THE IMPACT OF CFO RISK-TAKING BEHAVIOUR ON CORPORATE FINANCIAL PERFORMANCE

Evidence from Industrial, Energy & Petrochemical Sectors in Qatar, Saudi Arabia, and the UAE

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1 Introduction

- GCC economies exceed USD 2.3 trillion in combined economic output (GCC Statistical Centre, 2025)
- Capital-intensive sectors (oil, gas, manufacturing) represent a substantial share of GCC economic activity.
- Agency and Upper Echelons theories suggest that leverage-related risk can reduce firm value, while CFO characteristics critically influence financial decisions.
- Yet, empirical evidence on CFO risk-taking in GCC markets remains limited.

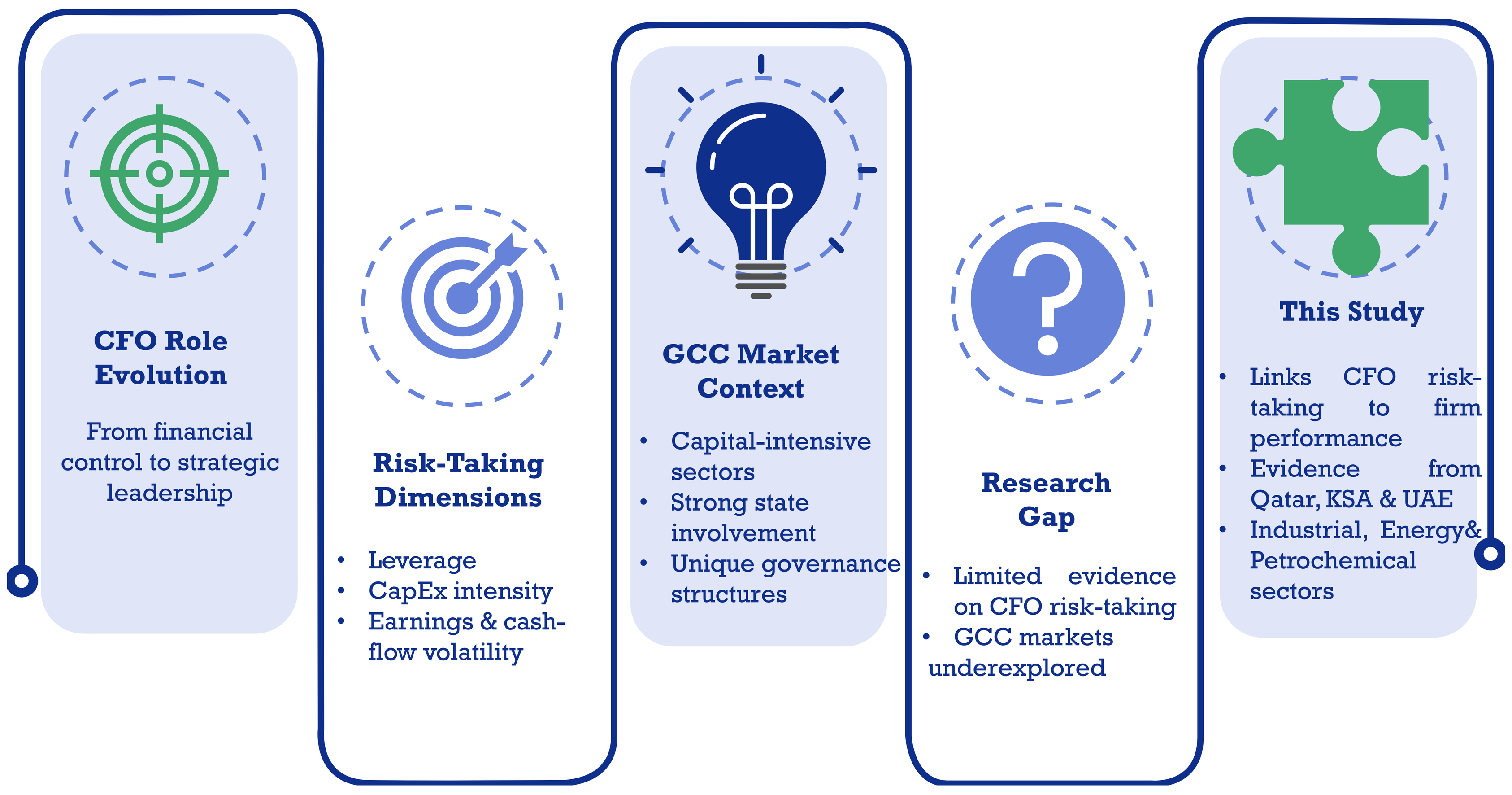


Figure 1: Overview of CFO role evolution, risk-taking dimensions, and the research gap in the GCC.

2 Research Aim & Questions

Aim

Examine how CFO risk-taking behaviour affects corporate financial performance in GCC capital-intensive sectors.

Research Questions

- How does CFO risk-taking behaviour affect corporate financial performance in GCC capital-intensive sectors?
- Which financial decisions best capture CFO risk-taking behaviour?
- Do risk–performance relationships differ across Industrial, Energy, and Petrochemical sectors?

