.2306	2014.413	1869.719	328.4435	-125.7757	-450.1322
Akaike AIC	-0.279881	-3.319617	-15.49932	-14.37766	-2.429794	1.091285	3.605676
Schwarz SC	-0.073314	-3.113050	-15.29276	-14.17110	-2.223227	1.297852	3.812243
Mean dependent	0.254163	0.034743	4.86E-05	9.51E-05	0.051949	0.048041	0.715145
S.D. dependent	0.217931	0.046683	0.000104	0.000217	0.074287	0.404394	1.495997
Determinant resid covariance (dof adj.)	3.97E-24						
Determinant resid covariance	2.61E-24						
Log likelihood	4442.407						
Akaike information criterion	-33.62331						
Schwarz criterion	-32.17733						
Number of coefficients	105						

Source: Author's calculations using EViews 12.

The VAR analysis reveals significant dynamic relationships between risk-taking and the performance variables. The system indicates a reasonable fit with F-statistics of importance at the 1 percent level of key equations. According to financial leverage, ROA, and the use of Granger causality tests (the full results can be obtained upon request), there is two-way causality, which ensures that the decisions made by CFOs can be endogenous (Babarinde, 2020).

The performance of the impulse response functions indicates that the leverage shock movements negatively impact ROA in the six periods, whereas the earnings volatility shock movements influence EPS positively but gradually. These moving patterns prove that the relationship between risk and performance is complex and varies with time in the GCC markets (Oliva et al., 2021).

4.4 Hypothesis Testing Results

To test the relationship between CFO risk-taking proxies(independent variables) and return on assets (the dependent variable), multiple regression analysis was used. The results of this analysis are given in the following table, and using them, one may interpret the connexion between CFO risk-taking and the return on assets. The results of the statistical analysis were the following (Lucian et al., 2017).

4.4.1 Return on Assets (ROA) Model

Table 6:Regression Results - Return on Assets (Y1) as Dependent Variable

Variables	Regressi on coefficie nt (B)	Standar error d of the coefficie nt	t- statisti c (T- value)	Significan level (p- ce value / Sig.)	R multiple) correlatio (n	R- square d	F- statisti c	Prob(F - statisti c)
Constant	0.064918	0.006819	9.52039	0.00000	0.624181	0.389602	40.69011	0
Financial Leverage Ratio (X1)	-0.116363	0.018858	-6.170379	0.00000				
Capital Expenditu re Intensity (X2)	0.159482	0.081057	1.967532	0.0502				
Earnings Volatility (X3)	421.2642	52.54362	8.017418	0.00000				
Cash Flow Volatility (X4)	-100.232	24.43938	-4.101249	0.0001				

Source: Author's calculations using EViews 12.

The ROA model has a high explanatory power ($R^2 = 38.96\%$) and a significant overall fit ($F = 40.69$, $p < 0.001$). Financial leverage has a strong negative coefficient ($\beta = -0.116$, $p = 0.001$),

implying that an increase in debt load decreases the profitability of assets, which is a familiar risk-return trade-off in corporate finance (Darmono et al., 2024). There is a marginally positive impact of capital expenditure intensity ($\beta = 0.159$, $p = 0.050$), indicating that timely investment could lead to increased asset efficiency (Chen & Chang, 2020).

Notably, the earnings volatility coefficient is large and positive ($\beta = 421.26$, $p < 0.001$), indicating that selective operational risk-taking can lead to better performance, whereas the cash flow volatility coefficient is large and negative ($\beta = -100.23$, $p < 0.001$), indicating that liquidity instability undermines asset efficiency (Duong et al., 2020).

4.4.2 Return on Equity (ROE) Model

Table 7: Regression Results - Return on Equity (Y2) as Dependent Variable

Variables	Regression coefficient (B)	Standard error of the coefficient	t-statistic (T-value)	Significance level (p-value / Sig.)	R multiple correlation (n)	R-squared	F-statistic	Prob(F-statistic)
Constant	0.128199	0.04634	2.76643	0.0061	0.20391665	0.041582	2.765837	0.028037
Financial Leverage Ratio (X1)	-0.401804	0.12816	-3.13513	0.0019				
Capital Expenditure Intensity (X2)	0.861291	0.55087	1.56353	0.1192				
Earnings Volatility (X3)	-19.63118	357.088	-0.05498	0.9562				
Cash Flow Volatility (X4)	-76.80443	166.091	-0.46242	0.6442				

Source: Author's calculations using EViews 12.

