

Chief Financial Officers' International Experience and Corporate Reporting Quality: Evidence from Malaysia

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Abstract

Purpose: Leaders of organisation need to ensure the quality of information being reported to enable the stakeholders making informed decisions. Using the National Annual Corporate Report Awards (NACRA) between 2016 and 2020 as a case, this research aims to explore the relationship between chief financial officers' (CFO) international experience and the proclivity to win the awards.

Design/methodology/approach: The sample consisted of 39 winners and 39 non-winners (proxy for corporate reporting quality) during the period, matched on the basis of year, sub-sector classifications and market capitalisation. The international experience considered working experience, education and nationality. The perspectives of upper echelons and resource-based view were used as the underpinning theories, while descriptive, correlation and regression analyses were conducted to answer the research objective.

Findings: Overall, there is a significant relationship between the international experience of CFOs and the quality of corporate reporting. In particular, CFOs who obtained their education from an overseas institution were more likely to come from firms that have won the corporate report awards.

Research limitations/implications: The research included a small number of cases; hence the findings are not generalisable to the whole population. Furthermore, it only examined one type of corporate leader (i.e. CFO) and based on a single characteristic (international experience).

Practical implications: The research highlights the importance of international experience in general and education in particular towards enhancing corporate reporting quality.

Originality/value: The research contributes to the paucity of research examining the influence of leaders' international experience on corporate reporting practice.

Paper type: Research paper

Keywords: International experience, Chief financial officers, Corporate reporting, NACRA, Upper echelons theory, Resource-based view theory

Introduction

In 1975, a discussion paper – 'The Corporate Report' - was submitted to the Institute of Chartered Accountants in England and Wales' (ICAEW) Accounting Standards Steering Committee (ASSC) which set the avenue for a wider discussion on corporate reporting, particularly in the United Kingdom (UK). It envisioned the corporate reports as going beyond

basic financial statements with the inclusion of narrative and descriptive statements and illustrative materials such as the Chairman Statement and corporate highlights (ASSC, 1975). Since then, corporate reports have evolved into several phases leading to more integrated reports, as they are now, emphasising on strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality and conciseness (The International Integrated Reporting Council [IIRC], 2021). Furthermore, the advent of smart and digital technologies has not only transformed the reports from printed to online form, but also made the corporate reporting process more effective offering greater transparency for stakeholders (Lombardi & Secundo, 2021). Despite the significant developments in corporate reporting, one thing remains unchanged has been its general objective or purpose which is to provide information to the users for decision-making. Corporate reporting quality is central to organisational sustainability as it reduces cost of capital (Muttakin et al., 2020; Vitolla et al., 2020), uncertainty about credit risk (Akins, 2018) and regulatory risk review (Hesarzadeh & Bazrafshan, 2018) while, at the same time, improves social responsibility (Lu et al., 2015; Martínez-Ferrero et al., 2015), informational efficiency (Hesarzadeh & Rajabalizadeh, 2019), and firm performance (Martini et al., 2016). Furthermore, countries across the globe have introduced awards to recognise excellence in corporate reporting such as Malaysia's National Corporate Reporting Award (NACRA), Singapore Corporate Awards (SCA), and PricewaterhouseCoopers (PwC) UK Building Public Trust Awards, to name but a few.

Organisational key personnel in ensuring corporate reporting quality has been the Chief Financial Officer (CFO). CFO is "the most senior person involved in the finance function of an organisation... [including] in the preparation of financial statements and external reporting in compliance with accounting standards and relevant laws and regulations" (The Malaysian Institute of Accountants [MIA], 2019, p. 2). Despite being traditionally associated with the 'financial gatekeeper' roles, the increasing socio-economic problems and advancements in the technology which could have negative impact on firm performance have redefined the expectations as to what CFOs should do in organisations. For example, CFOs nowadays are expected to be involved in "strategy development and execution, performance monitoring and communication with stakeholders" (MIA, 2019, p. 2). According to the International Federation of Accountants (IFAC), to enhance the effectiveness of corporate reporting, CFOs have to be the "integrator and navigator" for the organisations where economic, environmental and social values need to be considered at all levels of decision-making and reporting (IFAC, 2013b, p. 15). Recently, the United Nations (UN) Global Compact had launched the CFO Taskforce for the Sustainable Development Goals (SDGs) and the Principles for Integrated SDG Investments and Finance (UN Global Compact, 2019, 2020), expanding the roles of CFOs on sustainability matters which goes beyond financial considerations.

Upper echelons theory postulates that "organisational outcomes – strategic choices and performance levels – are partially predicted by managerial background characteristics" (Hambrick & Mason, 1984, p. 193). Furthermore, resource-based view theory highlights the importance of organisational resources – "assets, capabilities, organisational processes, firm attributes, information, knowledge, etc." (Barney, 1991, p. 101) – to sustain competitive advantage. Since CFO is part of top management team (TMT), understanding how their characteristics, knowledge and skills could influence corporate reporting quality is worthy of further investigations. One aspect that has received increasing attention in the academic literature is international experience. International experience broadens the scope of knowledge and capabilities of the CFOs which, in turn, benefits the organisations (Amran et al., 2016). The experience often comes with more responsibility and higher levels of autonomy which give greater confidence in decision-making including those related to corporate reporting (Amran et al., 2016).

