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Board of Director Diversity and Its Corporate Governance Implications in Maltese Equity-Listed Companies**

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Abstract:

Purpose: *The objectives of this study are (i) to assess the significance as well as implications of the major readily detectable (age, nationality, gender and tenure) and underlying aspects (legal, human resources, accounting and finance and industry-specific competencies) of diversity on the corporate governance (CG) of Maltese Equity-Listed Companies, and (ii) to ultimately recommend how such aspects may make a more positive contribution.*
Design/Methodology/Approach: *Semi-structured interviews were conducted with twenty-three participants, eight directors, ten company secretaries, one chief executive officer, one corporate lawyer, one Institute of Directors representative and two corporate advisors.*
Findings: *The indications are that, in Malta, tenure diversity is the most influential readily detectable aspect, whilst industry-specific competency is the most influential underlying aspect of diversity for CG. The eight aspects of diversity are generally considered most influential advantageously on Board decision-making and problem-solving and least influential advantageously on director complacency, acceptance and communication. It is also generally agreed that a diversity index would be beneficial.*
Practical Implications: *Overall, diversity is beneficial to the mechanisms of the board, yet there is no one standard diversity mix. Each aspect of diversity varies its impact on CG.*
Originality/Value: *Studies in the field of CG emanating from small island states such as Malta are limited. This study provides value to listed companies and the competent authorities by bringing to light the significance and influence on CG of the various diversity aspects under study.*

Keywords: *Diversity, Corporate Governance, Board of Directors.*
JEL classification: *Z2, I13, I18, P4.*
Paper type: *Research article.*

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1. Introduction

The spate of global corporate scandals has heightened the public's scrutiny of corporate governance (CG) (Kang *et al.*, 2007). Consequently, Boards of directors (Boards) have taken centre stage of Codes of principles of good CG (Codes) and several academic research (Adams *et al.*, 2010). A recurrent governance challenge facing corporations is Board diversity (Milliken and Martins 1996).

Most corporate Boards in many countries are still composed of homogeneous directors (Monks and Minow 2011). There is probably much as yet to be understood regarding the diversity structures in most Boards, including those of Maltese equity-listed companies (MLCs).

Thus, for example, little is as yet known as to whether such Maltese companies are implementing suitable diversity measures, particularly in a context of neither obligatory measures nor detailed recommendations for MLCs to implement. Malta's Code for listed entities merely states that Boards should be composed of members having a *"diversity of knowledge, judgement and experience to properly complete their tasks"* (Malta Financial Services Authority, 2011, p. 4).

With this in mind, the objectives of this study are (i) to assess the significance as well as the positive and negative implications of the major readily detectable (i.e., age, nationality, gender and tenure) and underlying aspects (i.e., legal, human resources (HR), accounting and finance and industry-specific competencies) of diversity on the CG of MLCs, and (ii) to ultimately recommend how such aspects may make a more positive contribution to the CG of the aforementioned companies. The study is conducted in Malta, a small state (World Bank 2020). It raises more awareness on Board diversity in MLCs, together with the significance and implications of the different aspects of such diversity. The proposed recommendations may thus help companies further improve their CG and possibly encourage the competent authorities to contribute more guidance in this regard.

2. Literature Review

2.1 Board Diversity

Boardroom diversity as mere tokenism and window dressing rather than on the basis of merit will likely stultify CG (Mishra and Jhunjhunwala, 2013). Indeed, boardroom diversity should be undertaken since it is the right thing to do (Fairfax, 2005). Accordingly, diversity seems to be a *"double-edged sword"* (Milliken and Martins 1996, p. 403), with its positive and negative outcomes (Jackson *et al.*, 1995). To this effect, an understanding of such outcomes is essential to effectively manage diversity in an organizational setting (Jackson, 1993).

2.2 Readily Detectable Aspects of Board Diversity

2.2.1 Age Diversity

In determining the extent of age diversity, Ararat *et al.* (2015) categorize directors into three age groups, namely younger than forty years old, between forty and sixty-five years old and older than sixty-five years old. Age affects how directors think and handle challenges (Mishra and Jhunjhunwala, 2013). This is because, for instance, older directors possess extensive experience, which is valuable to the boardroom (Mishra and Jhunjhunwala, 2013), whereas young directors tend to enkindle innovative perspectives to the Board (Abdullah and Ismail, 2013). The differing characteristics of younger and older directors are compatible, and exploiting these differences improves the organization's strategic decision-making (Ali *et al.*, 2014). This improvement is manifested in the lower likelihood of groupthink (Ararat *et al.*, 2015).

On the other hand, an age homogeneous Board may stultify decision-making and foster complacency (Mahadeo *et al.*, 2012). Ali *et al.* (2014, p. 506) stipulate that *"a low level of age diversity brings valuable resources to the board table, but higher levels of age diversity trigger psychological groupings and negative group behaviours"* together with a possible indication of deficient experience.

2.2.2 Nationality Diversity

The presence of foreign directors conveys that *"the power of the 'old-boy' network is being eroded"* (Oxelheim and Randøy 2003, p. 2374). Mishra and Jhunjhunwala (2013) remark that when seeking to appoint directors, their competencies should be superior to the country in which they reside. Foreign directors on the board augment innovation and problem-solving because they come from different backgrounds and thus have diverse behaviours and cognition (Mishra and Jhunjhunwala, 2013). Moreover, the ideas they bring forward result in enhanced decision-making (Sarhan *et al.*, 2019; Oxelheim *et al.*, 2013). In fact, Janis (1982) contends that nationality diversity may help in mitigating groupthink.

However, the appointment of foreign directors on Boards is influenced by both company and country attributes (van Veen and Elbertsen 2008). As such, a challenge associated with Board nationality diversity includes language heterogeneity (Miletkov *et al.*, 2017; Hooghiemstra *et al.*, 2019; Eulerich *et al.*, 2014) since it is more difficult for foreign directors to have their views valued by the other directors (Cao *et al.*, 2018). This challenge hampers the board's decision-making process (Cao *et al.*, 2018). However, communication barriers within groups are only short-term (Watson *et al.*, 1993) and may be improved by a more inclusive Board environment and longer director tenure (Cao *et al.*, 2018).

2.2.3 Gender Diversity

Evidence suggests that gender diversity on Boards significantly improves problem-solving and decision-making (Alabede, 2016). This improvement is reflected in a lower likelihood of groupthink (Kakabadse *et al.*, 2015) as women have a higher tendency of instigating debates, extensive discussions and inquiry (Huse and

Solberg, 2006). Thus, compared to men, women are more sceptic and expect detailed answers (Franke *et al.,* 1997).