The ROE model has a small explanatory power ($R^2 = 4.16\%$), but it is statistically significant ($F = 2.77$, $p = 0.028$). Leverage (financial) is the only leverage that shows significant effects ($\beta = -0.402$, $p = 0.002$), which means that an increase in leverage significantly minimises equity returns. The low explanatory power relates to the large volatility of ROE reported in the descriptive statistics, which could be due to base changes in equity and sector heterogeneity that are not reflected by the risk proxies (Galant & Cadez, 2017).

4.4.3 Earnings Per Share (EPS) Model

Table 8: Regression Results - Earnings Per Share (Y3) as Dependent Variable

Variables	Regression coefficient (B)	Standard error of the coefficient	t-statistic (T-value)	Significance level (p-value / Sig.)	multiple) R (correlation	R-squared	F-statistic	Prob(F-statistic)
Constant	0.54827	0.16907	3.24296	0.0013	0.269197	0.072467	4.980729	0.000699
Financial Leverage Ratio (X1)	0.13792	0.46757	0.29496	0.7683				
Capital Expenditure Intensity (X2)	-1.27362	2.00971	-0.63473	0.5262				
Earnings Volatility (X3)	4523.65	1302.76	3.47236	0.0006				
Cash Flow Volatility (X4)	-458.412	605.946	-0.75652	0.45				

Source: Author's calculations using EViews 12.

The EPS model reported moderate explanatory power ($R^2 = 7.25\%$) with a significant overall fit ($F = 4.98, p < 0.001$). The first significant predictor is earnings volatility ($\beta = 4523.65, p < 0.001$), which indicates that earnings variability, when appropriately addressed, can be converted into increased per-share profitability. This observation suggests that a certain amount of earnings volatility may be indicative of growth opportunities as opposed to actual risk (Hada, 2020).

4.4.4 Hypothesis Decisions (H1–H4)

H1. Higher financial leverage is associated with lower corporate financial performance. ROA and ROE are supported, while EPS is not. Leverage is also negative and large in the ROA model ($\beta = -0.116, p < .001$; Table 5). Negative and significant leverage ($\beta = -0.402, p = .0019$; Table 6). also occurs in the ROE model. Leverage is not relevant to the EPS model ($\beta = 0.138, p = .768$; Table 7). This tendency is in line with the theory that operating and equity returns may be depressed by debt overhang and financial risk (Jensen & Meckling, 1976; Yapa Abeywardhana, 2016). Thus, it can be concluded that this hypothesis is supported in terms of ROA and ROE, but not EPS.

H2. Greater capital expenditure intensity is positively associated with corporate financial performance. The result of the Capex intensity with ROA is marginally ($\beta = 0.159, p = .0502$; Table 5) but not significant for ROE ($\beta = 0.861, p = .119$; Table 6) or EPS ($\beta = -1.274, p = .526$; Table 7). This implies an operating efficiency payback of investment in the near term but insignificant contemporaneous impacts on equity and per-share performance (Batra & Verma, 2023; Pham & Dao, 2022).

H3. Higher earnings volatility is associated with better corporate financial performance.

ROA and EPS were supported, while ROE was not. Earnings volatility is significant and positive for ROA ($\beta \approx 421.26$, $p < .001$; Table 5) and EPS ($\beta \approx 4523.65$, $p = .0006$; Table 7), but not for ROE ($\beta = -19.63$, $p = .956$; Table 6). Because the volatility measure is small, the large coefficients are units but not outsized effects. The findings support a selective risk-return trade-off in operating and per-share performance (Andersen & Sax, 2019; Pham & Dao, 2022)

H4. The financial performance of companies is lower when cash flow is more volatile. Evidence. At this point, it is supported by ROA but not by ROE/EPS. Cash flow volatility is significant and negative with ROA ($\beta \approx -100.23$, $p = .0001$; Table 5), but not with ROE ($\beta = -76.80$, $p = .644$; Table 6) or EPS ($\beta = -458.41$, $p = .450$; Table 7). This is consistent with the fact that liquidity instability decreases operating efficiency (e.g. Jiang et al., 2021).