However, there are several weaknesses inherent in the extant literature examining the influence of international experience. First, there has been a predominance of research on board of directors (BOD) and Chief Executive Officers (CEO). To the best of our knowledge, Duan et al. (2020) is the only research examined CFOs (and CEO, Chairman and senior executives) among Chinese, United States (US) and Hong Kong companies on the aspect of foreign initial public offerings' (IPO) undertakings. Second, the large majority of the research were on firms' degree of internationalisation, firm performance, corporate social responsibility performance and the choice of foreign market entry. Corporate reporting has been addressed by Amran et al. (2016) on the issue of climate change among the Association of Southeast Asian Nations (ASEAN) companies and Muttakin et al. (2015) on CSR disclosures in the context of Bangladesh. Finally, US companies dominated the previous research samples. Differences in political, cultural, socio-economic and regulatory settings may limit the generalisability of such findings to other countries. Meanwhile, Malaysia in recent years have taken initiatives that might impact the quality of corporate reporting among the companies. For example, the introduction of Sustainability Statement amendment in year 2015 (Bursa Malaysia, 2015), the revision to Malaysian Code on Corporate Governance in year 2017 and 2021 (Securities Commission, 2021), and the publication of Competency Framework for Finance Function in Public Interest Entities in 2019 (MIA, 2019), to name but a few. Therefore, examining of the influence of CFO characteristics on corporate reporting quality in Malaysia becomes timely and important.

The research aims to explore the influence of CFO international experience on the quality of corporate reporting, using winning corporate report awards (NACRA) as the case. Following Duan et al. (2020), international experience was assessed on the basis of working experience, education and nationality. The findings contribute to the body of knowledge, specifically on the association between CFO characteristics and quality of corporate reporting. In so doing, it extends the literature which largely focused on the US context and offers the discussion using multiple theoretical lenses. The importance of international experience in enhancing corporate reporting could help organisations and accounting regulatory/professional bodies to shape their recruitment and employee/members' development programmes.

The remaining sections of the paper are structured as follows. The next section reviews the related literature and discusses the theories and hypotheses development. It is followed by a section describing the research methods. The penultimate section presents the findings. The final section concludes the paper, elucidates the research implications and highlights the limitations.

Literature Review

In organisations, a CFO is appointed to handle matters including those pertaining to financial risks and controls, financial statements and external reporting as well as non-finance-related matters such as strategy development, performance monitoring and stakeholder communications (MIA, 2019). They are expected to create, enable and preserve values for organisations and later report the relevant and useful values to internal and external stakeholders (IFAC, 2013b). In regards to corporate reporting, the CFOs play essential roles in enhancing the communication and reporting processes by responding to the changing demands of information and in implementing innovative communication and engagement approaches by capitalising various communication channels and digital technologies (IFAC, 2013a). IFAC (2013a) proposed 11 principles for effective business reporting processes that could help CFOs to prepare quality corporate reports. Generally, it is expected that effective CFOs will lead to positive accounting outcomes such as more comprehensive and timely reporting and lower incidence of earnings management and fraud, which ultimately improve

firm performance and sustainability (Hesarzadeh & Rajabalizadeh, 2019; Lu et al., 2015; Martínez-Ferrero et al., 2015; Martini et al., 2016).

Adams (2002) emphasises the need to investigate the internal contextual factors influencing corporate reporting. The internal contextual factors focus on the characteristics of specific governance mechanisms such as BOD, board-level committees and TMT, including CFO. This new, yet important, area of research has received increasing attention from the academic community (Lagasio & Cucari, 2019; Majumder et al., 2017; Saha & Kabra, 2020). This research is based on two strands of literature, namely the role and characteristics of CFOs and the influence of leaders' international experience on corporate behaviour. The role and characteristics of CFOs have been examined in relation to various aspects of accounting, namely environmental, social and governance (ESG) (Alrazi et al., 2018; Guo et al., 2021; Sun & Rakhman, 2013; Sun et al., 2015; Wang et al., 2021), research and development investment (Ginesti et al., 2021; Harymawan et al., 2020), earnings management (Barua et al., 2010; Bishop et al., 2017; Caglio et al., 2018; Ge et al., 2011; Liu et al., 2016; Nasution & Jonnergård, 2017), corporate fraudulent practices (Frischanita & Bernawati, 2020; Gupta et al., 2020; Luo et al., 2020; Sun et al., 2019), research and development intensity (accounting conservatism (Francis et al., 2015; Muttakin et al., 2019), timeliness of forward-looking provisions disclosure (Janahi et al., 2020), opportunistic accounting choice (Donatella & Tagesson (2021), Enterprise Resource Planning (ERP) system adoption (Hiebl et al., 2017), corporate internal control (Yu et al., 2019), corporate cash holdings (Xu et al., 2019) and cost management systems (Pavlatos, 2012). Generally, CFO demographic profiles had been the focus with gender, education, age, tenure and professional certification were found to be significant determinants. However, none of these studies investigating the influence of international experience of the CFOs.

Another strand of research focuses on the leaders' (BOD and TMT) international experience on firms' degree of internationalisation (Athanasassiou & Nigh, 2002; Carpenter & Fredrickson, 2001; Carpenter et al., 2003; Chen et al., 2017; Chen et al., 2016; Conyon et al., 2019; Duan et al., 2020; Elia et al., 2021; Herrmann & Datta, 2005; Lee & Roberts, 2015; Magnusson & Boggs, 2006; Nam et al., 2018), firm performance (Carpenter et al., 2001; Hsu et al., 2013; Ullah et al., 2020), corporate sustainability performance and reporting (Amran et al., 2016; Muttakin et al., 2015; Slater & Dixon-Fowler, 2009; Sumarta et al., 2021), choice of foreign market entry mode (Herrmann & Datta, 2006; Nielsen & Nielsen, 2011), board gender diversity (Nekhili & Gatfaoui, 2013), the use of dynamic marketing and research and development capabilities (Rodenbach & Brettel, 2012), venture capital financing (Patzelt, 2010), CEO compensation (Peng et al., 2015), Six Sigma adoption (Shin et al., 2016) and expatriates' adjustment and effectiveness (Lee & Sukoco, 2010). Of these studies, only Duan et al. (2020) examined CFO international experience, whilst only Amran et al. (2016) and Muttakin et al. (2015) focused on corporate reporting. They will be reviewed next.