Although generally less experienced than men, women are as qualified as men (Terjesen *et al.*, 2009), and they are not all performing duties on Boards already (Ko, 2020). Yet, Singh and Vinnicombe (2004) maintain that appropriate women directors are hard to find. They attribute this to the possibility of women's limited wider network ties and companies adopting strict requirements when headhunting for female directors. In order to break through the *"glass ceiling"* (p. 795) of female directors on Boards (Branson, 2012), several countries worldwide have implemented gender quota legislation (European Commission, 2016) after soft targets resulted futile (Ko, 2020). However, quotas may induce favouritism towards women and discrimination towards men (Du Plessis *et al.,* 2014). They may also result in window dressing, with the implication of appointing female directors without sufficient expertise and experience rather than on the basis of merit (Du Plessis *et al.,* 2014).

2.2.4 Tenure Diversity

Livnat *et al.* (2019) find that directors only continue adding value to the company until an average tenure of nine years. Notably, Clements *et al.* (2018) use nine years as the demarcation between shorter and longer-tenured directors. Knowledge allows long-tenured directors to be better advisers (Livnat *et al.,* 2019). Furthermore, long-serving directors are more likely to challenge the CEO's compensation (Bebchuk *et al.,* 2002) as, by time, they would have established collegiality and trust between each other (Katz and McIntosh 2014). Moreover, long tenure on the board improves oversight over management's use of company funds (Beasley, 1996; Schnake *et al.,* 2005; Sharma 2011).

However, Canavan *et al.* (2004) and Vafeas (2003) disagree the latter stating that *"seasoned directors are more likely to befriend, and less likely to monitor managers"*. Overvaluing longer tenure hinders communication among directors (Vafeas, 2003) and curtails the quality of decision-making through groupthink (Coles *et al.,* 2014). As a result, to strengthen CG mechanisms on Boards with long-tenured directors, tenure diversity is the solution, which may be implemented through tenure limits (Li and Wahid, 2018).

A proper mix of tenures on the board integrates continuity and experience with innovation and enthusiasm (Li and Wahid, 2018). As a result, tenure diversity improves Board dynamics since long-tenured directors improve the decision-making process due to their thorough knowledge of the organization, whilst newly recruited directors bring new ideas and are more sceptic (Mishra and Jhunjhunwala 2013). In addition, increasing tenure diversity may result in better Board monitoring and penalizing underperforming management and CEOs. Additionally, directors joining the board at different times are less likely to become excessively cohesive, resulting in a lower likelihood of groupthink (Li and Wahid, 2018).

Nevertheless, tenure diversity on the board is not without its drawbacks, albeit limited. Initially, newly recruited directors may be too reluctant to express their opinions (Hafsi and Turgut 2013). Indeed, Kosnik (1990) contends that newly appointed directors are not good monitors of management as it would hamper their acceptance within the group.

2.3 Underlying Aspects of Board Diversity

2.3.1 Legal Competency

Directors' legal expertise is considered to be more pertinent than some of the other types of expertise to the advising and monitoring functions practised by Boards (Gray and Nowland, 2017). He and Liu (2016) find that the fundamental role of directors with legal expertise is to provide advice, especially in situations of lawsuits, asset acquisition, equity transfer and dividend distribution. As such, there is a greater likelihood that lawyer-directors sit on Boards of companies where expert proficiency and advice is essential in handling complex legal measures, such as where environmental regulation costs are higher (Agrawal and Knoeber, 2001).

However, lawyer-directors are not considered to be conversant with finance or operations, leaving them unable to discuss and decide on commercial considerations (Spencer and Stuart, 2013). Furthermore, Loughrey (2011) describes certain issues that may ensue when lawyers act as directors of their client companies. First, conflicts of interest could also be forthcoming. For instance, shareholders or third parties may challenge a Board decision, and the lawyer-director who participated in that decision cannot provide objective legal advice on the matter as a lawyer of the company. Second, professional independence may also be clouded. For instance, the lawyer-director may give advice to the board in his capacity as a lawyer and then the lawyer-director himself, together with the other directors, decide whether or not to follow that advice. Finally, as a result of this *"dual service"*, confusion and litigation arise in determining whether communication with the lawyer-director is under professional legal privilege (Loughrey, 2011).

2.3.2 HR Competency

A Board member need not have experience in HR or be an HR professional, as having a solid knowledge of HR is sufficient (Wright *et al.*, 2018). Their competence in unravelling HR issues and their influence on broader Board decisions creates coherence with other Board members (Kelly and Gennard, 1996). Moreover, HR directors promote the integration of HR strategy and business strategy (Torrington *et al.*, 2008). Board directors with HR expertise are also considered apt in putting more influence over management decisions (Johnson *et al.*, 2013; Caldwell, 2011) by challenging their propositions (Kelly and Gennard, 2000). HR expertise on the board contributes towards HR responsibilities and broader Board responsibilities, such as involvement in capital expenditure and merger decisions (Kelly and Gennard, 2000).

Nonetheless, it is argued that HR directors are not business-focused enough, rendering their contribution to business strategy limited (Kelly and Gennard, 2007). As a result, they may be regarded to carry out an entirely symbolic role (Sheehan *et al.*, 2007; Farndale 2005), whereby their presence on the board is not necessary to influence strategy (Caldwell, 2011). Moreover, HR's presence on the board does not guarantee that they will be involved in all the Board decisions (Buyens and De Vos, 2001). Wright and Snell (2005) continue by stating that HR's challenge on the board is to focus on making a strategic rather than short-term contribution. Finally, CEOs possessing finance expertise often perceive that HR can only make a restricted contribution towards the company's strategy and performance (Guest and King, 2004). However, the involvement of HR in the boardroom changes this perception, together with how often HR issues are discussed on the board and the extent to which HR issues are included in the business planning process (Caldwell, 2011).

2.3.3 Accounting and Finance Competency

The Listing Rules (Listing Authority – Malta 2021, S.5.117.3) in Malta maintain that *"at least one member of the audit committee shall be competent in accounting and/or auditing"*. It is typically understood that a Board containing several financially literate directors results in better Board oversight over management (Kirkpatrick 2009). Directors' monitoring role is also highlighted by the fact that companies experience higher accounting conservatism when the board contains directors with accounting expertise (Jeanjean and Stolowy, 2009; Qiao *et al.*, 2018; Enache and García-Meca, 2019) and less earnings restatements by management when directors are financially literate (Xie et al., 2003; Agrawal and Chadha, 2005). Directors with experience in finance on the board assist companies in making superior decisions through better acquisitions resulting from lower costs and better targets (Huang *et al.*, 2014).