Chapter 5: Discussion, Conclusion and Policy Implications

5.1 Introduction

This final chapter synthesises and interprets the empirical findings presented in Chapter 4. It aims to move beyond the statistical findings and provide a comprehensive discussion of their meaning which relates them to the original aims of the research and the existing literature. The chapter starts with an explanation of the major findings against each hypothesis and identifies the tendencies and contradictions. Then it will provide The overall conclusion of the study is then presented, followed by a critical evaluation of the study's limitations. Finally, it provides practical suggestions for corporate practitioners and policymakers in the GCC region and proposes directions for future scholarly research.

5.2 Discussion of Key Findings

The main aim of this study was to examine how CFO risk-taking behaviour relates to the corporate financial performance of GCC-listed firms. The findings demonstrate that the influence of risk is rather complicated and multidimensional and depends greatly on the nature of the risk factor and the measure of performance.

5.2.1 The Decisive Negative Impact of Financial Leverage

The results of H1 present an excellent case that the positive relationship between greater financial leverage and Return on Assets (ROA) and Return on Equity (ROE) is highly significant and negative. This was the most decisive result of the study. The adverse effect on ROA ($\beta = -0.116$) confirms that a high debt burden reduces operational profitability which is in line with debt overhang and agency cost theories (Jensen & Meckling, 1976). The effect on ROE was even more

evident ($\beta = -0.402$), directly defying the conventional wisdom that leverage should enhance shareholder returns in profitable firms. This implies that, in the case of the sampled GCC firms, the costs and risks of debt, including financial distress and restrictive covenants, overshadow the benefits of the tax shield and financial amplification. The statistically insignificant outcome of EPS only adds to the narrative to suggest that leverage diminishes profitability, but the impact on per-share earnings is less clear, which could be masked by share buybacks or other techniques of financial engineering that do not measure underlying performance.

5.2.2 The Ambiguous Role of Capital Investment

The partial support for H2 which states that the benefits of capital expenditure are not straightforward. The slightly positive correlation with ROA ($p = .0502$) indicates that capital investments can contribute positively to the efficiency of operations in the near term, which is consistent with Chen and Chang (2020). The insignificance of the relationship between ROE and EPS, however, suggests that there is no connexion between operational returns and the creation of shareholder value. This might suggest that capital expenditure is not immediately compensated in the market; that is, they may consider it a long-term and uncertain bet and not a source of immediate value. This also indicates that GCC companies are not investing capital with optimal efficiency and that the resulting projects can improve operations but do not offer a decent payoff on equity.

5.2.3 The Duality of Volatility: A Risk-Return Paradox

The most paradoxical findings emerged from the volatility analysis (H3 and H4). The results paint a clear picture of two distinct types of volatility with opposing effects on the stock market.

- Earnings Volatility as a Proxy for Growth (H3): The high positive relationship between earnings variability and both ROA and EPS ($p < .001$ both) indicates that in the GCC setting, earnings variability is viewed as an indicator of dynamic growth opportunities and not as pure risk (Hada, 2020). CFOs who adopt strategies that result in fluctuating earnings might be doing new projects that have greater returns or venturing into new markets that have greater returns. This is supported by the VAR analysis which indicates that earnings volatility shocks affect EPS positively and in the short term.
- Cash-Flow Volatility as a Drain on Performance (H4): Cash flow volatility was, in contrast, a substantial burden on operating performance (ROA, $p = .0001$). This perfectly coincides with the perspective that instability in liquidity is, in fact, a negative factor, as it undermines the capacity of a firm to run its business operations and fulfil its duties (Jiang et al., 2021). This was also affirmed by the VAR analysis, as impulse responses indicated that leverage shocks, which are an important source of cash flow instability, have lasting negative impacts on ROA.

The most important lesson of this study is this duality: CFOs in the GCC are paid to be volatile in earnings but punished for being volatile in cash flow. Here, a fine-tuning exercise is performed. An effective CFO needs to go out there and seek growth opportunities that generate good volatility (in earnings) and have the discipline to guarantee the operational liquidity and prevent bad volatility (in cash flows).

5.3 Conclusion

This dissertation investigates the impact of CFO risk-taking on corporate financial performance in the GCC. The study concludes that the relationship is not monolithic but highly nuanced. Three core conclusions emerge from this study.

