



The Influence of Functional Experience in Finances on Board Directors' Expected Behaviour

A Influência da Experiência Funcional em Finanças nos Comportamentos Esperados dos Conselheiros de Administração

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ABSTRACT

This article seeks to verify the influence of functional experience in finances, identified through the participation in audit and fiscal committees, their motivational types and the intensity of the expected values-behaviour relation. The work is exploratory and quantitative and applies the Mann-Whitney test so as to compare different groups, one with the characteristic of interest and the other without it. We applied the questionnaire directly to the target public - Schwartz Inventory - IVS. The total sample resulted in 121 board members in the country. As a result, we indicate that the strength of the expected values-behaviour relationship is significantly influenced by the members' working experience in finances, especially relative to the motivational types of tradition and conservation, linked to the acceptance of norms and regulations. In a complementary way, we indicate that the results are not affected by the independence of the directors in relation to the ownership structure. Such findings extend literature findings by including the personal dimension in extensive studies, relating functional experience to expected behaviour, and finally shedding light on an inconclusive debate on board director independence.

Keywords: Directors; Personal values; Functional experience; Independence.

RESUMO

O objetivo deste artigo é verificar a influência da experiência funcional em finanças, identificada por meio da participação do conselheiro nos comitês de auditoria e fiscal, em seus tipos motivacionais e na intensidade da relação valores-comportamentos esperados. O trabalho é exploratório e quantitativo, realizado mediante aplicação do teste de Mann-Whitney com o objetivo de comparar distintos grupos, um com a característica de interesse e outro sem esta característica. Foi aplicado diretamente ao público-alvo o questionário "Inventário de

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Valores de Schwartz – IVS”. A amostra total resultou em 121 membros de conselhos no país. Como resultado, indicou-se que a força da relação valores-comportamentos esperados sofre influência significativa da experiência funcional do conselheiro, principalmente nos tipos motivacionais tradição e conformidade (conservação), ligados à aceitação de normas e regulamentos. De forma complementar, observou-se que os resultados não sofrem influência da independência do conselheiro com relação à estrutura de propriedade. Tais achados ampliam a literatura ao incluírem a dimensão pessoal nos estudos referentes a conselhos, ao relacionarem a experiência funcional com os comportamentos esperados e, finalmente, ao esclarecerem um debate inconclusivo acerca da independência do conselheiro.

Palavras-chave: Conselheiros; Valores pessoais; Experiência funcional; Independência.

1 INTRODUCTION

Two major functions are attributed to the Board of Directors: management and support; counselling and resources. On a daily basis, boards may not be visible, but in times of ethical crises in corporations, naturally their attributions, or the non-fulfilment of them, become evident. Criticism, studies and suggestions for better governance are mainly directed to the board, normally taking the form of better practices in management control (Defond, Hann & Hu, 2005).

Much of the recent academic debate on better practices in corporate governance concern the board's composition (Paniagua, Rivelles & Sapena, 2018; Berger, Kick & Schaeck, 2014). Moreover, control gains prominence and importance as board independence in relation to property structure and certain competences required of members arise in responses to demands to improve corporate governance (Güner, Malmendier & Tate, 2008; Rozman, 2017).

A field that has gained prominence for some regulatory bodies is that of board members' financial experience, as a means of improving the quality of information provided, as well as their assertiveness (Sarbanes-Oxley, 2002). As empirical evidence of such prominence Defond et al., (2005) registered an increase in the prices of shares of companies that nominated board members with financial experience to the audit committee.

A more experienced board in finance can recognise and measure high risks, which could lead to non-optimal decisions that compromise the company's financial health and, consequently, minimise potential strategic errors (Minton, Tailard & Williamson, 2014). Individuals with solid financial knowledge can comprehend and process information on complex financial transactions, and are capable of efficient monitoring and questioning of management (Harris & Raviv, 2006) and its influence in value creation (Zoni & Pippo, 2017)

To carry out successfully its functions of control and services, the board delegates its responsibilities to specific committees. One of the main ones is the audit committee which supervises financial statements and establishes internal control standards. The remuneration committee manages and offers information on management compensation policies of its main executives and directors. The nominations committee evaluates candidates for board positions as well as individual performance (Faleye, Hoitash & Hoitash, 2011; Adams & Ferreira, 2007). The board members with working experience in finance participate fully on audit and fiscal committees (Cunha et al., 2014; Xie, Davidson & Da Dalt, 2003.).

Evaluating and supervising board members' expected behaviour and decisions is not the methodological focus of this work. With a view to understanding board members' working

experience on their expected behaviour and hence their potential decisions, personal values are presented as a reasonable alternative. According to the theory of human values (Schwartz, 1992, 1994, 2005) it is possible to forecast individuals' behaviour and decisions based on knowledge of their personal values. The author argues that values are constructed within society, the family and through the personality traits of all individuals. Once these values have been shaped, all individuals confer a degree of importance and a priority to their values. The importance attributed to values determines behaviour and, potentially, action and decisions (Schwartz, 2005).