However, regard should be given to the possible costs of financial expertise (Jeanjean and Stolowy, 2009). To this effect, banker directors may seek to accentuate policies that enhance value for the financial institution they work with and other creditors rather than for the company on whose board they sit (Morck and Nakamura, 1999; Mitchell and Walker, 2008). Contradicting Huang *et al.'s* (2014) findings, Güner *et al.* (2008) maintain that the presence of bankers on Boards results in decision-making that is beneficial to the financial institutions they represent, to the detriment of the companies on whose Boards they sit. Furthermore, banker directors do not perform their monitoring duties, but help companies overcome financial limitations and promote the financial institution's business (Dittmann *et al.*, 2010). Therefore, banker directors are *"double-edged swords"* (p. 148) due to the financial expertise that they bring together with the conflicts of interest that they hold (Kang *et al.*, 2020).

2.3.4 Industry-Specific Competency

The knowledge that directors would have gained from industry experience adds value to the firm through the advice they provide to management (Drobetz *et al.*, 2018; Oehmichen *et al.*, 2017). Moreover, industry experts are more aware of the opportunities and risks clouding the industry (Furr *et al.,* 2012).

The industry experience of directors can be particularly valuable to young firms in mitigating their liability of newness (Kor and Misangyi, 2008), *"whose typically modest size, young age, and limited organizational slack can result in acute vulnerability to poor managerial decisions"* (Certo *et al.,* 2001, p. 648). Furthermore, these directors can also challenge managerial proposals more thoroughly (Kor and Misangyi 2008) and thus serve as better monitors (Harris, 2014; Wang *et al.,* 2015; Louca *et al.,* 2020). This implies that Boards with lower industry experience are more likely to ascribe underperformance to macroeconomic factors than to the CEO (Louca *et al.,* 2020). Bugeja *et al.* (2017) determine that better Board monitoring and advising ensue from directors' industry expertise, ultimately leading to better decision-making.

Industry experience is not without its shortcomings. First, cognitive entrenchment makes it difficult for the board to react to new developments in the industry, with industry experts making up a large number of the board seeking to replicate the knowledge and perspectives they obtained through experience on the current board they sit on (Almandoz and Tilcsik 2016). Second, overconfidence occurs when individuals overestimate the likelihood of success and undermine risks (Angner, 2006). Third, although limited task conflict is healthy for decision-making quality (Amason, 1996), a Board composed of its majority of directors with industry expertise may lead to groupthink (Almandoz and Tilcsik, 2016). Moreover, Faleye et al. (2018) contend that such a Board competency leads to a lower CEO turnover-performance sensitivity, despite leading to a higher CEO pay-performance sensitivity.

3. Research Methodology

3.1 The Research Tool

After setting the research objectives of this study, it was determined that semi-structured interviews would be the most appropriate research tool. Semi-structured interviews are carried out according to an interview schedule, containing both closed-ended and open-ended questions, which are standardized, together with probes, if necessary, to ensure that the intended content is covered in line with the research objectives (Harrell and Bradley, 2009). However, interviewees are given some leeway when replying to open-ended questions (McIntosh and Morse, 2015). This flexibility allows the researcher to obtain thorough knowledge about interviewees' perceptions. Additionally, given that questions are standardized, the data collected is comparable and statistically examinable (McIntosh and Morse 2015). This study's interview schedule was appropriate for representatives of MLCs and CG Experts (CGEs). The interview schedule consisted of four main sections, with the first two sections containing further sub-sections dealing with the eight aspects of Board diversity.

Moreover, the absolute majority of these sub-sections delved into eleven CG factors which were identical for each of these sub-sections and are illustrated in Table 1 below. This study's interview schedule contained open-ended and closed-ended questions. A five-point Likert scale, with '0' being not influential at all/ highly disadvantageous and '4' being highly influential/ highly advantageous, was utilized for the applicable closed-ended questions. It is pertinent to note that for questions included in the aforementioned sub-sections, only those CG factors which were given a Likert scale rating of two, three or four in the first part of the question were then required to be answered in the second part of the same question.

Table 1. *CG factors applicable to particular sections of the interview schedule*

CG Factors
i. Quality of decision making (e.g. groupthink)
ii. Board's problem-solving capabilities
iii. Quality of expertise available on the board
iv. Quality and importance are given to certain strategies
v. Conduct of the advisory function
vi. Approach towards risk (management, taking or aversion)
vii. Conduct of the monitoring function (e.g. managerial entrenchment / CEO power, CEO compensation-performance sensitivity, CEO turnover-performance sensitivity, financial reporting quality)
viii. Director complacency
ix. Director acceptance and communication
x. Presence of conflicts of interest
xi. Overall Board meeting attendance

Source: *Own study.*

3.2 The Sample Population

The Official List was obtained from the Malta Stock Exchange website to determine all the MLCs on the Malta Stock Exchange. In total, twenty-three interviews were conducted. Nineteen interviews were conducted with MLC representatives, encompassing twenty-four different MLCs (since some interviewees are involved with more than one MLC). Directors, company secretaries and a CEO were selected as research participants because they have hands-on experience in the CG of MLCs. A further four interviews were carried out with CGEs, comprising a corporate lawyer, an Institute of Directors representative and two corporate advisors. These four participants were included since their contribution was regarded to provide a more in-depth analysis of the research area.

3.3 Data Analysis

The open-ended questions included in the interview schedule and the additional comments given by interviewees following their Likert scale ratings were the sources of qualitative data. Transcripts of these responses were then summarised to facilitate the identification of similarities and differences in interviewees' responses. Moreover, the analysis of interviewees' additional comments, following their Likert scale ratings for the eight aspects of diversity, was focused on the more important factors.

The closed-ended questions included in the interview schedule were the source of quantitative data for this study. The Friedman Test was used to compare the mean rating scores provided to the data received from participants and ultimately determine whether such mean rating scores change significantly or otherwise. The Frequency Statistics Table was used to compare the mean rating scores provided to the factors. The Spearman Test was used to measure the degree of the relationship between a relevant individual question from each aspect of diversity and the corresponding aspect of the diversity's component in the last question of the interview schedule.

4. Findings

4.1 Readily Detectable Aspects

4.1.1 Extent of Diversity from Readily Detectable Aspects on the Boards of MLCs

A preliminary question requested MLC representatives to classify their Board members by age, nationality, tenure and gender. The responses extended the information given on the Malta Business Registry website, which only indicated the nationality and gender of directors, together with the age of Maltese national directors only. The typical MLC Board is composed of Maltese $_{(\bar{x}=6.58,\ \tilde{x}=6)}$ male $_{(\bar{x}=8.05,\ \tilde{x}=7)}$ directors aged forty years or older$_{(\bar{x}=8.68,\ \tilde{x}=8)}$, whose tenure is of less than nine years$_{(\bar{x}=7.00,\ \tilde{x}=7)}$.

4.1.2 Influence and Consequent Ramification of Age Diversity

Those respondents who considered each respective aspect of diversity, including age diversity, to be influential on various CG factors or were at least neutral about this were subsequently asked to rate the extent that such influence is advantageous only with respect to each of those factors.