1. Financial leverage is unequivocally detrimental to both the operational and equity performance of the firms studied, implying that the GCC market's reaction to debt is highly risk-averse.
2. Volatility is a double-edged sword. The strategic risk earnings volatility seems to be compensated by the market as a part of growth and expansion. However, it punishes the working risk related to cash flow volatility, as it is connected with inefficiency and instability.
3. The impact of CFO risk-taking is most clearly observed at the operational level (i.e. ROA). These effects are less direct when they translate to shareholder-specific returns, such as ROE and EPS, and are often non-significant, indicating an apparent lack of connexion between operational health and the achievement of value to shareholders in the short term.

Ultimately, this research demonstrates that effective financial leadership is not about simply taking or avoiding risk but having a portfolio of various risks managed strategically.

5.4 Limitations of the Study

While this study provides valuable insights, its limitations must be acknowledged to contextualise the findings.

1. **Sample Size and Scope:** The research was narrowed down to 26 GCC-based publicly traded companies. Although this study provided 260 firm-year observations, the results may not be extrapolated to privately owned firms, smaller firms, or companies in other regions.

2. **Endogeneity Concerns:** The regression models can still be prone to endogeneity, even though the analysis of the dynamics in feedback is done using VAR. There can be a two-way causality relationship that is not exhaustive between firm performance and the risk-taking decision of a CFO.
3. **Proxy Variable Limitations:** The study used financial statement data to derive proxies for CFO risk-taking. Such quantitative indicators (e.g. leverage and capex intensity) might fail to represent the qualitative side of risk appetite, strategic vision, and the decision-making process by a CFO.
4. **Extreme Data Values:** According to the descriptive statistics, the high volatility and negative skewness of the ROE data were outliers that reduced the ability of the respective regression model to explain variability. Although this is a finding, it also limits the inferences that can be made regarding what determines shareholder returns.

5.5 Recommendations

Based on the empirical findings, the following recommendations are proposed.

5.5.1 Recommendations for Corporate Practitioners (CFOs and Boards)

- **Prioritise Balance Sheet Health:** CFOs in the GCC must be cautious about financial leverage. The indication is quite strong that a conservative capital structure will most probably imply improvement in operational and equity returns.
- **Manage Volatility Strategically:** Distinguish between productive and destructive volatility. Another idea that can be practised is to create a culture of seeking strategic initiatives that can contribute to earnings volatility, but with strong treasury and cash management functions to reduce cash flow volatility.

- **Improve Capital Allocation Discipline:** Because the consequences of capital expenditure are unclear, boards must insist on better explanations of investment projects and pay special attention to metrics that can correlate operational benefits to shareholder value creation (for example, Return on Invested Capital).

5.5.2 Recommendations for Future Research

- **Qualitative Investigation:** Future research can consider a qualitative method, such as interviewing GCC CFOs to gain insight into the cognitive and behavioural factors that motivate them to take risks. This would be a deep complement to the quantitative results of the study.
- **Expanded Scope:** The research might have been conducted based on a broader and more varied sample of firms across various industry sectors and non-listed companies, as this would have tested the external validity of the findings.
- **Advanced Econometric Models:** Future research may employ more sophisticated panel data models (for example, GMM) that are specifically designed to better address endogeneity and make stronger causal inferences.
- **Event Study Analysis:** To gain a better understanding of the effect of taking risks on shareholder value, an event study may be performed on how the market responds to particular corporate events, such as large issuances of debt or announcements of large capital projects.

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Appendix:

Appendix 1: Logbook

The Newcastle Business School Masters Dissertation

LOGBOOK

Student Name	Sara Hamad Almarri
Student ID Number	24053643
Programme	Msc. Finance
Email address	Sara.marri@northumbria.ac.uk

The logbook is to record your progress through the Masters Dissertation. It is evidence that you have met various criteria associated with the dissertation.

CONFIDENTIALITY

This is regarded as an exceptional procedure and must be agreed with the Dissertation Supervisor and declared on submission.

The Supervisor must confirm & agree that the dissertation contains commercially sensitive information. This is the only basis upon which a dissertation may be regarded as confidential.

AGREEMENT OF SUPERVISOR: _____ DATE: _____

MASTERS DISSERTATION SUPERVISION LOGBOOK – A BRIEF GUIDE

This Logbook is used to record your progress on the Dissertation and to provide a record of the discussions you have had with your Supervisor and the action points that have been agreed.