Duan et al. (2020) introduced the concept of "Returnee CEO/Chairman/CFO" in referring to CEO/Chairman/CFO who "have had overseas working experience, overseas studying experience, overseas permanent residence or foreign nationality" (p. 464). On the basis of signalling theory, they examined the initial public offering (IPO) decisions of Chinese entrepreneurial firms listed in the mainland China, the United States and Hong Kong, in terms of the choice of market (foreign vs. domestic). While the main focus of the research was on CEO, they also reported findings for the Chairman, CFO and other senior executives. It was found that returnee leaders (including CFO) were more likely to issue IPOs in the foreign markets (United States and Hong Kong) than in the domestic market (China). Amran et al. (2016) investigated the influence of internal resources, including CEO/Chairman and BOD international experience, on the climate change strategy among 129 listed ASEAN companies. Following resource-based view theory, international experience was posited to be an important

resource that could lead to better quality of corporate reporting. Content analysis of annual reports, stand-alone sustainability reports and corporate websites was conducted for climate change strategy disclosures. They found the influence of BOD international experience. CEO/Chairman, although shows a positive a coefficient, was not significant. Foreign directors are expected to bring their international experience into the boardroom, providing new insights and perspectives imperative in decision-making. Furthermore, appointing foreign directors serving the board could signal the firms' commitment towards greater monitoring and transparency, hence improving organisational reputation. In a study among 116 companies listed in Dhaka Stock Exchange, Muttakin et al. (2015) found the influence of foreign directorship on corporate social responsibility disclosures. Based on this review, there still lack of empirical literature examining the relationship between CFO characteristics and corporate reporting which warrants further investigation.

Hypotheses Development

Upper echelons theory is perhaps the most utilised theory in literature pertaining to corporate leaders' characteristics, including those related to CFOs (Plöckinger et al., 2016). The theory was first introduced by Hambrick and Mason (1984) and later updated by Hambrick (2007). According to the theory, differences in organisational strategic choices could be explained by the characteristics of the managers. The strategic choices include matters related to product innovation, diversification, acquisition, capital expenditure and intensity, and leverage, to name but a few. These choices, in turn, would determine the organisational performance such as profitability, growth and survival (Hambrick & Mason, 1984). Hambrick and Mason (1984) further classified the characteristics into demographic/observable (e.g., age, functional tracks, career experiences, education, socioeconomic roots) and psychological/behavioural (i.e., cognitive base and values). Later, Hambrick (2007) refined the theory to include two moderating factors, namely managerial discretion and executive job demands. Duan et al.'s (2020) interpretation of international experience (i.e. working, education, and nationality) is closely related to the aspects of career experience, education and, to a certain extent, socioeconomic roots proposed by Hambrick and Mason (1984). In essence, differences in experience, education and nationality bring in broader perspectives, diverse knowledge and skill base, and degree of aggressiveness towards an issue.

Another theory of potential to explain the importance of CFO and his/her international experience is resource-based view theory (Amran et al., 2016). International experience meets the definition of a resource which according to Barney (1991) includes "all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc." (Barney, 1991, p. 101). Specifically, it falls under Russo and Fouts' (1997) human resources and organisational capabilities, Das and Teng's (2000) knowledge-based resources and Branco and Rodrigues' (2006) intangible resources and capabilities. For a resource to be able to sustain corporate competitive advantage, it must be valuable, rare, imperfectly imitable and not substitutable (Barney, 1991). In essence, while CFOs are already a resource to organisations, CFO with international experience offers skills and expertise which 'domestic' CFOs do not possess (Muttakin et al., 2015).

Most of the arguments in favour of international experience cited skills, expertise and management norms acquired from socially and culturally different environments as an important attribute distinguishing an executive from his/her colleagues (e.g., Muttakin et al., 2015; Patzelt, 2010; Rodenbach & Brettel, 2012; Sumarta et al., 2021; Ullah et al., 2021). Leaders with international experience were claimed to be more convenient in making significant resource commitments, having greater confidence in managing complex foreign operations, and more alert on opportunities available in the international market (Rodenbach

& Brettel, 2012). Furthermore, international experience enhanced the corporate leaders' awareness of broader stakeholder expectations; hence, the materiality issues to be reported (Amran et al., 2016). In a study among a sample of Australian employers, academics and students, Crossman and Clarke (2010) found several reasons for the association between international experience and graduates' employability. It is argued that overseas graduates/employees benefit from the relationships based on international networks, knowledge acquisition through experiential learning, mastery of foreign language(s) and improving soft skills necessary for cultural understandings, which in turn, shaping their personal characteristics and influencing their ways of thinking.