Seven interviewees considered age diversity to be most influential in an advantageous manner on decision-making$_{(\bar{x}=2.94)}$ and problem-solving$_{(\bar{x}=2.94)}$. This is because having directors from different age groups implies different backgrounds and experiences, this influencing their perspectives around the boardroom table. Such interview opinions are in line with Ali *et al.* (2014). Furthermore, some respondents contended that age diversity strongly mitigates *"groupthink"*, in line with Ararat *et al.* (2015), and creates a Board with both *"energy and enthusiasm"* and *"experience and maturity"*. As a result, five interviewees added that younger directors are generally more inclined towards tackling contemporary issues, especially those relating to technology, while older directors are often more conversant with traditional yet essential business issues.

A few respondents also contended that over the years, older directors might tend to become complacent$_{(\bar{x}=2.18)}$ and susceptible to conflicts of interest$_{(\bar{x}=2.17)}$. In contrast, others emphasized that the *"professionalism"* of such directors might help to mitigate such complacency and conflicts. This explains respondent indifference as to how advantageous age diversity is on these two factors.

However, seven respondents emphasized that the influence of age diversity varies more with the *"personalities and skillsets"* of directors rather than their different ages.

4.1.3 Influence and Consequent Ramification of Nationality Diversity

Eleven respondents pointed out that the advantageous influence of nationality diversity, particularly on board problem-solving$_{(\bar{x}=2.94)}$ and decision-making$_{(\bar{x}=2.88)}$, stems from the fact that foreign directors *"come from different backgrounds"* and *"contribute distinctive viewpoints and expertise"*, which might not be found locally. This is in line with Mishra and Jhunjhunwala (2013) but is in contrast to Cao *et al.* (2018). In line with Janis (1982), six interviewees contended that this ultimately reduces groupthink. Furthermore, two added that the consideration of foreign directors mitigates limitations emanating from the *"smallness of Malta"*.

Concerning the indifference on the approach towards risk$_{(\bar{x}=2.44)}$, two respondents added that while foreign directors' wide-ranging experiences generally reflect in their exercising more *"risk awareness"* than Maltese directors, their experiences might still make them *"willing to take on risk"*. Then, regarding the indifference on how advantageous nationality diversity is on director acceptance and communication$_{(\bar{x}=2.00)}$, five contended that language and cultural differences might pose a threat to the mechanisms of the board. This is in line with Hooghiemstra et al. (2019). However, two respondents pointed out that Board meetings are conducted in a common language, and another respondent explained that it is beneficial to have some directors who are *"not indoctrinated in the Maltese culture*".

Despite the aforementioned perceived influence of nationality diversity, nine respondents strongly argued that it all boils down to the *"competencies and experiences"* of the foreign directors rather than their nationality. This is in line with Mishra and Jhunjhunwala (2013).

4.1.4 Influence and Consequent Ramification of Gender Diversity

Similar to the reason given for nationality diversity, ten respondents found gender diversity to be influential in an advantageous manner on Board decision-making$_{(\bar{x}=2.81)}$, problem-solving$_{(\bar{x}=2.81)}$ and advisory function$_{(\bar{x}=2.57)}$ because of the *"dynamism"* that ensues from gender diversity. In this regard, two interviewees added that the inclusion of women on the board generally reflects an *"added flavour"* to discussions because of the different traits and backgrounds they possess, this leading to better outcomes. This is in line with Huse and Solberg (2006). In particular, in line with Franke *et al.* (1997), two interviewees noted that female directors might tend to be more meticulous than their male counterparts. Moreover, in line with Kakabadse *et al.* (2015), seven interviewees acknowledged that gender diversity reduces groupthink. In addition, one interviewee noted that female directors enhance the quality of expertise on the board because they might be more skilled in certain areas.

Finally, along the lines of what has been noted for age and nationality diversity, fourteen interviewees argued that any added value emanates from individual competencies rather than gender.

4.1.5 Influence and Consequent Ramification of Tenure Diversity

Concerning the advantageous influence of tenure diversity on the board's problem-solving capabilities$_{(\bar{x}=2.94)}$, eleven interviewees added that newly recruited directors contribute a *"fresh outlook"*, whilst seventeen added that longer-tenured directors contribute *"experiences about the processes, company and industry"* $_{(\bar{x}=2.90)}$. This is similar to what has been noted for age diversity and is in line with Li and Wahid (2018). For these reasons, one interviewee confirmed that this reflects positively on the quality of expertise available on the board. Therefore, as one interviewee stated, tenure diversity provides the necessary dynamism to make a *"good cocktail"*.

Regarding the advantageous influence on the advisory function$_{(\bar{x}=2.53)}$, the aforementioned comments still apply. In addition to which, in line with Livnat *et al.* (2019), one participant$_{(1/17)}$ added that longer-tenured directors would be more conversant with the company's strengths, weaknesses and risks, while two$_{(2/17)}$ added that newly appointed directors would *"challenge existing thinking"* in the conduct of the advisory function.

With regard to the indifference on director acceptance and communication$_{(\bar{x}=2.07)}$, two respondents added that communication and coordination issues ensue due to the different perspectives between newly appointed and longer-tenured directors, with the former possibly feeling intimidated too unless they are assertive. This is in line with Hafsi and Turgut (2013). Another respondent attributed these negative tendencies to the generational gaps between these two factions of directors. However, in contrast to Vafeas (2003), three other respondents disagreed with such comments, adding that longer-tenured directors improve the communication process within the board.

4.2 Underlying Aspects

4.2.1 Extent of Diversity from Underlying Aspects on the Boards of MLCs

A preliminary question requested MLC representatives to classify their Board members according to industry-specific, accounting and finance, HR, legal or any other competencies that directors might possess. The same director might possess more than one competency. The typical MLC Board with a size of twelve directors is composed of five industry-specific$_{(\bar{x}=4.61,\ \tilde{x}=3)}$ competent directors, three accounting and finance $_{(\bar{x}=3.35,\ \tilde{x}=3)}$ competent directors, one HR$_{(\bar{x}=1.30,\ \tilde{x}=1)}$ competent director, one legally$_{(\bar{x}=1.26,\ \tilde{x}=1)}$ competent director and another two directors competent in other$_{(\bar{x}=1.78,\ \tilde{x}=1)}$ areas such as marketing, risk management or information technology.

4.2.2 Influence and Consequent Ramification of Legal Competency

Those participants who considered each respective aspect of diversity, including legal competency, to be influential on various factors or were at least neutral about this were consequently asked to rate the extent that such influence is advantageous with respect to those factors only.