Contact and/or meetings with your Supervisor should be on a regular basis. Meetings are important for you to obtain advice and guidance from your Supervisor.

Prior to each meeting, you should complete the first two sections of the meeting record form, the other parts should be completed at the end of the meeting by the student and signed by both you and your Supervisor.

For students working on their dissertation remotely, there is an electronic version of the Logbook available on the e-Learning Portal site (UK Students – NX0422 / CV Students – NX0419), to be used when communicating with your supervisor.

The Logbook will NOT be assessed. It is designed solely as a mechanism to help you progress your Dissertation.

Please note – the effective and successful management of the Masters Dissertation is ultimately the student's own responsibility and the ability to do so is part of the learning requirement of the Newcastle Business School Masters Programmes.

Masters Dissertation Supervisor

For all matters in connection with the process and research issues of your dissertation (eg subject related advice, methodologies, content and structure of dissertation) or remote supervision please contact your personal Masters Dissertation Supervisor.

Postgraduate Academic Facilitators

For all matters regarding late submission of your dissertation and deferment or clarification of any aspect of the administrative arrangements you should see staff in the administrative office.

LOG OF FIRST MEETING

Date and time of meeting	2 Jun 2025	Duration	1 hour
First meeting			
We introduced ourselves and presented our dissertation topics to Dr. William Klubinski. He provided valuable tips to start working on the dissertation and gave feedback on our proposals. He also requested that we send him the ethical form for approval so that we could begin our research.			
Any issues, concerns, problems that have arisen of which you wish to discuss:			
No major concerns, except the need to secure ethical approval before starting data collection.			
Supervisor's comments:			
Dr. William provided constructive feedback on the dissertation proposal and highlighted the importance of obtaining ethical clearance before proceeding with the research.			
Agreed tasks or action plan for next meeting:			
Submit the ethical approval form and prepare for the initial literature review and methodology refinement.			
Date & time of next meeting	17 July 2025, 11:00 Qatar time (09:00 UK time)		
Student signature	Sara Almarri		

Supervisor signature	
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LOG OF Second Meeting

Date and time of meeting	17 Jul 2025	Duration	1 hour
Second meeting			
Since the last meeting, I have made significant progress in Chapter 1 and started developing Chapter 2 (Literature Review).			
Any issues, concerns, problems that have arisen of which you wish to discuss:			
Needed feedback on Chapter 1 to ensure alignment with research objectives and guidance for improving Chapter 2.			
Supervisor's comments:			
Provided feedback on Chapter 1 and suggested ways to improve clarity and depth. Offered guidance on structuring and expanding the literature review in Chapter 2.			
Agreed tasks or action plan for next meeting:			

Incorporate the feedback into Chapter 1, expand and refine the literature review for Chapter 2	
Date & time of next meeting	
Student signature	Sara Almarri
Supervisor signature	

Appendix 2: Ethics Approval Form

Student Project Approval Form

You should complete this document and then discuss the approval form with your supervisor before commencing any form of primary data collection. *Failure to complete this document and to have all aspects signed off and approved by your supervisor risks a notable deduction in your grade and may risk a case of Academic Misconduct. Please see the module*

Tutor sign off	
Ethics form complete	(Yes/No)
Ethical concerns acknowledged	(Yes/No)
Research tool checked	(Yes/No)
Organisation consent	(Yes/No)
Anonymise organisational name?	(NA / Named / Anonymous)

<u>Student name:</u>	Sara Hamad Almarri
Project title:	The Impact of CFO Risk-Taking Behavior on Corporate Financial Performance
Supervisor name:	Dr William Joseph Klubinski
Project Aim or question:	To examine the relationship between CFO risk-taking behavior and corporate financial performance, using financial ratios as proxies for behavioral traits, and analyzing how they relate to both accounting-based and market-based performance measures.
Overview of your project	