Prior literature also found firms which leaders have international experience had greater degree of internationalisation (often measured in terms of foreign sales and foreign assets) (Athanasidou & Nigh, 2002; Carpenter & Fredrickson, 2001; Carpenter et al., 2003; Chen et al., 2016; Chen et al., 2017; Conyon et al., 2019; Duan et al., 2020; Elia et al., 2021; Herrmann & Datta, 2005; Magnusson & Boggs, 2006; Nam et al., 2018). Operating in foreign markets would expose the firms to greater international scrutiny and stakeholder expectations. This certainly will influence the nature, type and extent of information to be disclosed. Finally, as far as reporting standards or guidelines are concerned, most of them are originated from countries like the UK (e.g., International Financial Reporting Standards, Integrated <IR> Framework, Carbon Disclosure Project), the US (e.g., Sustainability Accounting Standards Board Standards), the Netherlands (e.g., Global Reporting Initiative Standards), and Switzerland (e.g., Task Force on Climate-related Financial Disclosures). Therefore, it is reasonable to expect that CFOs with international experience would be more aware and familiar with all these standards or guidelines and use them in preparing their corporate reports. Based on the abovementioned arguments, it is hypothesised that,

H₁: CFO international experience is associated with better quality of corporate reporting.

Methods

Sample Selection

Due to the nature of this research which is exploratory, the sample was taken from the winners of NACRA. NACRA was launched in year 1990 and is a joint effort of Bursa Malaysia, MIA and Malaysian Institute of Certified Public Accountants (MICPA). Companies that won the awards were considered to have published quality corporate reports on two main grounds. First, the very objectives of NACRA are "to raise the bar for quality corporate reporting...and...to recognise and encourage excellence in the presentation of financial and corporate information" (MICPA, 2021, p. 3). Second, the eligibility and assessment criteria include qualities such as timeliness, relevance, faithful representation, comparability, understandability, materiality, accuracy, balance, clarity and comparability, which become the bases of corporate reporting according to established reporting frameworks such as the Malaysian Accounting Standards Board's (MASB) Conceptual Framework for Financial Reporting (MASB, 2018), the IIRC's International <IR> Framework (IIRC, 2021) and Global Reporting Initiative (GRI) Standards (GRI, 2020).

The participation in NACRA is voluntary. Every year, companies are invited to submit the entries, through submission of the reports, with a fee. The year 2020 edition contested two main types of award, namely Excellence Awards and Special Awards. For the Excellence Awards, listed companies were divided into three categories based on market capitalisation: less than RM10 billion; between RM2 billion and RM10 billion; and more than RM2 billion. There was also a category for non-listed organisations. The Special Awards evaluated the reports on the aspect of sustainability, language (Bahasa Malaysia) and design. In earlier editions, there were

also categories for integrated reporting, inclusiveness and diversity as well as industry excellence. The reports will be adjudicated by a committee consisting representatives from the three organising bodies. Winners were given awards either platinum, gold, silver, or certificates of merit (MICPA, 2021).

The period between 2016 and 2020 was chosen due to data availability reason based on the MICPA website (MICPA, 2021). Initially, there were 52 winning companies with 147 firm-year observations. Of these companies, seven were non-listed, involving 13 observation. Since it is difficult to find a matching for non-listed companies, they were removed from the sample. Then, the remaining companies were matched with non-winners according to year, sub-sector classifications and market capitalisation (MalaysiaStockBiz, 2021). During this process, we could not find the match for six companies (18 observations) with comparable sector and market capitalisation. Additionally, one of the matched pairs had an incomplete annual report, leaving the final sample to 39 pairs (78 companies) with 230 firm-year observations. Table 1 depicts the sample selection process, while Appendix A provides the list of companies included in the sample. The majority of the sample were from the property sector with 16 companies, followed by food and beverages and construction (eight companies each), banking and real estate investment trusts (six companies each), and telecommunications service providers and diversified industrials (four companies each). The other 13 sub-sectors had two representatives each.

Table 1: Sample Selection Process

| Criteria | <i>n</i> | Observations |
|--------------------------|-----------|--------------|
| Initial sample (winners) | 52 | 147 |
| Non-listed | (7) | (13) |
| Insufficient matching | (6) | (18) |
| Incomplete annual report | - | (1) |
| Final sample (winners) | 39 | 115 |
| Non-winner sample | 39 | 115 |
| Total | 78 | 230 |

Data Collection

As mentioned earlier, the list of NACRA winners was obtained from the MICPA website, while the non-winning counterparts were identified based on the MalaysiaStockBiz website. The international experience, which is the independent variable of this research, was hand collected from the relevant sections in the annual/integrated reports. These include sections such as ‘Senior Management’, ‘Profile of Group Senior Management’, ‘Management Team’ and ‘Key Management Profile’.

Measurement of Variables

Quality is a subjective measure; and there is no universally accepted notion of disclosure quality exists (Botosan, 2004). It can be measured qualitatively and quantitatively (Alrazi, 2012). In the absence of a standard indicator for corporate reporting quality, the selection of NACRA as the basis was deemed appropriate. For *WINNER*, if a company won an award during a year, it was coded one (1), and otherwise zero (0).

Following Duan et al. (2020), international experience was defined as “have had overseas working experience, overseas studying experience, overseas permanent residence or foreign nationality” (p. 464). This is also consistent with Conyon et al. (2019) who captured international/foreign experience based on nationality, education and working experience.

Hence, CFO with international experience (*CFO_INT*) was coded one (1), and otherwise zero (0).

Control Variables

There are many other variables could potentially influence the corporate reporting quality. Based on the review of literature, we included control variables and they were categorised into two: those related to firms' degree of internationalisation and those related to general firm characteristics. Firms' degree of internationalisation included foreign sales, foreign assets (Athanassiou & Nigh, 2002; Carpenter & Fredrickson, 2001; Chen et al., 2017; Herrmann & Datta, 2006; Hsu et al., 2013; Magnusson & Boggs, 2006; Slaten & Dixon-Fowler, 2009), and foreign ownership (Lee & Roberts, 2015; Shin et al., 2016). Foreign sales (*FSALES*) was measured based on the ratio of foreign sales to total sales; foreign assets (*FASSET*) was based on the ratio of foreign assets to total assets; while foreign ownership (*FOWN*) was based on the percentage of a firm's outstanding shares held by foreign shareholders. The measures were based on the previous literature mentioned earlier. Data for *FSALES* and *FASSET* were extracted from the segmental reporting section in the notes to the financial statements. *FOWN* was calculated from the information provided in the analysis of shareholdings section.