Six participants added that the presence of a *"legal mind"* on the board contributes to the board's deliberations by factoring in the legal - and consequent reputational and sanction - implications, which are always on the rise, before taking decisions$_{(\bar{x}=2.91)}$. Although seven interviewees contended that this reduces groupthink, another two believed that groupthink increases since it would lead to a situation where *"what the legally competent directors say, goes"*. Additionally, one participant pointed out that the advantageous influence of this type of competency is heightened in MLCs since, apart from Maltese and international regulations, Listing Rules also need to be considered in decision-making.

One participant added that legally competent directors' experience adds value to the board, whilst another added that *"they think in a certain way"* such that they bring things to the board that other directors might not have. These arguments were also referred to by four participants when elaborating on why legally competent directors influence the conduct of the advisory function$_{(\bar{x}=2.91)}$ advantageously. In this regard, in line with He and Liu (2016), one participant added that advisory and legal complement each other, yet, a legally competent director does not only give advice on legal matters. In this regard, two participants strongly emphasized that a legally competent director cannot give legal advice to the board because that director, together with the other Board members, have to decide whether to accept that advice or not.

Despite the indifference regarding the influence of this competency on director acceptance and communication$_{(\bar{x}=2.31)}$, only one participant had further comments to add, stating that this competency curtails the risk of issues relating to director acceptance and communication from materializing.

Regarding conflicts of interest$_{(\bar{x}=2.21)}$, similar to Loughrey (2011), four participants referred to a situation where a lawyer is a director on the Board of an MLC and also works in his/her private capacity as a lawyer with a private firm, which firm is on its part the legal firm of the same MLC. Whereas one of these participants felt that this ensures continuity and effectiveness in the legal dimensions of the listed company as long as the necessary safeguards are implemented, two other participants felt that this would result in a conflict, and the director in question would not be considered independent. The latter argument is in line with Loughrey (2011). Another participant believed that conflicts of interest could arise in such a situation, although this might not be applicable if the person was only a company secretary of the listed company. Finally, two participants felt that having such legal competency on the board enables the understanding and mitigation of conflicts of interest issues.

4.2.3 Influence and Consequent Ramification of HR Competency

With respect to the advantageous influence on the conduct of the monitoring function$_{(\bar{x}=2.75)}$, seven interviewees pointed out that an HR-competent director, who does not necessarily need to be an expert in the field, leaves a positive contribution on the CEO turnover-performance sensitivity and the CEO compensation-performance sensitivity. As a result, one respondent contended that failure to have such a competency on the board might result in high rates of CEO turnover, which in turn lower productivity.

Another respondent contended that CEO compensation would improve since HR-competent directors would be mindful of the need to retain and attract talent. One respondent stated that the inclusion of such a competency on the board would allow the board to understand and challenge the HR management's workings and not simply accept everything that is presented to the Board regarding HR matters. This is in line with Kelly and Gennard (2000).

To explain the advantageous influence of HR competency on director acceptance and communication$_{(\bar{x}=2.64)}$, two interviewees believed that a director competent in HR helps address and improve any director acceptance and communication issues present within the board. This contrasts with Guest and King (2004). Regarding risk$_{(\bar{x}=2.33)}$, two interviewees believed that a director competent in HR helps the board understand market risk. On the other hand, one interviewee emphasized that an HR-competent director has no such relevance.

Finally, three interviewees stated that corporate strategies$_{(\bar{x}=2.33)}$ need to revolve around people since no successful strategy may be implemented otherwise. Additionally, one interviewee added that a director competent in HR gives the board the ability to look beyond the commercial aspects of a strategy by taking into consideration consumer behaviour. However, in line with Kelly and Gennard (2007), another interviewee stated that HR-competent directors might only be able to contribute to areas related to HR.

4.2.4 Influence and Consequent Ramification of Accounting and Finance Competency

Regarding the advantageous influence of accounting and finance competency on the conduct of the monitoring function$_{(\bar{x}=3.30)}$, three respondents added that the presence of a director with this competency would allow the board to measure and evaluate the performance of executives better through KPIs. In line with Kirkpatrick (2009), another two respondents added that it would also allow the board to *"second guess"* executives. Furthermore, according to four respondents, this competency improves the financial reporting quality because, as one respondent added, the board would be able to corroborate financial reports and statements prepared by management. This is in line with various authors (Jeanjean and Stolowy 2009, Xie *et al.* 2003). As two respondents contended, eventually, *"everything boils down to the numbers"*. As a result, the widespread contribution of this competency enhances the quality of expertise$_{(\bar{x}=3.14)}$ on the board.

Furthermore, according to eight respondents, the advantageous influence on the quality of decision-making$_{(\bar{x}=3.00)}$ arises from the fact that, by having a director competent in accounting and finance, the financial impact of the proposed decision or deliberation may also be factored in. This will help the board to decide about the acceptance or not of most proposals and is in line with Huang *et al.* (2014). Although eight respondents believed that this competency would reduce groupthink due to the inclusion of a different perspective, one respondent disagreed since the board will trust their opinions to the point that whatever the accounting and finance directors propose is accepted. Since accounting and finance regulations are constantly changing, directors competent in this regard need to keep up to date. To two respondents, this implies an absence of complacency$_{(\bar{x}=2.79)}$ for directors competent in accounting and finance.

4.2.5 Influence and Consequent Ramification of Industry-specific Competency

Six respondents considered industry-specific competency to advantageously influence the quality of expertise available on the board $_{(\bar{x}=3.43)}$ because industry-specific competent directors tend to be conversant and experienced about past and present matters clouding the company's industry and tend to have a deep understanding of the company and its competitors. Eleven respondents added that this enables the company to set strategies$_{(\bar{x}=3.41)}$ that are better formulated and implemented since such strategies would reflect the company's realities.

In order to explain how industry-specific competency advantageously influences the board's approach towards risk$_{(\bar{x}=2.90)}$, in line with Furr *et al.* (2012), two respondents added that directors competent in this regard would also be more versed about risks clouding the company's industry. Another respondent added that they would be able to gauge the extent of risk and whether it is worth taking. This is in contrast with Angner (2006). Giving regard to the above, one interviewee emphasized that these directors are always following the market, whilst another added that they are always working towards maximizing shareholders' wealth. Therefore, industry-specific competent directors might not tend to fall into the pitfall of complacency, which explains why some interviewees considered this competency to be influential in an advantageous manner on director complacency$_{(\bar{x}=2.87)}$. This is in contrast to Almandoz and Tilcsik (2016).

4.3 The Need for a Diversity Index

Interviewees were then asked whether, in their opinion, there is a need for a diversity index to measure the extent of diversity. Fourteen interviewees agreed. However, three of those interviewees stated that it is more of a *"want rather than a need"*, in contrast with the CG index. A diversity index would provide a guide to companies, shareholders and prospective investors. As such, eight interviewees pointed out that a diversity index would make companies aware of the extent of diversity on their board and any shortcomings in this regard, to the effect that companies would then consider nominating other people to address these deficiencies. One added that it would also give confidence or otherwise to shareholders that the company is moving in the right direction. In addition, another added that it would give more information to prospective investors about corporate Boards. Most importantly, two interviewees pointed out that such an index should give importance to both readily detectable and underlying aspects of diversity.