The research question that guides the present study is: does working experience in finance influence board members' expected behaviour? And ultimately, can this influence their decisions? The research question is justified because the studies on board members' behaviour need to explore more the determining factors in decision-making. Current studies on demographic characteristics and effects on group work also present gaps. In this research we intend, differently from previous studies, to take a new look at the construction process in decision-making in organisations by allocating the central decision-making process to individuals, and focusing especially on characteristics such as financial experience.

The results point to a significant influence of working experience on the values-expected behaviour relationship of board members, mainly for the motivational types of conformity and tradition, indicating that the different working experiences are relevant in determining best corporate governance practices. At the same time, board independence did not present significant results, indicating that, in isolation, board independence does not explain board member decision-making tendencies.

This article contributes to the literature in evaluating the influence of functional experience on the values-expected behaviour relationship of board members and, therefore, their decision-making practices. It also contributes to the debate on the expectations made of independent board members.

2 THEORETICAL OVERVIEW

2.1 Board Director Roles

The board of directors is considered the maximum entity for corporate decision making, and the board member is responsible for ensuring compliance with applicable laws, corporate interests, values, corporate purpose and the established governance system (IBGC, 2018, pg. 39).

The board of directors and managerial responsibility have again come under close scrutiny from society and the regulatory bodies because of the recent problems in governance presented by Brazilian corporations, among them Petrobras, OGX, J&F, among others. The solutions to the problems of governance sometimes involve an increase in board independence in its monitoring of managerial decisions (Faleye et al., 2011).

The roles that should be filled by boards have already received much attention from academics (Zahra & Pierce, 1989; Johnson, Daily & Ellstrans, 1996) and to them two functions are attributed: a) control of management and b) counselling services and resources. The control function is associated with the monitoring of management so as to minimise potential agency problems. The function of services is associated with the support of management in the formulation and execution of strategy (Faleye et al., 2011).

The function of management control is based primarily on agency conflict occasioned by the segregation of property and management (Jensen & Meckling, 1976). The board's attributes involve the selection of the CEO, remuneration policy, performance supervision (financial and operational) and the consequent dividends policy, the selection of independent auditors and action in major disputes (Zahra & Pierce, 1989; Duru, Iyengar & Zampelli, 2016). Control is also based on legal responsibilities and those of trustees in relation to board members (Bainbridge, 1993), indicating that decisions have to be made in good faith, in the company's best interests of applying the principles of care, loyalty and independence (IBGC, 2005).

Studies on board control are in large part centred on members' independence in relation to property structure. One first line of thinking sought to identify the influence of the member's independence in higher business performance, with inconclusive results; significant (Kesner, 1987), not significant (Molz, 1988) with even a reverse relation, indicating that the past performance of the company influenced the election of independent members (Hermalin & Weisbach, 1998). The second line of thinking in studies on boards' control function explored the relationship between the board and the CEO, indicating that the substitution and remuneration of the CEO are associated with greater board independence (Weisbach, 1988).

The support function is related to management counselling (Davis, Schoorman & Donaldson, 1997) and to access to strategic resources (Pfeffer & Salancik, 1978). In terms of support functions, board attributes have to do with involvement in strategic decisions, the review of business plans, networking and access to resources. Empirical studies of management counselling evaluate board involvement in managerial decisions (Mace, 1971), especially in those related to the approval or suggestion of strategy. In general, the studies take into account specific contexts, property structure, company size, board composition and the CEO's power (McDonald, Khanna & Westphal, 2008; Payne, Benson & Finegold, 2009; Hayward, & Hambrick, 1997). These studies also provide empirical support for the function of board services, to a greater or lesser extent (Hill & Snell, 1988). The studies on access to resources relate board size, the proportion of independent members and interlocking standards (Mizruchi & Stearns, 1988) indicating the board's mediating role in access to strategic resources.

To carry out successfully its functions of control and services, the board delegates its responsibilities to specific committees. One of the main ones is the audit committee which supervises financial statements and establishes internal control standards. The remuneration committee administers and offers information on compensation of its main executives and directors. The nominations committee evaluates candidates for positions on the board and also individual performance (Faleye et al., 2011; Adams & Ferreira, 2007).

2.2 Human Values

We start with the following question: is the application of human values adequate for understanding individual behaviour? According to the theory of human values (Schwartz, 1992, 1994, 2005) it is possible to forecast the behaviour and the decisions of individuals based on a knowledge of their personal values. The author argues that the values are constructed within society, the family and through the personality traits of all individual. Once these values have been shaped, all individuals confer a degree of importance or priority to their, values. The importance attributed to values establishes behaviour and, potentially, action and decisions (Schwartz, 2005).

At the basis of the theory lies the argument that values are relatively constant over time, functioning as a standard of judgment and of individual action (Schwartz, 1994), they are based

on personal experience and, consequently, influence decision-making (Rokeach, 1973). Additionally, to test the validity of their theory, the authors maintain that they must be common to humanity as a whole and tested in various cultures, so that the values will be considered universal regardless of ethnicity, gender, and the specific culture in which the individual is inserted. The theory was tested and validated in 210 investigations in 67 countries, using more than sixty-four thousand respondents (Tamayo & Porto, 2009).