For firm characteristics, we estimated firm size, profitability, leverage and audit firm into the regression model. *SIZE* was measured based on the natural logarithm of total assets (Hsu et al., 2013; Muttakin et al., 2015; Nam et al., 2018; Nekhili & Gatfaoui, 2013; Sumarta et al., 2021; Ullah et al., 2020). *PROFIT* was measured based on return on assets (Carpenter & Fredrickson, 2001; Chen et al., 2016; Chen et al., 2017; Elia et al., 2021; Herrmann & Datta, 2005, 2006; Muttakin et al., 2015; Nekhili & Gatfaoui, 2013; Shin et al., 2016; Slater & Dixon-Fowler, 2009). *LEV* was measured based on total debt ratio (Chen et al., 2017; Lee & Roberts, 2015; Muttakin et al., 2015; Nam et al., 2018; Nekhili & Gatfaoui, 2013; Ullah et al., 2020). For *AUDIT*, firms audited by the Big 4 were assigned one (1), otherwise zero (0) (Ullah et al., 2020). The Big 4 consisted of Deloitte, PricewaterhouseCoopers, Ernst & Young and KPMG (CFI Education, 2021). We did not include industry as control variable since we had controlled for it during the sample selection stage. All data were hand collected from the annual reports, particularly the financial statements and auditors' report sections.

Regression Specifications

The following regression specifications were used to assess the relationship between leaders' international experience and corporate reporting quality.

$$WINNER_{it} = \alpha + \beta_1 CFO_INT_{it} + \beta_2 FSALES_{it} + \beta_3 FASSET_{it} + \beta_4 FOWN_{it} + \beta_5 SIZE_{it} + \beta_6 PROFIT_{it} + \beta_7 LEV_{it} + \beta_8 AUDIT_{it} + \epsilon_{it}$$

Where,

WINNER = one (1) if the firm won NACRA during the year, and zero (0) otherwise.

CFO_INT = CFO with international experience was coded one (1), and otherwise zero (0).

FSALES = ratio of foreign sales to total sales

FASSET = ratio of foreign assets to total assets

FOWN = the percentage of a firm's outstanding shares held by foreign shareholders

SIZE = natural logarithm of total assets

PROFIT = return on assets
LEV = total debt ratio
AUDIT = one (1) if the firms audited by the Big 4, and zero (0) otherwise.

Findings

Table 2 presents the descriptive statistics of the sample. For the purpose of descriptive statistics, the raw value of total assets was used as a proxy for *SIZE*. However, for correlation and regression analyses, the values were transformed into natural logarithm. The final column indicates the significance value (two-tailed) based on Mann-Whitney U and Chi-Square tests for continuous and categorical data, respectively. The majority of CFOs included in the research (90%) have had international experience, either in terms of working, education or nationality. When the sample was divided into two groups, the WINNERS group had a higher percentage of CFOs with international experience (96%) than the NON_WINNERS group (85%). The difference is statistically significant ($p=0.012$). The WINNERS group also had greater percentage of firms being audited by the Big 4 ($p=0.000$) and were larger in size ($p=0.074$). Other characteristics did not show any significant difference between the two groups, although the NON_WINNERS group had slightly greater firms' degree of internationalisation (i.e. in terms of foreign sales, assets and ownership) and were more profitable (*PROFIT*) than the WINNERS group.

Table 2: Descriptive Statistics

| No | Characteristics | ALL_SAMPLE (N=230) | WINNERS (N=115) | NON_WINNERS (N=115) | p-value |
|------------------------|--------------------|-----------------------|--------------------|------------------------|----------|
| Continuous data (mean) | | | | | |
| 1 | <i>FSALES</i> | 18.1555 | 16.5857 | 19.7252 | 0.356 |
| 2 | <i>FASSET</i> | 13.1285 | 11.3302 | 14.9269 | 0.222 |
| 3 | <i>FOWN</i> | 14.6875 | 12.8273 | 16.5477 | 0.151 |
| 4 | <i>SIZE</i> | 29372783.5200 | 35749375.36 | 22995831.69 | 0.074* |
| 5 | <i>PROFIT</i> | 5.6765 | 5.3421 | 6.0109 | 0.511 |
| 6 | <i>LEV</i> | 49.7620 | 50.8639 | 48.6601 | 0.472 |
| Categorical data (%) | | | | | |
| 1 | <i>CFO_INT</i> (1) | 90.4000 | 95.6522 | 85.2174 | 0.012** |
| 2 | <i>AUDIT</i> (1) | 73.9000 | 85.2174 | 62.6087 | 0.000*** |

This table presents the descriptive statistics of CFO international experience and the control variables. *FSALES* is ratio of foreign sales to total sales. *FASSET* is ratio of foreign assets to total assets. *FOWN* is the percentage of a firm's outstanding shares held by foreign shareholders. *SIZE* is total assets. *PROFIT* is return on assets. *LEV* is total debt ratio. *CFO_INT* is one (1) if the company won NACRA during the year, and zero (0) otherwise. *AUDIT* is one (1) if the firms audited by the Big 4, and zero (0) otherwise. *, ** and *** represent significance levels (two-tailed) at 10 percent, 5 percent, and 1 percent, respectively.