However, three interviewees pointed out that a diversity index should not lead to restrictions and should thus be *"principles-based"*, this meaning that companies should not be obliged to achieve a particular score.

Despite its perceived benefits, three interviewees argued that first, companies need to be conversant enough about diversity and convinced that it adds value. Then, companies would need to be convinced of its utility. Otherwise, it would be *"pointless"* to have a diversity index. Two interviewees believed that owing to the lack of diversity currently present in Maltese Boards, results from the index would be misleading, thereby rendering its need premature.

4.4 Overall Influence of Diversity

In the last question, interviewees were asked to rate how influential each aspect of diversity is for C.G. From the readily detectable aspects; interviewees found tenure diversity$_{(\bar{x}=2.78)}$ to be most influential for CG, followed by age diversity$_{(\bar{x}=2.57)}$. Yet, they were indifferent about the influence of nationality diversity$_{(\bar{x}=2.26)}$ and gender diversity$_{(\bar{x}=2.17)}$ for CG. Then, from the underlying aspects, interviewees found industry-specific competency$_{(\bar{x}=3.13)}$ to be most influential for CG, followed by accounting and finance competency$_{(\bar{x}=3.04)}$ and legal competency$_{(\bar{x}=3.00)}$. However, they were indifferent regarding the influence of HR competency$_{(\bar{x}=2.09)}$ for CG.

5. Discussion of Findings

5.1 The Architectural Plan: How Influential is Diversity for CG

Table 2 shows the correlation between each aspect of diversity as averaged from the relevant individual answers of respondents and the corresponding aspect of diversity as provided in their last reply (Qn.15). As indicated in the Table, this was found positive for all aspects, and therefore respondents were mostly consistent in their replies.

Table 2. *Correlation between the average mean rating scores for individual questions and Qn.15*

The aspects of diversity are as follows:	Average Mean Rating Score for individual questions*	Mean Rating Score of Qn.15*	Spearman Correlation	*P*-value
Readily detectable aspects:				
d. Tenure diversity	2.24 *(Qn.5.a)*	2.78	0.229	0.293
a. Age diversity	2.01 *(Qn.2.a)*	2.57	0.617	0.002
b. Nationality diversity	1.80 *(Qn.3.a)*	2.26	0.461	0.027
c. Gender diversity	1.62 *(Qn.4.a)*	2.17	0.568	0.005
Overall mean for the readily detectable aspects		*2.45*		
Underlying aspects:				
h. Industry-specific competency	2.49 *(Qn.10.a)*	3.13	0.277	0.200
g. Accounting and finance competency	2.41 *(Qn.9.a)*	3.04	0.559	0.006
e. Legal competency	2.30 *(Qn.7.a)*	3.00	0.489	0.018
f. HR competency	1.68 *(Qn.8.a)*	2.09	0.750	0.000
Overall mean for the underlying aspects		*2.82*		

Note: **0 = Not Influential at All, 4 = Highly Influential* ***Source:*** *Authors' Compilation*
Source: *Own study.*

General consistency is further evidenced by the fact that such positive relationships were all significant, with the exception of tenure diversity (Qn.5.a and Qn.15.d) and of industry-specific competency (Qn.10.a and Qn.15.h), as indicated by their *p*-values. One may also note that, for each aspect of diversity, respondents tended to be somewhat less optimistic in the individual questions than in the last question. In other words, respondents were less optimistic about the influence of Board diversity when asked about its influence in each of the eleven factors than when asked about its influence on CG in its entirety. Therefore, could it be that MLC representatives and CGEs are aware of the meaning of CG but are as yet uncertain as to what contributes to it? A more detailed study is required in this regard.

5.2 The Foundation: What Influences CG the Most?

Table 2 confirms that the underlying aspects of diversity should probably take precedence over the readily detectable aspects, given that the underlying aspects$_{(\bar{x}=2.82)}$ were found marginally more influential than the readily detectable aspects$_{(\bar{x}=2.45)}$. Therefore, with regard to the fact that nowadays, most discussions in the corporate arena focus on the latter, could it be that such deliberations are failing to focus on what is of more concern with respect to good CG in the boardroom?

Furthermore, from Table 2 above, one may note that out of the underlying and readily detectable aspects of diversity, industry-specific competency and tenure diversity are most influential on CG according to two separate measures: that of the average mean rating scores for the individual questions and that of the mean rating scores of the last question (Qn.15). Interestingly, the same result ensues if, in calculating the average mean rating scores for the individual questions, one takes into account only the first seven CG factors *(that is, the quality of decision-making, the conduct of the advisory function, the approach towards risk, the quality of expertise available on the board, the board's problem-solving capabilities, the quality and importance given to certain strategies and the conduct of the monitoring function)*. Therefore, these various indications point clearly to these two aspects of diversity being most influential.

Nonetheless, the aspect count in the matrix derived from the findings indicates that interviewees hold that, in fact, each aspect of diversity, one way or other, influences the first seven CG factors advantageously. Therefore, while, as stated in the previous paragraph, it seems worthwhile to emphasize more on the two aspects of industry-specific competency and tenure diversity, yet the inclusion of each of the other six aspects of diversity may still contribute to the improvement of CG.

5.3 The First Floor: Underlying Aspects

5.3.1 The Main Room: Industry-specific Competency

Starting with the most influential underlying aspect for CG, the findings indicate that industry-specific competent directors enhance the quality of expertise available on the board through their knowledge and experience on the company's industry, the company itself and its competitors. Their expertise is so crucial that it has positive ripple effects on the corporate strategy and the conduct of the advisory function. The latter is in line with Drobetz *et al.* (2018). Therefore, an industry-specific competent director on the board should help the company to always remain vigilant to any new developments since a company does not operate in a vacuum. Otherwise, any strategies set and advice is given might result invalid and fail in practice.

In line with both the literature and the findings, the presence of a competent director in this regard should result in improved risk awareness and management. Although this might generally prove to be the case, Agner (2006) believes that industry-specific competent directors tend to become overconfident and undermine risks. As such, when choosing to appoint one prospective industry-specific competent director over another, it would probably be beneficial to look not only at the competency but also at the personality of the individual. This trait synonymous with such directors may also highlight the importance of having discussions in the boardroom so that any sub-optimal opinions are overcome by those maximizing shareholders' wealth. Yet, Almandoz and Tilcsik (2016) pointed out the danger that a Board mainly composed of industry-specific competent directors may lead to groupthink. Therefore, despite this competency being considered as most influential by interviewees, the extent to which it is to be present on the board remains debatable: probably the number of directors having such competency should, in any case, be limited.