Another important aspect of the theory of values is the identification of underlying motivations to each value, permitting its characterisation by means of the so-called motivational types. Ten motivational types were identified and their meanings can be found described in Table 1 – Motivational Types of Schwartz

Table 1
Motivational Types of Schwartz

Motivational Types	Meaning
Self determination	Independent thought and action, choose, create and explore. A variation of the organic need to control and dominate and inter-relate requirements of autonomy and independence, freedom to choose one's own objectives.
Stimulation	Excitation, novelty, challenge in life. Variations in the organic need for variety and stimulation to maintain a level of activation optimum and positive, instead of threatening
Hedonism	Pleasure or sensual gratification. Variations of the organic need for pleasure associated with its satisfaction.
Realization	Personal success through demonstration of competence according to social standards. Competent performance that generates or acquires the resources necessary to the survival of the company or the individual. Social approval.
Power	Social status and prestige, control or dominion over people and resources. The domination-submission dimension appears in the inter and intra cultural relationships. This value can be considered a transformation of dominion and control.
Security	Harmony and stability of society, relationships and of oneself. There are two types of security, the group (National Security) and the individual (health)
Conformity	Restriction of actions, inclinations and impulses that can distress or harm others and that violate expectations or social norms. They are derived from the requirements that the inclinations of individuals can break the delicate interaction and functioning of groups
Tradition	Commitment and acceptance of customs and ideas that the culture or religion of the individual supply. Experiences and paths shared by the group. Traditions accorded value by the group.
Benevolence	Preserve and strengthen the wellbeing of those with whom the individual has most frequent contact. Derived from the organic need for belonging, the most critical being the family and other primary groups
Universalism	Comprehension and thankfulness, tolerance and protection of the wellbeing of all people and nature. Derived from the organic need for survival of the individual and of the group

Another important factor in the study of human values, due to the fact that they present a circular structure, is the inference regarding their proximity or distance. The closer the values are the more similar is their motivation, the more distant they are, the more conflicting they will

be. We should note that all individuals present the 60 values proposed by Schwartz. The importance attributed to each one is what differs, and it is this difference that is responsible for behavioural tendencies and personal decisions. This importance is also denominated axiological priority.

Regarding the question under discussion, individual or collective interests, the motivational types, power, realization, hedonism, stimulation and self-determination are associated with individualistic interests and the motivational types such as tradition, conformity and benevolence are associated with collective interests (Schwartz, 1992).

Finally, after the identification of the values and the motivational types, it is possible to establish a relation of intensity, denominated values-expected behaviour. The intensity of this relationship can vary in accordance with the situation, both because of the need to apply logical reasoning in decision-making (Torelli & Kaikati, 2009) and also because of the normatization of the context in which the individual is inserted, thus influencing behaviour and decisions, even if in a sense contrary to his/her values (Bardi & Schwartz, 2003). Additionally, personal factors, such as age and health, can interfere in the strength of the relation (Schwartz, 2005). A complete review of the theory of values can be found in Schwartz (1992; 1994).

2.3 Hypotheses

Much of the recent academic debate about better corporate governance practices refers to board composition. Moreover, control gains prominence and importance in moments of crisis, where board independence board in relation to property structure and certain competences demanded board members to come up with responses in the improvement of corporation governance (Güneret al, 2008). A field that has gained prominence for some regulatory bodies is that of board members' financial experience, as a means of improving the quality of information provided, as well as its assertiveness (Sarbanes-Oxley, 2002). As empirical evidence of such prominence, Defond et al. (2005) registered an increase in share prices for companies that nominated board members with financial experience to their audit committees.

Although experience can be measured and constructed in a variety of ways, we are interested in measuring the effects of financial experience. A more experienced board in finance can recognise and measure high risks, which can lead to non-optimal decisions that compromise the company's financial health and, consequently, minimise potential strategic errors (Minton et al., 2014). Individuals with solid financial knowledge can comprehend and process information on complex financial transactions, and are capable of effective monitoring and questioning of management (Harris & Raviv, 2006).

In many companies, there is a delegation of authority from the board of directors to the audit committee to exercise control over the quality of financial statements. Audit committees are responsible both for the quality of internal controls and the selection of the external auditors who should be independent in relation to the management (Anderson, Mansi & Reeb, 2004).

Special attention has been given to the allocation of specialist financial board members to the audit and fiscal committees. In addition to the increase in prices of the shares resulting from the indication of such board members (Defond et al., 2005), Srinivasan (2005) evaluated the penalties imposed on board members appointed to audit and fiscal committees and accused of errors and omissions in accounting statements, indicating that 48% of them had been substituted after these incidents.

It should be stressed that the corporate governance system is not unique or the identical in all countries. The dominant model is composed of only one board, responsible for two

functions, control and support, but such structure can vary, for example, some European countries (Germany, for example) adopt a system with a double board to minimize possible agency conflict (Adams & Ferreira, 2005).