Table 3 presents the correlation analysis, with Pearson correlation in the above diagonal, while Spearman's rho below. According to Field (2013), a correlation of above 0.80 indicates a potential multicollinearity problem. Except for *FSALES-FASSET* relationship which has a correlation coefficient of 0.823 (Spearman's rho), all other relationships were not highly correlated. However, based on the regression analysis, it was evident that estimating both *FSALES* and *FASSET* in the same model produced the highest adjusted R^2 as compared to dropping one of them. As such, the regression results presented in this research did not remove any of the variables.

Table 3: Correlation Analysis

| | <i>FSALES</i> | <i>FASSET</i> | <i>FOWN</i> | <i>SIZE</i> | <i>PROFIT</i> | <i>LEV</i> | <i>AUDIT</i> |
|---------------|---------------|---------------|-------------|-------------|---------------|------------|--------------|
| <i>FSALES</i> | 1.000 | 0.687*** | -0.001 | 0.104 | -0.062 | -0.219*** | -0.020 |
| <i>FASSET</i> | 0.823*** | 1.000 | -0.162** | 0.121* | -0.165** | -0.015 | -0.166** |
| <i>FOWN</i> | 0.001 | -0.055 | 1.000 | -0.089 | 0.357*** | 0.067 | 0.263*** |
| <i>SIZE</i> | 0.194*** | 0.123* | 0.039 | 1.000 | -0.323*** | 0.404*** | 0.349*** |
| <i>PROFIT</i> | -0.161** | -0.200*** | 0.111* | -0.401*** | 1.000 | -0.031 | 0.001 |
| <i>LEV</i> | -0.093 | -0.039 | 0.084 | 0.363*** | -0.322*** | 1.000 | 0.010 |
| <i>AUDIT</i> | 0.049 | -0.066 | 0.332*** | 0.353*** | -0.027 | -0.002 | 1.000 |

This table presents the correlation analysis of the control variables. All variables are defined in Table 2. *SIZE* was transformed into natural logarithm. *, ** and *** represent significance levels (two-tailed) at 10 percent, 5 percent, and 1 percent, respectively.

Table 4 presents the result of binary logistic regression with *WINNER* as the dependent variable and *CFO_INT* as the independent variable. Firms' degree of internationalisation (*FSALES*, *FASSET* and *FOWN*) and firm characteristics (*SIZE*, *PROFIT*, *LEV*, and *AUDIT*) were the control variables. The model's Chi-Square is 34.437 ($p=0.000$) while Cox & Snell R^2 and Nagelkerke R^2 are 13.9% and 18.5%, respectively. *CFO_INT* is positive and significant ($\beta = 1.458$; $p=0.010$), indicating that NACRA-winning firms were more likely to have CFOs with international experience than their counterparts ($p=0.010$). This provides support to the hypothesis (H_1) and is consistent with the earlier finding reported in Table 2. The scenario presents a strong case for the importance of CFOs exposure to the overseas environment to improve the quality of corporate reporting. This is also consistent with the study by Duan et al. (2020) who found significant relationship between CFO international experience and the proclivity of firms undertaking foreign IPOs.

For firms based in emerging economies, the degree of internationalisation had been found to play a significant role in firms' strategic actions (Shin et al., 2016). Furthermore, being multinational firms exposed them to greater international scrutiny, cultural differences and more rules and regulations (Alrazi, 2012). As such foreign sales (*FSALES*), assets (*FASSET*) and ownership (*FOWN*) were included as control variables. The influence of internationalisation was not observed, except for *FOWN* which was negative. However, the finding is consistent with Lee and Roberts (2015) who found low leverage and industry diversification among firms with lower proportion of shares owned by the foreign investors. In the context of corporate disclosures, the negative influence of foreign ownership could also be observed in Garanina and Aray (2021) and Saini and Singhanian (2019). For general firm characteristics, firms audited by the Big 4 (*AUDIT*) were found to be more likely of providing quality reports. The extant literature associates size of the audit firm with the quality of audit. The presence of Big 4 firms as effective external monitoring mechanism had lowered the tendency of firms' managing earnings and/or beating the analysts' earnings forecasts (Ahmad et al., 2016; Hasan et al., 2020; Huang et al., 2012) and lessened the impact of excess perks on stock price crash risk (Xu et al., 2014). Furthermore, the Big 4 firms have been very active in promoting quality corporate reports including through sponsoring awards related to corporate reporting (e.g., ACCA Malaysia Sustainability Reporting Awards, PwC Building Public Trust Awards, Deloitte Green Frog Award) or tracking the corporate reporting practices globally (e.g., the KPMG Survey of Sustainability Reporting). Other characteristics were found to be not significant.

Table 4: Logistic Regression

| | B | S.E. | Wald | df | Sig. |
|----------------|----------|-------------|-------------|-----------|-------------|
| <i>CFO_INT</i> | 1.458 | 0.569 | 6.556 | 1 | 0.010*** |
| <i>FSALES</i> | -0.005 | 0.008 | 0.301 | 1 | 0.584 |
| <i>FASSET</i> | -0.006 | 0.009 | 0.468 | 1 | 0.494 |
| <i>FOWN</i> | -0.022 | 0.009 | 6.622 | 1 | 0.010*** |
| <i>SIZE</i> | 0.171 | 0.125 | 1.869 | 1 | 0.172 |
| <i>PROFIT</i> | 0.016 | 0.021 | 0.574 | 1 | 0.449 |
| <i>LEV</i> | -0.003 | 0.008 | 0.130 | 1 | 0.718 |
| <i>AUDIT</i> | 1.212 | 0.388 | 9.764 | 1 | 0.002*** |
| Constant | -4.454 | 1.848 | 5.810 | 1 | 0.016** |

All variables are defined in Table 2. *SIZE* was transformed into natural logarithm. *, **, and *** represent significance levels at 10 percent, 5 percent, and 1 percent, respectively. All tests are two-tailed.