As has been seen, several literature sources (Harris 2014; Louca *et al.*, 2020) contend that some industry-specific competent directors are required to be present on the board in view of its monitoring function. Nevertheless, there are those (Faleye *et al.,* 2018) who maintain that such competency does not in itself contribute positively enough. Therefore, it could be that once the board also possesses other competencies besides industry-specific competency, and not too much emphasis is placed on the latter, the monitoring function would be conducted satisfactorily, if not even better.

Moreover, literature sources (Almandoz and Tilcsik, 2016) indicate that the perceived benefits of the industry-specific competency outweigh its drawbacks but still emphasize that such competency does have such drawbacks, a major one being that of an increased possibility of groupthink. Surprisingly, interviewees did not find any drawbacks in this competency. Therefore, it seems that interviewees were not sufficiently aware of the risks of having too much of this competency on the board. Clearly, industry-specific competency is not really the *'be-all and end-all'* that interviewees suggested it to be.

5.3.2 The Ancillary Room: Other Underlying Aspects Accounting and Finance Competency

After weighing the few drawbacks of the accounting and finance competency on the monitoring function of the board highlighted by Kang and Kim (2017) and Dittmann *et al.* (2010) with the benefits highlighted by several other literature sources (Kirkpatrick, 2009; Jeanjean and Stolowy, 2009; Xie *et al.,* 2003) and the findings, the perceived benefits appear to outweigh the drawbacks. In particular, it could be that the presence of such competency, through director understanding and use of numbers, allows the board to probe deeper into any matter to discover attributes that would otherwise be overlooked.

In a nutshell, as stated by interviewees when explaining why this competency only influences the quality of expertise advantageously, *"everything boils down to numbers"*. The Listing Rules may be indicative of this as they mandate that at least one director on the audit committee *"shall be competent in accounting and/or auditing"*. While these rules indicate the value placed on the contribution of this competency by both MLCs and the Regulator, they do not specify the minimum professional qualifications that such directors need to possess.

5.3.3 Legal Competency

The findings indicate that legally competent directors positively contribute to the board in a different manner from other directors: their knowledge of laws and regulations enables them to factor in the legal implications of any Board decisions. However, it seems uncertain whether this increases or decreases groupthink. They may also contribute as advisors, besides to the board, on legal matters. Therefore, legally competent directors may influence the board's decision-making and advisory function advantageously, provided that caution is taken to avoid common pitfalls.

Yet, the number of legally competent directors present in MLC Boards has been claimed to be relatively low. Probably, they prefer to derive their internal legal expertise from a duly competent company secretary or participant advisors rather than from a director on the board. Thus, the company secretary in MLCs often seems to have a significant legal role to play. In any case, the presence of an adequate level of legal competency seems to be a *sine qua non* within MLC Boards.

5.3.4 HR Competency

There are not any disadvantages emanating from the influence of an HR competent director on the monitoring function. Accordingly, the findings strongly indicate that the advantageous influence of such a director on the CEO's compensation-performance sensitivity is attributable to the awareness of such a director of the importance of talent attraction and retention. Considering that all the competencies mentioned so far seem to fail to give appropriate importance to the human element in the company, this attribute may help to remind other Board members to play due to emphasis on the human capital. Furthermore, the contribution of an HR-competent director in challenging management propositions may help promote a corporate culture that drives employees towards maximizing shareholders' wealth.

Although interviewees marginally regarded the HR competency as advantageously influencing decision-making, literature sources are not that definite. As seen earlier, Kelly and Gennard (1996) contended that HR-competent directors contribute to Board decisions in all respects, while Buyens and De Vos (2001) disagreed. Perhaps, this is indicative of the advantageous, yet limited, contribution which such directors may make on the board.

5.4 The Second Floor: Readily Detectable Aspects

5.4.1 The Main Room: Tenure Diversity

In line with both literature (Li and Wahid, 2018) and findings, a tenure-diverse Board reflects a mix of innovative thinking and experiences. Interviewees believe that such a mix results in improved problem-solving, improved expertise and better conduct of the advisory function. In this context, Li and Wahid (2018) also contend that this results in a lower likelihood of groupthink. Yet, as stated by Hafsi and Turgut (2013), the issue remains that newly recruited directors may initially be hesitant to participate in discussions. While both the personality of the individual and the Board culture may be involved here, Boards may need to find ways of ensuring that newly recruited directors become effective sooner rather than later.

Furthermore, in line with Clements *et al.* (2018), some interviewees remarked that longer-tenured directors might resort to what worked in the past. This possibly increases the need for the newly recruited directors to be immediately influential on the board so as to *"challenge existing thinking"* and contribute a *"fresh outlook"*. Therefore, while MLC Boards' appreciation of longer-tenured directors may be understandable, the presence of new directors is probably equally important. This would also contribute to the succession planning of the board.

Moreover, according to Li and Wahid (2018), tenure diversity influences the conduct of the monitoring function advantageously, and the study confirms this. In particular, in contrast with several literature sources (Beasley, 1996; Schnake *et al.*, 2005; Sharma, 2011). Vafeas (2003) contends that *"seasoned directors are more likely to befriend, and less likely to monitor managers"*. While this might be the case, it is more likely that longer-tenured directors give precedence to integrity.

Furthermore, perhaps management might be more likely to give heed to such directors given their experience, this minimizing the onset of managerial complacency. Additionally, management might be more likely to take advantage of the inexperience of any newly appointed directors. This indicates the significance of having a tenure-diverse Board so that each type of director may compensate for the deficiencies of the other type.

Despite the discussed factors emanating from a tenure-diverse Board, there remains the problematic practical question of when and whom to rotate within the board. An appropriate rotation of directors is crucial to retain the right mix between newly recruited directors and longer-tenured directors and, at the same time, avoid the loss of valuable expertise. Perhaps, a simple way out is to have the mandatory annual rotation of the longest-serving director on the board.

5.4.2 The Ancillary Room: Other Readily Detectable Aspects Age Diversity

Both literature (Mishra and Jhunjhunwala, 2013; Ali *et al.*, 2014) and findings contend that age diversity influences Board decision-making and problem-solving in an advantageous manner only. This is because of the usefulness of various backgrounds, characteristics and experiences attributable to directors of different age groups. Therefore, this probably suggests that, by opting to include age diversity, Boards would be able to weigh things from broader perspectives, thus taking into account the interests of shareholders and consumers of all ages.