The increase of control over management, in turn, may present perverse effects, compromising the confidence of management and affecting the division of strategic information (Adams & Ferreira, 2007), thus causing a reverse effect on the aim to improve the quality of information and, consequently, better governance (Faleye et al., 2011).

Rindova (1999) concluded that regulators' main concern should be board members' experience and not board composition. Rindova based his study on the premise that cognitive processes transform reality (as well as uncertainty) and produce simplified mental representations of situations (Lipshitz, 1993) and that consequently, experience in a specific industry is important for the board member to carry out his activities efficiently.

We argue that functional experience should to a certain extent mould the behaviour and decisions of members. The findings above indicate that there exists a significant relationship between functional experience, board control functions and organizations' financial experience and individuals' level of education (Schwartz & Bilsky, 1990), we would expect tolerance to risk and ambiguity to be different for the directors who fit into this framework (Rhodes, 1983; Vroom & Pahl, 1971; Dollingers, 1984; Filkelstein & Hambrick, 1990; Oehmichen et al, 2017). In this way, an empirical questioning emerges; can the presence of financial specialists on audit and fiscal committees change decisions? To respond to this questioning, we argue that, according to the theory of Schwarz (1992, 1994), when we know individual values we can forecast behaviour and make inferences about personal decisions. We argue further, that due to financial specialisation, these individuals will be less likely to assume undue risks, and should therefore disclose a relatively greater importance to the motivational types of conformity and tradition, as well as to the higher order value of conservation, that consolidates these two motivational types. These motivational types are related to human needs and to the requirements of association with social groups and promote restrictions that increase security on behaviour and are based on the acceptance of norms and rules (Schwarz & Bilsky, 1990).

In this way, we present here the first two research hypotheses that seek to understand the influence of functional experience on the decisions expected from board members, measured by their motivational types, especially those related to conformity and tradition.

H1: Directors acting exclusively on the audit and fiscal committees should attribute more importance to conformity than those acting on the other committees.

H2: Directors acting exclusively on the audit and fiscal committees should attribute more importance to tradition than those acting on the other committees.

Directors can be independent or connected to property structure and company management. Independent directors are perceived as an important element in increasing corporation monitoring, managerial responsibility and the protection of shareholders' interests (Faleye et al., 2011). Board member independence is measured according to whether or not members are linked to the ownership structure. The literature on boards of directors indicates, to a large extent, that board member independence in relation to ownership structure is one of the mechanisms indicated as a tool to mitigate potential minority shareholding expropriation risks by controlling shareholders (Joseph, Ocasio & MacDonnell, 2014).

On the other hand, many of the effects attributed to functional experience are associated to a greater or lesser extent with board independence due to the need of the independent director to maintain his/her reputation (Anderson et al., 2004). Past literature indicates that the independence of the directors from the property structure and management improves monitoring and control of the company's activities, thus reducing entrenchment and expropriation of company resources from managers (Byrd & Hickman, 1992) and diminishing the possibility of financial fraud and error (Dechow, Sloan & Sweeney, 1996).

In general, the literature indicates that independent directors are associated with better performance of board control functions, either because of questions of reputation (Fama & Jensen, 1983) or because of the incentives received (Beasley, 1996). In this sense, incentives or experience encourage the independent director to exercise monitoring functions more widely (Anderson et al., 2004). Thus, it is expected that his/her decisions would differ, to a certain extent, from the other directors.

However, the director's independence did not produce a significant result in other evaluations for better guaranteeing governance in organizations. Klein (2002) indicated a reverse relationship between the independence of audit committee members and performance, and Agrawal & Chadha (2003) found no association between the audit committee's independence and the probability of fraud. Further, the effect of greater effectiveness in control functions promoted by board independence is associated with the weakening of the organisation's strategic support functions, as well as with managerial short-sightedness (Faleye et al., 2011).

Another psychosocial approach regarding working group results, contests the separation of individuals into groups, and in characterising directors as independent or linked to the property structure increases the negative perception among groups (Gaertner et al., 1989; Messick & Mackie, 1989) and, consequently increases conflict and disbelief (Labianca, Brass & Gray, 1998) which impact on decisions and the reputation of individuals. The fact that the director may be considered external or internal does not seem to make his/her decisions more assertive for superior performance of his/her functions (Gulati & Westphal, 1999; Harris & Raviv, 2006).

In order to control the effects of the first two hypotheses and to check whether or not functional experience is responsible for results, we segregate the directors into two groups, those connected to property structure and those considered independent. In this way, we can accept or reject the previous results and clarify the effective role of independent directors in the decision-making process.

H3: Independent directors should attribute the same importance to conformity and traditions directors linked to the property structure.

H4: Independent directors and those linked to the property structure should attribute the same importance to all the other motivational types in the VS.