3 Methodology

A

Research design:
- Quantitative panel data analysis with 260 firm-year observations
- Sample: 26 listed firms from Qatar (8), Saudi Arabia (10), UAE (8)
- Period: 2015-2024 (10 years) , Sectors: Industrial, Energy, Petrochemical

B

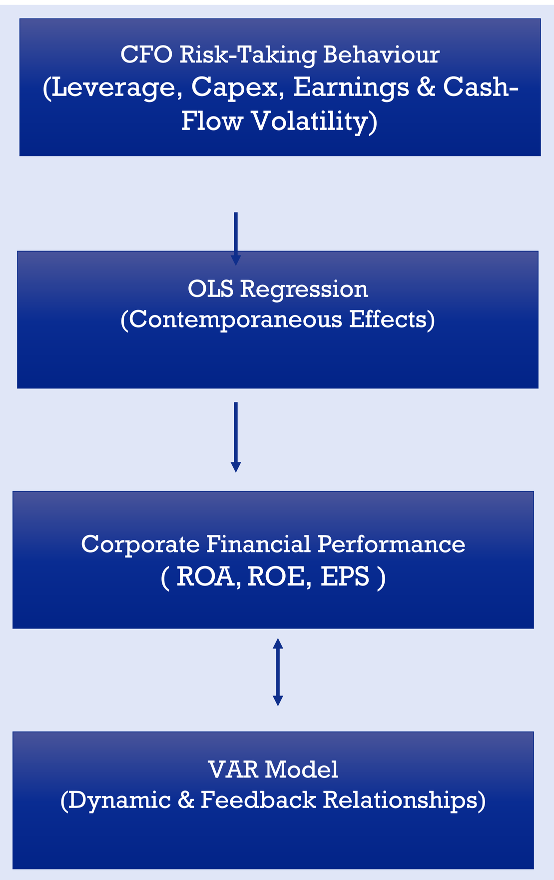
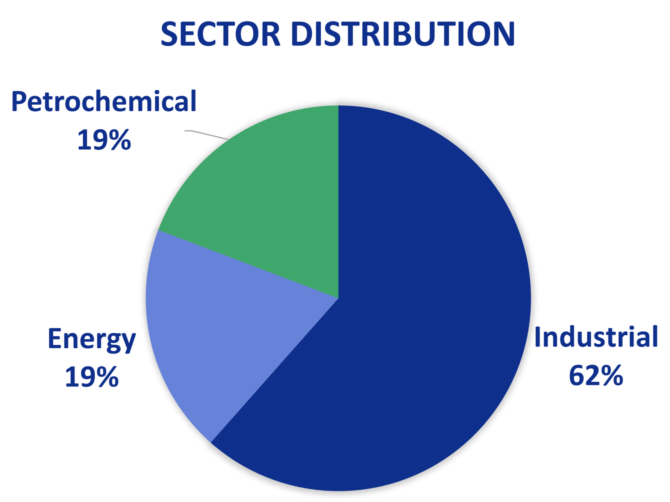


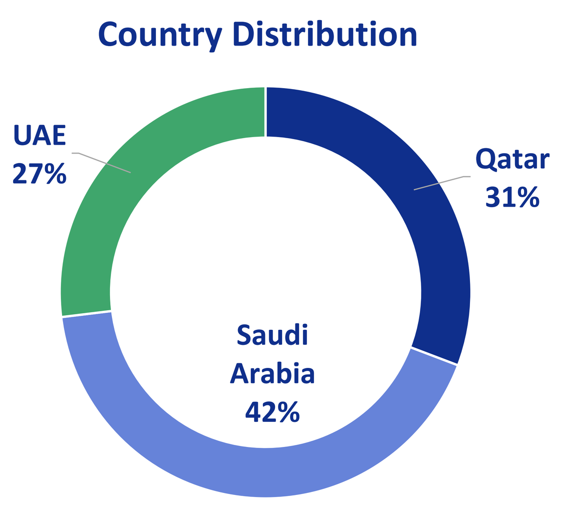
Figure 2. CFO risk-taking and financial performance: static and dynamic relationships.

C

Variables:
CFO Risk-Taking: Leverage, CapEx Intensity, Earnings & Cash Flow Volatility
Performance: ROA, ROE, EPS
Analytical Methods:
Descriptive statistics,OLS regression,VAR model