Furthermore, as stated by interviewees, young directors tend to bring different skills to the boardroom, not only to relate to technology but perhaps also relating to innovation, creativity, marketing and data analytics. Therefore, given their generational shift, directors of different age groups would tend to be skilled in different areas, the combination of which would enable the board to function better. Yet, while the majority of MLCs are aware of the benefits of age diversity, they remain resistant to it. Further research might help to elucidate the rationale of such resistance.

5.4.3 Nationality Diversity

Both findings and a number of literature sources (Mishra and Jhunjunwala, 2013; Janis, 1982) indicate that the different backgrounds of foreign directors give them a different perspective on several matters, this rendering their presence beneficial to the board's problem-solving capabilities and its quality of decision-making. However, Cao *et al.* (2018) argued that communication issues arising from a nationality-diverse Board might be detrimental to decision-making. Probably, while drawbacks on decision-making may result, these are often weak.

Nevertheless, despite the generally strong beneficial impact of having nationality diversity in MLC Boards, it remains difficult to find such Board members, particularly if they are also expected to have the necessary Maltese legal or accounting competencies or both. With this in mind, respondents and Mishra and Jhunjhunwala (2013) indicated that the specific director nationality is much less relevant than their personality and skills.

5.4.4 Gender Diversity

Both interviewees and literature sources (Alabede 2016; Kakabadse *et al.*, 2015) have considered gender diversity to influence the quality of decision-making and the board's problem-solving capabilities in an advantageous manner only. This has been attributed to characteristics that tend to be more synonymous with women. While this may be understandable, it is also clear that it is one's competencies and not gender that ultimately determines the board's suitability of any individual. Thus, although gender discrimination is never acceptable, meritocracy still needs to be prevalent for a Board to be effective.

One may here question longstanding arguments about gender quotas in the boardroom, appointing an individual on the basis of gender in order to comply with a quota requirement may, unfortunately, result in such a director being incompetent. Probably, it would be more beneficial for society to raise awareness, educate and discourage any gender stereotyping or discrimination. As clearly shown in the ongoing COVID-19 pandemic, a further step in this direction would be to seek innovative ways to remove traditional gender constraints, such as by the more intensive use of teleworking and technology.

5.5 The Top Floor: Relevance to a Diversity Index

Present references to diversity in the CG Statement sections of MLC financial statements need only to be a starting point. An eventual way forward is the implementation of a diversity index. Overall, the findings indicate that an appropriate Board diversity index would be beneficial and may possibly be an optimal indicator of MLC Board diversity because it could clearly quantify and benchmark the extent of diversity in MLCs. In line with interviewee suggestions, such a diversity index would best incorporate both readily detectable and underlying aspects so as to ensure the relevant aspects of diversity are taken into account *"under* *one roof"*. Importantly, in calculating the overall diversity score for each MLC, each aspect of diversity would need to be allotted a different weighting, possibly corresponding to its CG influence.

In this context, another consideration is not to create a one-size-fits-all index because some aspects of diversity may be more influential in some industries than in others. Such an index could serve to motivate MLCs to become more diverse. In the long run, the MLC Regulator could step in to discuss any corrective measures where low scores would have been resulting consistently. However, in this context, further studies are needed so as to determine how to draw up such an index in detail.

6. Conclusion

This study concludes that, since the significance and implications of each aspect of diversity on each CG factor are generally not *pari passu*, it would be more beneficial in Malta to opt for various aspects of diversity, with priority being given to what is true of most concern to good CG in the boardroom. In this regard, more needs to be done by MLCs, particularly in discussions in the corporate arena, with a diversity index being a step in this direction.

Directors' industry-specific competency is advantageous on the quality of expertise available on the board, the corporate strategy, the conduct of the advisory function, risk management and the monitoring function. Yet, one needs to be mindful of the dangers of groupthink. Therefore, an upper limit is to be placed on the number of industry-specific competent directors in order to leave space for directors possessing other competencies. As such, unless this competency is taken to extremes, few, if any, disadvantages emanate from it.

The advantages ensuing from the influence of the accounting and finance competency on the monitoring function outweigh any of its disadvantages. One such advantage may be that the board becomes more meticulous with this competency. Moreover, it is clear that such competency influences only advantageously the quality of expertise. Nonetheless, the study concludes that, despite the accounting and finance competency being highly valued, no minimum professional qualifications in these areas are as yet specified by the regulatory framework.

Legally competent directors may advantageously influence Board decisions and the advisory function, provided that common pitfalls such as groupthink are avoided. Yet, their presence on MLC Boards remains relatively low. The study concludes that MLCs probably prefer to obtain this from the company secretary or participant advisors, this highlighting that, in any case, an adequate level of legal competency is necessary on the board.

As a result of the positive contribution of HR competent directors on the monitoring function, which does not yield any drawbacks, the study concludes that the presence of such directors may result in more emphasis on the human capital and in more willingness to maximize shareholders' wealth. However, uncertainty regarding the influence of HR competent directors on Board decisions indicates that there are limitations in the contribution of such directors.

Tenure diversity is advantageous onboard problem-solving, expertise, the advisory function as well as a monitoring function. To this effect, any deficiencies on such factors, such as hesitation to participate in discussions and befriending managers, emanating from a Board composed of directors of a particular tenure type may typically be mitigated by having a tenure-diverse Board. However, what constitutes a suitable tenure-diverse Board remains a bone of contention. Perhaps, the key is to mandatorily rotate the longest-serving director every year.

Age diversity is advantageous on Board decisions and problem-solving, probably due to the different perspectives and skills that may ensue, with there being no apparent disadvantages in this regard. Paradoxically, MLCs acknowledge the benefits of having an age-diverse Board yet remain resistant to it.

Similarly, the different perspectives contributed by foreign directors have an advantageous influence on board problem-solving and decisions, with any disadvantages on the latter being probably weak. Despite this, and recognizing the current impetus of valuing directors' competencies more highly than their nationality, the study concludes that it is difficult to find foreign directors with legal or accounting competencies or both related to the Maltese context.

While gender diversity influences only advantageously the board's decision-making and problem-solving capabilities, most, if not all, other aspects of diversity seem to be preferable to it. Furthermore, gender quotas may result in the other diversity aspects being underemphasized. Thus, it is probably better to replace quotas with policies that hinder any gender stereotyping, discrimination and constraints.

By understanding that, with its advantages outweighing its disadvantages, diversity generally adds value to CG, MLCs will be able to prosper and fulfil better their stakeholders' interests. Consequently, it is crucial for them to consider the various aspects of diversity so as to arrive at the optimal Board composition. This notwithstanding, it must be acknowledged that there is no one diversity mix applicable across the board. The reason is that no two companies are exactly similar and not all aspects of diversity have the same influence on CG and its various factors.

Yet, once combined wisely, the different aspects of diversity should bear the same result, like the solid combination of the various parts of a building. After all, as stated by one MLC representative, *"at the end of the day, all have to combine together to form a well-built house"*.

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