3 METHOD AND SAMPLING

We applied the inventory of values of Schwartz (IVS) to Brazilian directors, active in the most varied committees, and obtained a total of 142 replies. A number of replies (21) were not complete and were excluded from the sample, resulting in 121 valid replies. The survey was sent to directors registered in the IBGC database (Brazilian Institute of Corporate Governance)

and also the authors' network of relationships. The IVS is validated for Brazil and was obtained in Assêncio (2008).

The respondents had to indicate the degree of importance attributed to each of the 60 personal values identified in the IVS, on a 9-point Likert scale, and identify the size of the company where they mainly act, measured through company invoicing and the number of employees. Respondents had further to identify the level of corporate governance in the company, whether the company was listed or not, the segment they are active in, their age bracket and gender, among other control variables.

The data were treated through the calculation of the Cronbach alpha and the Kolmogorov-Smirnov (KS) and Shapiro-Wilk (SW) tests. The alpha ($\alpha = 0.92$) indicated that the questionnaire is adequate (Favero et al, 2009) and the KS and SW tests indicated a non-parametric distribution of the data ($\alpha p < 0.001$). Based on the initial treatment of the data the Mann-Whitney test was applied to the grouping variables, presented below, to test the research hypotheses; Ho: a difference existing in the importance attributed by the directors and H1: no difference existing in the importance attributed by the directors.

The Mann-Whitney test is adequate to test the hypotheses, since, what is sought is the understanding of whether or not a certain characteristic is present in two samples extracted from the same population (Favero et al, 2009), indicating as a result whether or not certain values and motivational types have the same importance for both groups.

Nonparametric Statistics techniques are adaptable to behavioural science data. The application of these techniques does not require assumptions about sample distribution. As its name suggests, Non-Parametric Statistics is independent of population parameters and their respective estimates. The Spearman correlation coefficient is a non-parametric statistic and should be used when the data violate normality assumptions. The correlation table serves to indicate the behaviour between two variables, as a support for the Mann-Whitney tests so as to consider hypotheses set out in this article.

Once the data are found to be non-parametric, it is necessary to segregate the sample into groups to see if the group of board members with functional experience in finance places greater importance on motivational types of compliance and tradition than other board members. Similarly, this is also done to test whether board members considered to be independent of the ownership structure give differentiated importance to Schwartz's motivational types when compared to other board members. This procedure allows to measure the importance given to the motivational types by groups, which according to Schwartz's theory, determines the decision-making tendency of individuals.

3.1 Sampling

It is noted that 95% of the respondents are males and only 5% to females. These data are consistent with the report published by IBGC (2009b), Women on the Board of Directors, which indicates a total of 8.78% of women occupying these positions. The results point to a concentration of 52 individuals in the age group between 41 and 50 years old, totalling 43% of the sample. The second most representative group comprises the range between 51 and 60 years old and represents 35.5% of the total sample. The sample indicates that the more mature individuals occupy these positions, as intuitively expected. The total sample indicates individuals with higher education, with at least a graduate course. No individual in the sample indicated a level of qualification less than or equal to high school. The fourth question sought

to identify in which specific councils the individuals act, with a focus on the board of directors, and the fiscal and audit committees.

We ranked turnover into 7 categories ranging from less than one hundred million reais to values greater than one billion reais. Companies considered large, with a turnover of more than six hundred million, represented 34.7% of the sample. Midsized companies with a turnover between two hundred million to six hundred million, represented 16.5% of the sample. Smaller companies, with a turnover of less than two hundred million reais represented 48.7% of the total sample.

In considering as large those companies with more than 501 employees resulted in 41.3% of the total sample. Medium-sized companies, with a total number of employees between 101 and 500 individuals are 31.4% of the total and, finally, companies considered small, with less than 100 individuals, are 33.1% of the total sample.

It can be noted that four sectors are not represented in the sample: oil and gas, pulp and paper, steel and insurance. All the other 13 sectors are represented in the sample. The three main sectors were industrial, financial and retail, respectively. For the sectors classified as other, 6 responses indicated education, 4 bio-technology, 3 indicated the insurance sector (but did not correctly answer the questionnaire indicating the sector in the wrong place), 4 indicated public service concessionaires and the remaining companies did not identify their sectors of activities.

It can be noted that out of the total of 121 responses obtained, 74 companies are listed in some level of governance classified according to BM&FBovespa criteria and 47 companies are not listed. Most companies, 33, are listed ON the traditional market and 27 considered on the new market (where companies have to comply with higher governance levels - 10 in governance level 1 and 4 in level 2).

Given the diversity of the sample, which accounts for almost all market segments, and taking into account the fact that there are approximately 2,244 management advisory posts in companies listed (IBGC, 2016), the sample of 121 individuals corresponds to a little more than 5% of the population and, therefore, can be considered relevant for the study of the hypotheses proposed in this article.

3.2 Grouping variables

To test the main hypotheses of the article we established the first grouping variable. **BOARD:** The grouping variable BOARD classifies the types of boards or committees where the director is active. We separated this variable into two main groups, the directors that act exclusively on the audit and fiscal committees from those active in others, especially the board of directors. The grouping variable board captures the effect of the functional experience of the individual and the context into which he/she is inserted.