What is your study and why is it important? (max 150 words)	This project investigates how the risk preferences of Chief Financial Officers (CFOs) influence company performance. Focusing on financial risk indicators such as debt ratios and R&D intensity, the study will analyze their relationship with profitability and market valuation metrics. This is important because while CEOs are well studied, CFOs have a more direct impact on financial decisions, yet their behavioral influence is less explored. Understanding these dynamics can offer valuable insights to investors and boards about leadership impacts.	
Description of the research sample or population <i>We would like to know here from whom and how you intend to collect your data. Somebody should be able to read this and replicate the process you will follow. Please write this in the future tense.</i>		
Is your research being undertaken within an organisation or you are using an organisation's data? That is, do you need Organisational consent? [please tick as appropriate]	Yes	
	No	☒
If you are researching in an organisation or using their data, who has provided the consent?	The study will use secondary financial data from public sources such as Refinitiv. Data will be collected for a sample of publicly listed firms over a five-year period. Variables will include ROA, ROE, Tobin's Q, debt ratios, R&D intensity, and earnings volatility. No primary data collection or participant involvement is required.	
How specifically will you collect / generate data? What method/s are you intending to use?	I will collect financial performance and risk-related variables from Refinitiv database. These sources provide company-level metrics for listed firms.	
Describe the participants/sample that you will recruit.	No participants will be recruited as the study relies solely on secondary financial data.	
What is your anticipated sample size ?	Approximately 30–50 publicly listed companies, depending on data availability and completeness.	
How will you recruit?	Recruitment is not applicable since no human participants are involved.	
Briefly, how will you analyse your data? (e.g. <i>quantitative t-tests, correlation etc.</i> ; <i>qualitative thematic analysis etc.</i>)	I will use quantitative methods such as panel regression and correlation analysis to examine the relationship between risk proxies and firm performance indicators.	

Part Two: Ethical risk

Areas of potential risk <i>Please indicate how you will eliminate, or as a minimum ameliorate, the following areas of potential risks throughout the processes of research design, data generation, data analysis and dissemination.</i>		
Area of risk	Questions relating to this risk	How will you mitigate against this risk?
Avoiding harm to all involved in or potentially affected by the research	How will you ensure that your participants/respondents come to no harm (psychological; emotional; physical). e.g. not subjecting them to questioning about sensitive issues without advance agreement?	There are no participants involved. The study uses secondary financial data from publicly available databases, so there is no risk of emotional or physical harm.
	How will you ensure your own safety (beyond just physical) in undertaking the Enquiry?	The research is desk-based, using secure digital access. There is no physical, emotional, or psychological risk associated with the research process.
Ensuring the anonymity of all participants/respondents	How will you ensure anonymity in collecting/generating data?	The data relates to corporate financial performance, not individuals. No personally identifiable information is collected.
	How will you ensure anonymity in reporting the data?	Company-level data will be anonymized where needed. No names of individuals will be mentioned or disclosed in the report.
Gaining informed consent from all participants / respondents	How will you ensure respondent/participant consent in advance? You should provide a copy of the necessary consent form/s with this document.	Not applicable. Since no human participants are involved, no consent is required.
	(How) might participants/respondents be able to withdraw their data?	Not applicable, as the data is already published in the public domain and no individual contributions are collected.
Avoiding deception	How will you promote accuracy in recording, analysis, reporting of the data/findings?	I will use accurate data from reputable source (Refinitiv) and apply clear, academically approved analysis methods. All findings will be honestly reported.
Data storage and destruction	How will you transport and store your data securely? (e.g. password protected; cloud storage)	Data will be stored on a password-protected device and backed up using university-approved secure cloud storage (e.g. OneDrive).

Appendix 3: List of Sampled Firms (GCC Industrial, Energy, Petrochemical, 2015–2024)