Additional Analyses

In this research, *CFO_INT* is being measured based on whether the CFO has had international working experience, received education from overseas' institutions or held foreign nationality. Separate regressions were conducted to examine the effect of individual 'international' characteristics separately (i.e. *INT_WORK* for international working, *INT_EDU* for international education and *FOR_NAT* for foreign nationality, each was assigned a score of one or zero). No analysis was conducted for permanent residence (Duan et al., 2020) as none of the CFOs had this characteristic and/or it was already captured by foreign nationality. The results are presented in Table 5. Additionally, we converted the 'international experience' into an aggregate score, ranging from zero (0) indicates 'no international experience' and three (3) for meeting all the three characteristics, namely working, education and nationality. Table 6 presents the result for this additional analysis. Based on the tables, it can be discerned that international education (*INT_EDU*) emerged as the most significant factor determining the quality of corporate reporting ($\beta=1.238$; $p=0.020$). Consistent with the main finding, both *FOWN* and *AUDIT* are statistically significant across all models.

The extant literature often removed financial institutions from the sample on the basis of different regulatory requirements. The main finding of this research included financial institutions; hence, the abovementioned analyses were repeated by removing these firms ($N = 212$). Although not tabulated here, the findings are consistent with Table 4 and 5. *CFO_INT*, *INT_EDU*, *FOWN* and *AUDIT* are all significant. The only difference is *SIZE* became significant (positive) across all the models.

Conclusion

Quality corporate reporting is essential to satisfy the information needs of the stakeholders. CFOs are the top management team responsible with the preparation of corporate reports and communication of firm performance to the stakeholders. Their characteristics, to some extent, influence the report contents and format, which in turn determine the quality of reporting. In this research, we examined the influence of CFO international experience on the proclivity of firms winning the corporate report awards. We found that firms with CFO having international experience, particularly in education, were more likely to win the awards than their counterparts. Our findings provide support to the arguments of upper echelons and resource-based view theories.

Table 5: Additional Regression Analyses (Individual characteristics)

| | <i>INT_WORK</i> | | <i>INT_EDU</i> | | <i>FOR_NAT</i> | |
|-------------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| | β | <i>p-value</i> | β | <i>p-value</i> | β | <i>p-value</i> |
| <i>CFO_INT</i> | -0.175 | 0.614 | 1.238 | 0.020** | 0.042 | 0.926 |
| <i>FSALES</i> | -0.002 | 0.790 | -0.004 | 0.647 | -0.002 | 0.774 |
| <i>FASSET</i> | -0.004 | 0.666 | -0.006 | 0.499 | -0.006 | 0.541 |
| <i>FOWN</i> | -0.019 | 0.030** | -0.022 | 0.013** | -0.020 | 0.024** |
| <i>SIZE</i> | 0.200 | 0.107 | 0.167 | 0.183 | 0.199 | 0.113 |
| <i>PROFIT</i> | 0.019 | 0.388 | 0.018 | 0.388 | 0.015 | 0.494 |
| <i>LEV</i> | 0.001 | 0.911 | -0.002 | 0.789 | 0.000 | 0.979 |
| <i>AUDIT</i> | 1.238 | 0.001*** | 1.221 | 0.002*** | 1.200 | 0.003*** |
| Constant | -3.851 | 0.033*** | -4.254 | 0.020** | -3.773 | 0.036** |
| <i>N</i> | 230 | | 230 | | 230 | |
| Chi-square | 27.215 | 0.001*** | 32.995 | 0.000*** | 26.969 | 0.001*** |
| -2 log likelihood | 291.633 | | 285.853 | | 291.878 | |
| Cox & Snell R^2 | 0.112 | | 0.134 | | 0.111 | |
| Nagelkerke R^2 | 0.149 | | 0.178 | | 0.148 | |

INT_WORK is international working. *INT_EDU* is international education. *FOR_NAT* is foreign nationality. All other variables are defined in Table 2. *, **, and *** represent significance levels at 10 percent, 5 percent, and 1 percent, respectively. All tests are two-tailed.

Table 6: Additional Regression Analyses (Aggregate Score)

| | <i>CFO_SCORE</i> | |
|-------------------|------------------|----------------|
| | β | <i>p-value</i> |
| <i>CFO_INT</i> | 0.146 | 0.459 |
| <i>FSALES</i> | -0.003 | 0.743 |
| <i>FASSET</i> | -0.008 | 0.438 |
| <i>FOWN</i> | -0.021 | 0.018** |
| <i>SIZE</i> | 0.197 | 0.110 |
| <i>PROFIT</i> | 0.011 | 0.611 |
| <i>LEV</i> | -0.002 | 0.844 |
| <i>AUDIT</i> | 1.149 | 0.003*** |
| Constant | -3.786 | 0.035** |
| <i>N</i> | 230 | |
| Chi-square | 27.513 | 0.001*** |
| -2 log likelihood | 291.334 | |
| Cox & Snell R^2 | 0.113 | |
| Nagelkerke R^2 | 0.150 | |

CFO_SCORE is the aggregate score for international experience (0-3). All other variables are defined in Table 2. *, **, and *** represent significance levels at 10 percent, 5 percent, and 1 percent, respectively. All tests are two-tailed.