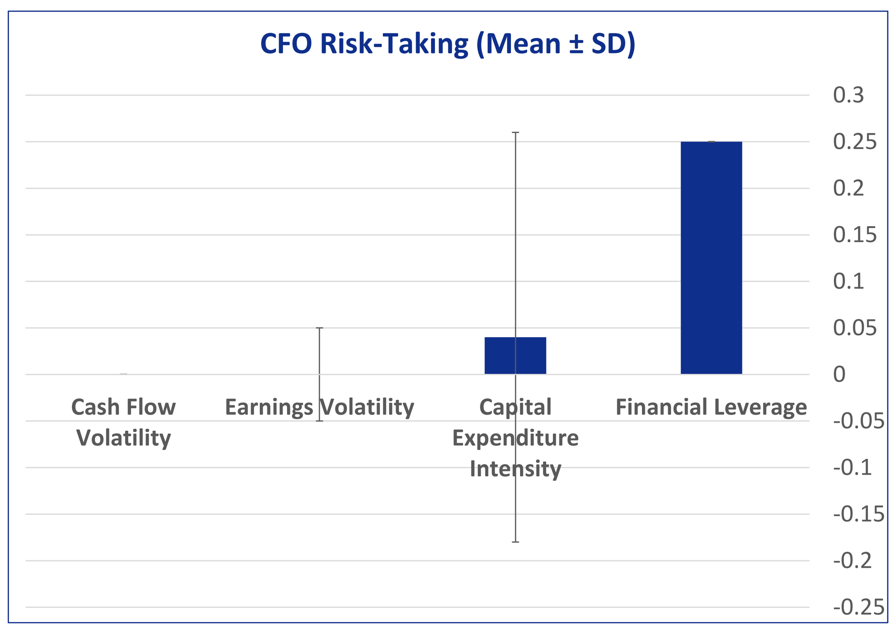
D





Figures 3–4. Sectoral and country distribution of the sample firms across GCC capital-intensive industries.

4 Results



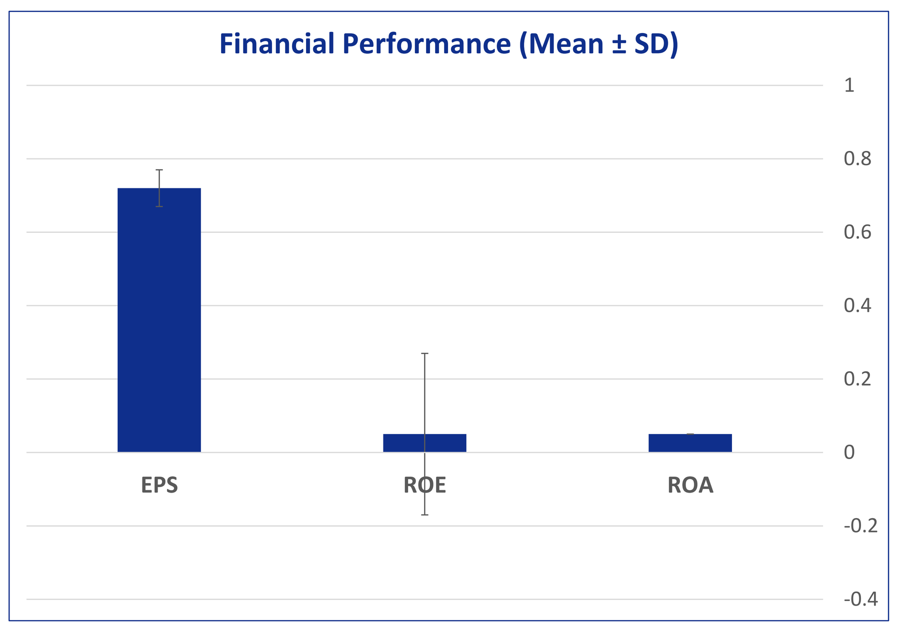


Figure 5. Mean and standard deviation of CFO risk-taking measures and financial performance indicators.

Table 1: Regression Estimates of CFO Risk-Taking on Corporate Financial Performance

Variable	ROA (R^2 = 0.39)	ROE (R^2 = 0.04)	EPS (R^2 = 0.07)
Financial Leverage	-0.116***	-0.402**	+0.138 (ns)
Capital Expenditure	+0.159*	+0.861 (ns)	-1.274 (ns)
Earnings Volatility	+421.26***	-19.63 (ns)	+4523.65***
Cash Flow Volatility	-100.23***	-76.80 (ns)	-458.41 (ns)

Key Results

- Financial leverage has a strong and statistically significant negative effect on firm performance (ROA).
- Earnings volatility is positively associated with performance, indicating growth-oriented CFO risk-taking.
- Capital expenditure intensity shows a marginal positive effect, reflecting heterogeneous investment outcomes across firms.
- Results are robust across ROA, ROE, and EPS, with ROA providing the strongest explanatory power.

5 Conclusion

Main Finding:

Financial leverage is the most critical CFO risk-taking dimension affecting firm performance, with a strong negative impact on ROA, ROE, and EPS across GCC capital-intensive sectors.

LIMITATIONS:

- Limited to 26 firms (future research should expand sample)
- 10-year period may not capture longer-term dynamics

Future Work

For Boards of Directors:
Balance risk-taking incentives with financial stability requirements

For Investors:
Use leverage metrics as leading indicators of CFO risk appetite
Incorporate CFO characteristics in valuation models

For Policymakers:
Strengthen corporate governance codes for capital-intensive sectors
For Academics:
Extend research to other emerging markets (ASEAN, MENA)
Incorporate CFO personal characteristics (age, tenure, education, gender)

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