Country	Exchange	Ticker	Company_Name	Sector	Data Availability	Primery Sources	Available years of data	companies site data avilability	Renetiv
Qatar	QSE	AHCS	Aamal Company	Industrial	Available	QSE, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
Qatar	QSE	GISS	Gulf International Services Q.P.S.C.	Industrial	Available	QSE, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
Qatar	QSE	GWCS	Company	Industrial	Available	QSE, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
Qatar	QSE	IQCD	Industries Qatar Q.P.S.C.	Petrochemicals	Available	QSE, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
Qatar	QSE	MPHC	Mesaieed Petrochemical Holding Company Q.P.S.C.	Petrochemicals	Available	QSE, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
Qatar	QSE	QFLS.QA	QATAR FUEL COMPANY	Energy	Available	QSE, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
Qatar	QSE	QGTS	Qatar Gas Transport Company Limited (Nakilat)	Energy	Available	QSE, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
Qatar	QSE	QNNS	Milaha – Qatar Navigation (QNNS)	Energy	Available	QSE, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	1211	Saudi Arabian Mining Com	Industrials (QE)	Available	Qatar Stock Exchang	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	1301	United Cable Industries Co	Industrials (QE)	Available	Qatar Stock Exchang	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	2040	Saudi Ceramics Company	Industrials (QE)	Available	Qatar Stock Exchang	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	2060	National Industrialization	Petrochemicals	Available	Tadawul, Company V	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	2310	Sahara International Petro	Industrials (QE)	Available	Tadawul, Company V	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	2330	Advanced Petrochemical C	Petrochemicals	Available	Tadawul, Company V	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	2380	Rabigh Refining and Petro	Industrials (QE)	Available	Tadawul, Company V	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	3002	Najran Cement Company	Industrial	Available	Tadawul, Company V	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	3010	Arabian Cement Company	Industrial	Available	Tadawul, Company V	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	3040	Qassim Cement Company	Industrial	Available	Tadawul, Company V	2020-2024 (Stock #	2015-2024	2015-2024
Saudi Arabi	Tadawul	4030	National Shipping Compan	Energy	Available	Tadawul, Company V	2020-2024 (Stock #	2015-2024	2015-2024
UAE	ADX	ADSB	Abu Dhabi Ship Building PJ	Industrial	Available	ADX, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
UAE	ADX	DANA	Dana Gas PJSC	Petrochemicals	Available	ADX, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
UAE	ADX	EMSTEEL	Emirates Steel Arkan PJSC	Industrial	Available	ADX, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
UAE	ADX	NMDC	National Marine Dredging	Industrial	Available	ADX, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
UAE	ADX	RAKCEC	RAK Ceramics PJSC	Industrials (QE)	Available	ADX, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
UAE	ADX	SCIDC	Sharjah Cement & Industrial Dev.	Industrial	Available	ADX, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024
UAE	ADX	TAQA	Abu Dhabi National Energy	Energy	Available	ADX, Company Webs	2020-2024 (Stock #	2015-2024	2015-2024

Appendix 4: Full EViews Output: OLS Regression Models (ROA, ROE, EPS), 2015–2024

Dependent Variable: Y1
Method: Least Squares
Date: 08/26/25 Time: 19:36
Sample: 1 260
Included observations: 260

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.064918	0.006819	9.520390	0.0000
X1	-0.116363	0.018858	-6.170379	0.0000
X2	0.159482	0.081057	1.967532	0.0502
X3	421.2642	52.54362	8.017418	0.0000
X4	-100.2320	24.43938	-4.101249	0.0001
R-squared	0.389602	Mean dependent var	0.052147	
Adjusted R-squared	0.380027	S.D. dependent var	0.074274	
S.E. of regression	0.058482	Akaike info criterion	-2.821141	
Sum squared resid	0.872147	Schwarz criterion	-2.752666	
Log likelihood	371.7483	Hannan-Quinn criter.	-2.793613	
F-statistic	40.69011	Durbin-Watson stat	1.664319	
Prob(F-statistic)	0.000000			

Dependent Variable: Y2
Method: Least Squares
Date: 08/26/25 Time: 19:38
Sample: 1 260
Included observations: 260

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.128199	0.046341	2.766427	0.0061
X1	-0.401804	0.128162	-3.135133	0.0019
X2	0.861291	0.550865	1.563526	0.1192
X3	-19.63118	357.0883	-0.054976	0.9562
X4	-76.80443	166.0909	-0.462424	0.6442
R-squared	0.041582	Mean dependent var	0.047956	
Adjusted R-squared	0.026548	S.D. dependent var	0.402831	
S.E. of regression	0.397448	Akaike info criterion	1.011538	
Sum squared resid	40.28104	Schwarz criterion	1.080012	
Log likelihood	-126.4999	Hannan-Quinn criter.	1.039066	
F-statistic	2.765837	Durbin-Watson stat	2.004866	
Prob(F-statistic)	0.028037			

Dependent Variable: Y3
Method: Least Squares
Date: 08/26/25 Time: 22:56
Sample: 1 260
Included observations: 260