INDEPENDENCE: the grouping variable independence classifies the directors into two types, those linked to the property structure of the company they are active in, and those considered independent, professionals hired from the market with no link to the property structure

To control the results one more grouping variable was established.

BOARD X INDEPENDENCE: the third grouping variable segregates the respondents into four groups. The first consists of the directors who act on audit and fiscal committees and are independent. The second group consists of the directors that act on the board of directors and are independent. The third consists of directors who act on audit and fiscal committees and are linked to property structure. Finally, the fourth group is composed of individuals on the board of directors and linked to the property structure.

3.3 Test variables

In addition to the ten motivational types identified by Schwartz – see Chapter 2.2 Human Values, two or more variables were inserted so as to identify possible effects of the age of the respondents and the size of the company on the importance attributed to the motivational types by respondents.

Table 2 – Grouping and Test Variables – presents in summarised form the methods used for sample segregation.

Table 2
Grouping and Test Variables

Type	Variable	Method
Grouping Variable	Board	Two groups constituted: a) individuals on boards of directors; b) individuals acting on audit and fiscal committees
Grouping Variable	Independence	Two groups constituted: a) directors linked to the property structure; b) directors considered independent.
Grouping Variable	Board x Independence	Grouped into 4 levels resulting from board groupings and independence: a) board x independent; b) board x property; c) fiscal and audit x independent; d) fiscal and audit x property
Test Variables	Self-determination; Stimulation; Hedonism; Realization; Power; Security; Conformity; Tradition; Benevolence; Universalism; Conservation	Resulting from the IVS. 9-point Likert. Average of individual values that constitute each T.M.
Test Variable	Logrec	Natural logarithm of company revenue where the director mainly operates
Test Variable	Logidade	Natural logarithm of the director's age

4. RESULTS

Out of the total 121 respondents, 79 individuals are on boards of directors (and other boards) and 42 are on audit or fiscal committees. In terms of qualifications, all the individuals had at least the equivalent of a first degree and the sample is made up mainly of men (95%). Practically all the sectors of the economy are represented (14) when classified according to criteria of the BM&FBovespa (which indicates 17 sectors), industrial, financial, consumer goods and retail and logistics are the most represented (46.2%). Individuals over the age of 41

represent 95.8% of the sample, characterised by experienced elements with wide professional experience.

Table 3 – Grouping Variables– presents the number of respondents for each category of grouping variables, board, independence and the interaction between them.

Table 3
Grouping Variables

Grouping variables	Classification	# Directors
Board		
Group 1	Board of Directors	79
Group 2	Fiscal and Audit	42
Independence		
Group 1	Independent	47
Group 2	Property	74
Conselho x Independência		
Group 1	Fiscal and Audit x independent	16
Group 2	Fiscal and Audit x property	26
Group 3	Board of Directors x independent	31
Group 4	Board of Directors x property	48

The first grouping variable, board, separates the respondents into two categories: the first constituted of directors that act mainly on boards of directors (79) and the second composed of directors that act exclusively on audit and fiscal committees (42). The second group variable, independence, also divides the respondents into two categories: the first comprising directors considered independent (47) and the second directors linked to the property structure of the company where they operate. The third grouping variable board x independence divides the directors into four groups, in order to control and confirm the results obtained in the tests undertaken for the first two grouping values. The first category is composed of individuals acting exclusively on audit and fiscal committees and who are considered independent directors (16) and the second category is also composed of directors who act on the above committees and who are linked to the property structure (26). The third and fourth categories are composed of individuals who are on boards of directors and who are independent (31) or linked to the property structure (48).

We now present Table 4 – Correlations, which associates the grouping variables the test and control variables. The results presented in Table 4 – Correlation – indicate a positive and significant relationship between the grouping variable Board and the Motivational types - Security (+0.195 at 5% significance), Conformity (+0,193 at 5% significance), Tradition (+0.184 at 5% significance), Benevolence (+0.213 at 5% significance) and the size of the company (+0.186 at 5% significance). The results also further indicate partial support for hypotheses H1 and H2.

Director independence in relation to property structure presented a significant correlation with the Motivational Type Self-determination (+0.212 at 5%) and with company size (+0.578 at 1% significance). Such results indicate limited support for hypotheses H3 and H4.