Theoretical Implications

This research adds to the body of knowledge by focusing on the relationship between CFO international and corporate reporting which had received scant attention in the literature. We used a developing country as the setting and multiple theories in explaining the findings.

Practical and Social Implications

Quality corporate reports enable their users to make informed decisions. Understanding the influence of international experience could help organisations to consider this attribute in their recruitment and talent development programme of their management. For accounting regulatory bodies and/or professional associations, this important finding may be an indicator for the need to revisit their competency framework (if any) towards achieving better corporate reporting.

Limitations and Suggestions for Future Research

The findings of this research need to be interpreted with caution. First, the sample was only about 10 percent of the public listed companies in Malaysia. Hence, the findings may not be generalisable to the whole population and companies from other countries. Furthermore, since participating in NACRA is voluntary, there might be bias in selecting the sample. Some of the non-winning firms included in the sample might not even participate in the competition. Increasing the number of sample and/or expanding it to other countries could improve the research generalisability. Second, it only analysed international experience of CFO. An 18.5% R^2 suggests that there are other factors not estimated in explaining the variation in corporate reporting quality. Aspects of gender, age, tenure, professional certification, working experience of the CFO, all being provided in the annual reports, are worthy of further research. The scope can also be expanded to BOD and other TMT members such as CEO, Chief Operating Officer and Chief Sustainability Officer.

Acknowledgment

The authors would like to thank the Ministry of Higher Education Malaysia (MOHE) for the research grant received to undertake this research (FRGS/1/2019/SS01/UNITEN/02/3).

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Appendix A

Table A1: List of Winners and Non-winners

| No | Winners | Non-Winners | Years |
|----|-----------------------------------|-------------------------------|-----------------|
| 1 | AMMB Holdings Berhad | Alliance Bank Malaysia Berhad | 2016-2018 |
| 2 | Axiata Group Berhad | Maxis Berhad | 2016, 2018-2020 |
| 3 | Axis Real Estate Investment Trust | YTL Hospitality REIT | 2016-2020 |
| 4 | BIMB Holdings Berhad | Affin Bank Berhad | 2017 |

| | | | |
|----|--|---------------------------------------|------------------|
| 5 | British American Tobacco (Malaysia) Berhad | Magni-Tech Industries Berhad | 2018 |
| 6 | Duopharma Biotech Berhad | Apex Healthcare Berhad | 2020 |
| 7 | Eco World International Berhad | Lagenda Properties Berhad | 2020 |
| 8 | FGV Holdings Berhad | United Plantations Berhad | 2016-2020 |
| 9 | Fraser & Neave Holdings Berhad | Guan Chong Berhad | 2018-2020 |
| 10 | Gamuda Berhad | Kerjaya Prospek Group Berhad | 2016-2019 |
| 11 | Heineken Malaysia Berhad | Carlsberg Brewery Malaysia Berhad | 2018 |
| 12 | IJM Corporation Berhad | Ekovest Berhad | 2016-2018 |
| 13 | KLCCP Stapled Group | IGB Real Estate Investment Trust | 2016-2020 |
| 14 | KPJ Healthcare Berhad | TMC Life Sciences Berhad | 2016, 2018, 2020 |
| 15 | Kumpulan Perangsang Selangor Berhad | Kumpulan Fima Berhad | 2020 |
| 16 | Mah Sing Group Berhad | Eco World Development Group Berhad | 2016 |
| 17 | Malaysia Resources Corporation Berhad | YNH Property Berhad | 2016-2017 |
| 18 | Media Prima Berhad | Media Chinese International Limited | 2016-2018 |
| 19 | MISC Berhad | Westports Holdings Berhad | 2018 |
| 20 | MSM Malaysia Holdings Berhad | Malayan Flour Mills Berhad | 2016, 2018 |
| 21 | Nestle (Malaysia) Berhad | PPB Group Berhad | 2016-2020 |
| 22 | OSK Holdings Berhad | Amcorp Properties Berhad | 2017-2019 |
| 23 | Petronas Chemicals Group Berhad | Lotte Chemical Titan Holding Berhad | 2017-2020 |
| 24 | Petronas Dagangan Berhad | Padini Holdings Berhad | 2016-2019 |
| 25 | Petronas Gas Berhad | YTL Corporation Berhad | 2016-2020 |
| 26 | Puncak Niaga Holdings Berhad | Vizione Holdings Berhad | 2016 |
| 27 | RHB Bank Berhad | Hong Leong Financial Group Berhad | 2016-2020 |
| 28 | S P Setia Berhad | IOI Properties Group Berhad | 2017-2019 |
| 29 | Sime Darby Berhad | UMW Holdings Berhad | 2016-2019 |
| 30 | Sime Darby Property Berhad | UOA Development Bhd | 2019-2020 |
| 31 | Sunway Berhad | Berjaya Corporation Berhad | 2016-2017, 2020 |
| 32 | Sunway Construction Group Berhad | Ekovest Berhad | 2016-2020 |
| 33 | Sunway Real Estate Investment Trust | Pavilion Real Estate Investment Trust | 2016-2020 |
| 34 | Telekom Malaysia Berhad | Digi.Com Berhad | 2016-2020 |
| 35 | Tenaga Nasional Berhad | Malakoff Corporation Berhad | 2016-2020 |
| 36 | Tropicana Corporation Berhad | Eastern & Oriental Berhad | 2016, 2019 |
| 37 | UEM Edgenta Berhad | Cypark Resources Berhad | 2018-2019 |

| | | | |
|----|------------------------|--------------------|------|
| 38 | UEM Sunrise Berhad | IGB Berhad | 2019 |
| 39 | Yinson Holdings Berhad | Bumi Armada Berhad | 2020 |