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.548270	0.169065	3.242955	0.0013
X1	0.137915	0.467570	0.294960	0.7683
X2	-1.275619	2.009709	-0.634728	0.5262
X3	4523.645	1302.758	3.472360	0.0006
X4	-458.4115	605.9461	-0.756522	0.4500
R-squared	0.072467	Mean dependent var	0.718423	
Adjusted R-squared	0.057918	S.D. dependent var	1.493908	
S.E. of regression	1.450001	Akaike info criterion	3.600049	
Sum squared resid	536.1383	Schwarz criterion	3.668524	
Log likelihood	-463.0064	Hannan-Quinn criter.	3.627577	
F-statistic	4.980729	Durbin-Watson stat	1.600122	
Prob(F-statistic)	0.000699			

Appendix 5: Sample of Dataset Extract and Variable Calculations

Indicators			Financial Leverage Ratio	Capital Expenditures Intensity	Earnings Volatility	Cash Flow Volatility	Return on Assets (ROA)	Return on Equity (ROE)	Earnings Per Share (EPS)	
Sector	Ticker	Company	year	Total Debt + Total Assets	Capital Expenditures + Total Assets	Standard deviation of EBIT (or Net Income) over T years + Total Assets	Standard deviation of Operating Cash Flow over T years + Total Assets	Net Income + Total Assets	Net Income + Shareholders' Equity	Net Income + Weighted Average Shares
Industrials	1211	Saudi Arabia Mining Company (SAU:sdm)	2024	0.326262973	0.037535873	0.0000013574	1.51817E-06	0.040288907	0.089367587	0.00690651
Industrials	1211	Saudi Arabia Mining Company (SAU:sdm)	2023	0.348985157	0.033648147	0.0000013965	1.55533E-06	0.019570208	0.047851447	0.0079265
Industrials	1211	Saudi Arabia Mining Company (SAU:sdm)	2022	0.385663397	0.022630157	0.0000014001	1.55833E-06	0.184033285	0.282333674	0.018194623
Industrials	1211	Saudi Arabia Mining Company (SAU:sdm)	2021	0.465547832	0.043045475	0.0000015118	1.6139E-06	0.065476714	0.193786834	0.075266473
Industrials	1211	Saudi Arabia Mining Company (SAU:sdm)	2020	0.51313183	0.045255952	0.0000016189	1.73669E-06	-0.007032211	-0.022678901	0.019591439
Industrials	1211	Saudi Arabia Mining Company (SAU:sdm)	2019	0.523376368	0.028363016	0.0000015387	1.78174E-06	-0.030365574	-0.041210007	0.009332509
Industrials	1211	Saudi Arabia Mining Company (SAU:sdm)	2018	0.55307345	0.07284536	0.0000015319	1.77309E-06	0.025085734	0.088230435	0.004858191
Industrials	1211	Saudi Arabia Mining Company (SAU:sdm)	2017	0.567277248	0.030036159	0.0000016425	1.82933E-06	0.003232654	0.053771107	0.010165965
Industrials	1211	Saudi Arabia Mining Company (SAU:sdm)	2016	0.563626551	0.089679673	0.0000016595	1.84528E-06	-0.000737603	-0.002740114	0.026470437
Industrials	1211	Saudi Arabia Mining Company (SAU:sdm)	2015	0.506384481	0.15157126	0.0000017479	1.9468E-06	0.003953398	0.031500358	0.023680472
Industrials	1301	United Wire Factories Co (SAU:ufc)	2024	0.005950083	0.088819749	0.0004403542	0.00075867	0.05182015	0.196321358	1.153426621
Industrials	1301	United Wire Factories Co (SAU:ufc)	2023	0.007704296	0.056260673	0.0004256045	0.000733258	0.057557846	0.181785972	0.186168847
Industrials	1301	United Wire Factories Co (SAU:ufc)	2022	0.007274119	0.054819	0.0003374307	0.000581547	0.186365975	0.033626272	-1.440783235
Industrials	1301	United Wire Factories Co (SAU:ufc)	2021	0.006542224	0.010423544	0.0003879342	0.000668357	0.182580336	0.033833336	-1.228448361
Industrials	1301	United Wire Factories Co (SAU:ufc)	2020	0.006304757	0.006163569	0.0003782055	0.000651833	0.140010385	0.04209887	-2.18633013
Industrials	1301	United Wire Factories Co (SAU:ufc)	2019	0.006239526	0.0041827	0.0003214435	0.00053903	0.054573787	0.016910524	0.4339306352