Table 4
Correlations

	INDEP	BOARD	Self-determination	Stimulation	Hedonism	Realization	Power	Security	Conformity	Tradition	Benevolence	Universalism	LOGREC	LOGIDA
INDEP	1.000													
BOARD	-.011	1.000												
Self-determination	.212*	.063	1.000											
Stimulation	.136	.046	.459**	1.000										
Hedonism	.065	.142	.328**	.494**	1.000									
Realization	.152	-.053	.455**	.430**	.259**	1.000								
Power	-.122	.116	.299**	.237**	.261**	.374**	1.000							
Security	.035	.195*	.399**	.268**	.441**	.499**	.367**	1.000						
Conformity	.029	.193*	.345**	.196*	.107	.599**	.272**	.512**	1.000					
Tradition	.036	.184*	.463**	.314**	.302**	.516**	.431**	.556**	.510**	1.000				
Benevolence	.121	.213*	.411**	.176	.267**	.406**	.046	.443**	.589**	.498**	1.000			
Universalism	.124	.125	.406**	.237**	.265**	.410**	.098	.515**	.547**	.392**	.636**	1.000		
LOGREC	.578**	.186*	.099	-.026	.057	.151	-.080	.183*	.101	.245**	.133	.318**	1.000	
LOGIDA	.032	-.104	.074	.121	-.024	.017	-.174	-.170	-.041	-.111	-.029	.008	.066	1.000

Table 5 – Grouping Variable - Board – indicates the importance attributed to each Motivational Type, the results of the Mann-Whitney tests and the statistical significance for the first grouping variable.

Table 5
Grouping Variable -Board

Test Variable	Board of Directors	Fiscal and Audit	Mann- Whitney U	Significance
Self determination	4.83	4.90	1531.500	0.49
Stimulation	3.30	3.39	1566.000	0.61
Hedonism	2.22	3.74	1325.000	0.12
Realization	4.89	5.01	1551.500	0.56
Power	1.99	2.36	1426.500	0.21
Security	4.42	4.92	1267.000	0.03
Conformity	4.69	5.14	1272.000	0.03
Tradition	2.61	2.98	1289.500	0.04
Benevolence	5.09	5.54	1230.000	0.02
Universalism	5.14	5.45	1408.000	0.17

The motivational types, conformity and tradition, presented a significance of 5% when exposed to the Mann-Whitney test applied to directors acting on boards of directors and audit and fiscal committees. The importance attributed to directors acting on audit and fiscal committees was superior to the other directors (5.14 and 2.98 respectively). These results allow us to accept H1 and H2, indicating that directors with this functional experience tend to be more averse to risk and reflect a more conservative decision-making tendency. .

Table 6 – Grouping Variable Independence – indicates the importance attributed to each motivational type, the results of the Mann-Whitney tests and the statistical significance for the second grouping variable.

Table 6
Grouping Variable - Independence

Test Variable	Property	Independent	Mann- Whitney U	Significance
Self determination	4.67	5.14	1302.500	0.02
Stimulation	3.22	3.50	1460.500	0.14
Hedonism	3.37	3.45	1549.500	0.48
Realization	4.79	5.15	1425.500	0.10
Power	2.27	1.89	1487.500	0.18
Security	4.56	4.65	1666.500	0.70
Conformity	4.81	4.91	1679.500	0.75
Tradition	2.69	2.83	1664.000	0.69
Benevolence	5.14	5.42	1490.500	0.19
Universalism	5.12	5.45	1483.500	0.17

Only the motivational type self-determination (0.02) gave a significant result when the same Mann-Whitney test was applied to the directors considered independent and to those linked to the property structure. Such results indicate that the importance attributed to the motivational types by the directors considered independent or linked to the property structure are not distinct in their essence, indicating a similar decision-making trend. The debate about the greater importance attributed to self-determination by the directors considered independent does not fall within the scope of this study. Notwithstanding this, we can infer that such a finding is associated with the arguments presented by Gulati & Westphal (1999) and Harris and Raviv (2006). Such findings support H3 and partially support H4.

However, to ratify or reject the above results, we established a new Grouping Variable that has the objective of segregating the directors into four distinct groups: those active on boards of directors, or linked otherwise to the property structure and those active on audit and fiscal committees, or linked otherwise to the property structure. In carrying out such tests, we broke down the results above, allowing us to clarify whether the results are due to the individual's professional experience or to his/her independence.

The importance attributed to each motivational type and the results of the Mann-Whitney tests for the third Grouping Variable are presented in Table 7 – Grouping Variable - Board x Independence.

Table 7
Grouping Variable– Board x Independence

Test Variable	Board of Directors		Audit and Fiscal	
	Mann-Whitney	Significance	Mann-Whitney	Significance
Self determination	608.5	0.17	140.0	0.08
Stimulation	740.5	0.97	115.0	0.02
Hedonism	643.0	0.31	186.0	0.57
Realization	556.0	0.06	193.5	0.71
Power	626.5	0.24	178.5	0.44
Security	592.5	0.13	153.5	0.16
Conformity	625.5	0.23	171.5	0.34
Tradition	694.5	0.62	202.0	0.88
Benevolence	589.5	0.12	195.5	0.75
Universalism	572.0	0.08	201.0	0.86

The results presented support the previous findings indicating that even when segregated into specific committees - independent directors acting on any one of the types of board and directors linked to the property structure acting on any type of board - the importance attributed to all the motivational types is similar. This occurred without altering decision-making

tendencies, excluding the motivational type. Stimulation was statistically different for the two groups, with greater importance being attributed by the directors considered independent.

5 DISCUSSION

In this article, we evaluate the effect of the influence of functional experience in finance on behaviour expected from directors, and within the results, the influence of the director's independence in relation to the property structure:

Hypothesis 1 - confirmed that board members with more experience in finance attach greater importance to compliance than board members without this experience;

Hypothesis 2 - confirmed that board members with greater financial experience attach greater importance to tradition than board members without this experience;

Hypothesis 3 - confirmed that independent board members attributed the same importance than board members attached to property structure in relation to conformity and tradition;

Hypothesis 4 - Partially confirmed that independent board members attribute the same importance as board members attached to the ownership structure to all other motivational types.

The results indicated that functional experience in finance affects the importance attributed to the motivational types - tradition and conformity. The results also indicated that the director's independence did not have any influence on the values-expected behaviour relationship, indicating that working experience is more important for stimulating diversity within the board than the director's independence. Such findings corroborate Schwartz's theory of values by indicating that the individual's experience influences his decisions. The findings contradict, in part and in these particular circumstances, the Agency Theory, indicating that the segregation between ownership and management, measured by the independence of the board member from the ownership structure, does not necessarily lead to distinct decisions. These findings have theoretical and practical implications that are discussed below.

We propose that the findings contribute to the comprehension both of the importance of individual values for the construction of business decisions and functional experience for diversity within the board. In testing a certain type of functional experience we shed light on the need for more eclectic boards, of diverse formation and experiences, so as to understand phenomena to which boards are exposed in a more in-depth way and, therefore, make it more competent in effective decision-making in alignment with efficient decisions and diverse business objectives.

We argue further that the independence of the director, from the perspective exclusively of diversity, is not a stimulating factor in the possible construction of alternative strategies, neither did it demonstrate, in the sample studied, that it exercised much influence on the control functions attributed to the board. We propose, therefore, that the diversity of functional experiences should be considered as one of the elements improving governance in corporations, mainly concerning support functions attributed to the board.

Countries such as Germany adopt an alternative governance model, with the existence of two boards: one for control and the other destined for strategic support and resources (Adams & Ferreira, 2007). Such a governance structure reduces agency conflict, improves group work performance, and promotes a clear attribution of functions for directors, where the diversity of

functional experiences can be duly allotted. Such a structure could represent a feasible alternative to director independence.

The results contribute theoretically along two lines at least. The first is in evaluating the effects of functional experience on the directors' decision-making patterns. At the same time in revealing that director independence does not necessarily improve the board's control functions, the findings contribute professionally to stimulate the debate over a double governance system, a strategic board and another for control, which would minimize agency conflict and stimulate support for management through board diversity.

Within the limits of the study, the high concentration of family type companies can interfere in the importance attributed to motivational types such as conservatism and tradition. As they inhabit a normatized environment, the directors are exposed to the factors of influence presented in this article, thus good sense is required in the interpretation of results. On the other hand, the results presented open paths for future research. By indicating that - board members' decisions are influenced by personal characteristics, including their functional experience in finance, in the specific focus of this research, a wide range of future studies may be undertaken, among them, a study to evaluate the influence of other functional experiences on the values-expected behaviour relationship. More importantly, by indicating that personal values influence to some extent board members' decisions, a number of future research studies may emerge, such as: the investigation of possible influences of personal values on strategic decisions, the influence of personal values on group work and the possible mediating or moderating effect of personal values on the cognitive conflict resulting from group work, among others.

6. CONCLUSION

This article, in the context of corporate governance, helps to consolidate, from a scholarly point of view, a clear perception of the market and its players and this, in fact, is not really new. What is becoming predominant is the pillar of accountability. This is not surprising when we take into account that the issue of compliance is becoming increasingly important worldwide, on markets, in the public sector and in the private sector. In other words, it is reasonable to assume that senior executives and board members who in general possess a broader and more sophisticated level of information, also have the perception of the inexorable tendency of costly state verification predominance over costly state falsification - predominance in the sense that the former is becoming significantly cheaper when compared to the latter. The importance of the FCPA (United States), the BBA (UK) and similar laws in other countries, including Brazil, is gaining ground.

It is natural that concerns for real and tangible consequences of decisions and acts lead to caution and even fear and, therefore, obvious prudence on the part of managers and board members. And this is also obviously natural for those who are more experienced professionally or have the facility to identify issues, trends and risks as is the case with those with functional experience in finance. This is even due to the work tools used by the latter, which very often help to make the perception and understanding of the surrounding environment faster and less subjective than in other areas of management.

The question of the independence of the members of a board of directors has by no means become a matter of secondary importance neither has the issue of agency conflict, which in practice can take on proportions, in some cases, as major for board members not linked to the capital structure as for those who are attached to it. Issues related to power, status, and compensation should not be underestimated. But overall functional experience and functional

experience in finance in particular, as in the case of this research, do indeed appear to play, in times when compliance issues are becoming more and more of the essence, a mitigating role in these agency conflicts and certainly are relevant in board directors' expected behavior patterns. This is what this research seems to indicate according to Schwartz's theory of human values perspective.

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