DISTINCTIVE FEATURES OF THE BOARD OF DIRECTORS IN CONTEMPORARY FINANCIAL MANAGEMENT PRACTICES

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Introduction

From the perspective of the long-term development of organizations operating in the financial market, the Board of Directors plays a strategically significant role. Within the financial system, the Board of Directors is primarily tasked with two fundamental objecttives: on the one hand, developing and implementing the strategic framework of organizations, and on the other hand, overseeing potential risks [Krasnov et al., 2022, 192].

In countries with a Western-oriented governance model, independent members of the board play a pivotal role in enhancing both the inclusiveness and effectiveness of board operations. Recent trends in international practice demonstrate that, alongside the legal requirements mandating the presence of independent members on boards of directors, market-based mechanisms have also introduced mandatory professional qualification requirements for candidates aspiring to become board members. Meeting these requirements is of paramount importance, both in terms of ensuring effective performance in strategic-level positions and in promoting robust corporate governance practices.

Ensuring the effective fulfillment of the aforementioned functions necessitates the presence of specialized committees attached to the board, clearly categorized according to their functional domains. Considering that, in prevailing practice, the board tends to rely heavily on the opinions of these committees during key decision-making processes, the actual inclusion of independent experts—who are not affiliated with the financial organizations – in these committees, alongside independent board members, becomes critically important. The members involved in these committees assume, to a certain extent, advisory responsibilities, providing expert opinions in relation to strategic and core decision-making processes. Within financial sector organizations, the existence of audit, risk management, and nomination committees is mandatory. However, in recent years, the establishment of committees dedicated to digital transformation, internal control, and cybersecurity has also gained substantial importance. Given these factors, a strategic necessity arises to ensure that the number of members involved in the board is sufficient to both represent diverse viewpoints and secure the inclusion of highly qualified professionals with specialized expertise relevant to the operations of financial institutions.

Methodology

The article explores the role of modern boards of directors in the sustainable development practices of contemporary financial organizations. As transformations emerge within the financial market, the responsibilities assigned to boards of directors, as well as the continuous challenges they encounter, are being revised. Depending on the level of development of a given financial system, the activities of boards of directors are regulated by various requirements and legislative mechanisms established by central banks.

Taking into account recent practical experience, as well as developments in corporate governance and market trends, the effectiveness and transparency of boards of directors in the financial-banking sector are typically assessed according to the following factors:

1. The number of independent members on the board, their scope of authority, and the actual degree of independence;
2. The professional qualifications of board members and their alignment with internationally recognized standards;
3. The board's adherence to corporate governance requirements, as well as its compliance with the principles of sustainable development and ESG (Environmental, Social, and Governance) standards.

Literature review

Within both academic and business circles, two primary approaches have emerged regarding enhancing the effectiveness of boards of directors in the financial system: the Western approach and the conservative approach. The Western model emphasizes that the formation of boards of directors in the financial-banking system should primarily focus on strengthening the institution of independent directors and reinforcing the corporate governance environment [Handa 2022, 373]. In contrast, proponents of the conservative model favor a limited degree of board independence, advocating for the recruitment of internal human resources during the formation of boards of directors. Supporters of the Western model place primary importance on the presence of highly qualified board members and their ongoing professional development, while within conservative circles, greater emphasis is placed on the professional track record of board members and their experience-based expertise.

Scientific novelty

As a rule, the development policies of financial institutions are designed for the medium and long term. However, it is of paramount importance that these policies be as closely adapted as possible to the specific characteristics of the given market. At the same time, the strategies submitted for approval by the board of directors must possess a degree of flexibility, enabling them to respond with high operational efficiency to changes occurring in the financial market. An examination of international experience in the sustainable development of financial institutions demonstrates that the most successful approaches are typically those grounded in ESG (Environmental, Social, and Governance) frameworks. However, the constant external changes of recent years and the emergence of instability in various regions have created the need for a fundamental reassessment of the development policies pursued by organizations operating in the financial market. This issue is particularly relevant in countries and regions characterized by relatively low levels of stability. Specifically, within regional-level commercial banks and microfinance institutions, the ESG + R approach may prove highly practical, where the R component represents the assessment of strategic resilience in sustainable development programs. By analyzing the compatibility of strategic management and external environmental analysis tools with the specific features of financial markets, this study proposes evaluating the resilience of sustainable development programs in banking management through the following analytical framework:

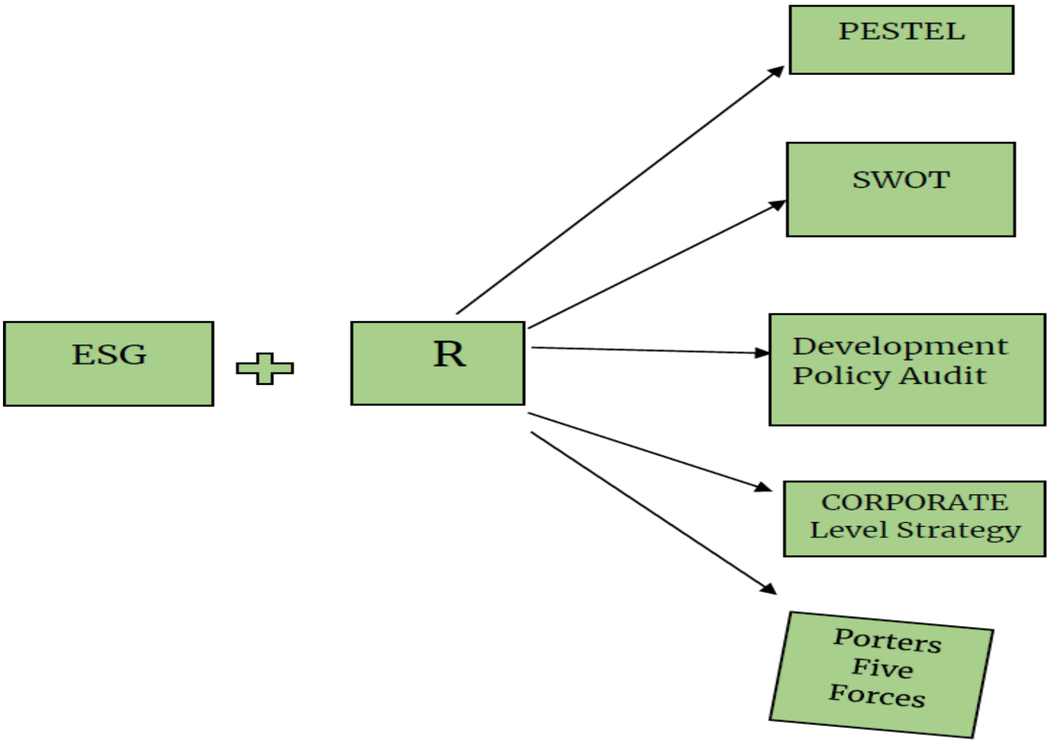

Figure 1. Model for assessing strategies based on the sustainable development of financial institutions

This approach will enable the board of directors to continuously monitor potential risks, ensuring ongoing oversight of those risks, while also facilitating the adaptation of strategically significant programs of financial institutions to external environment's changes.

Analysis

In the contemporary career market, candidates aspiring to join boards of directors are predominantly expected to possess qualifications corresponding to C-level positions, and in some cases, even demonstrate a combination of such competencies across multiple areas.

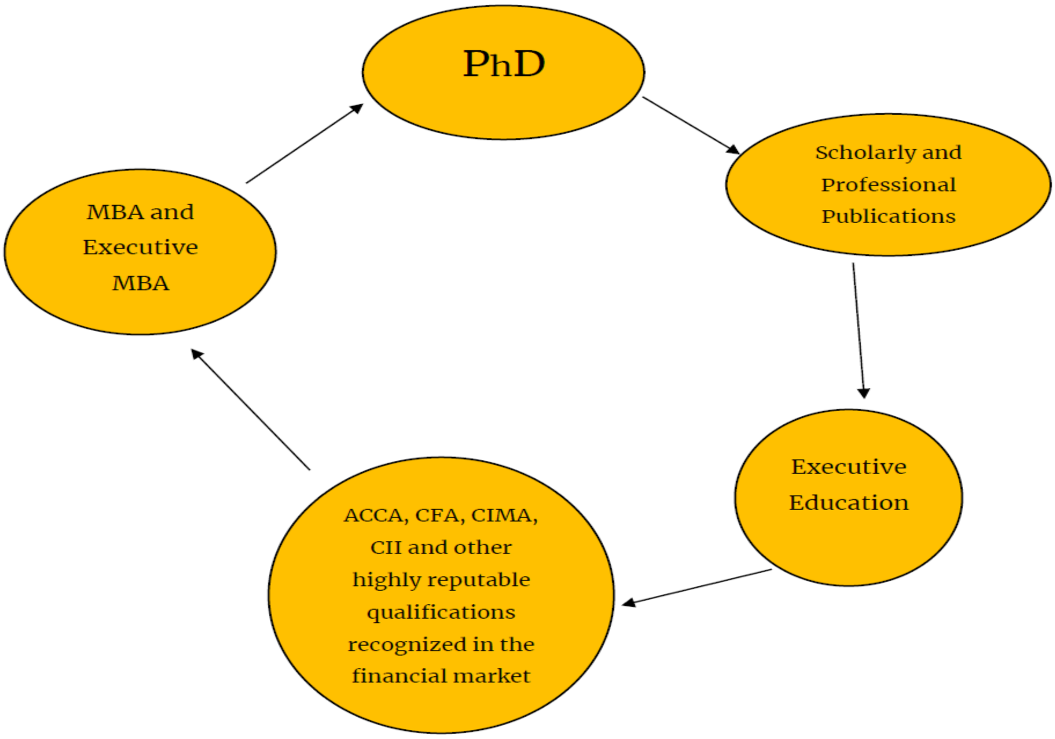

Figure 2. Professional qualification requirements for C-level management in the financial market

Meeting the aforementioned requirements generally ensures the professional preparedness of board members. However, in certain cases, this may not fully reflect their actual professional background. Current practices in corporate investigations reveal that many candidates aspiring to join boards of directors – especially during their transition from the general labor market to the executive career market – sometimes attempt to present themselves as industry experts without fully aligning with the qualifications reflected in their official professional biographies. Despite the fact that the professional portfolios presented by fictitious experts may not contain overt inaccuracies from a strictly legal standpoint, corporate investigative practice nonetheless pays particular attention to the use of artificially constructed biographies. These portfolios often serve to artificially enhance the professional credentials of fictitious experts, thereby aligning them with the prevailing market requirements. These practices constitute targeted measures aimed at strengthening professional credibility, largely based on the tools and mechanisms of personal branding. Analysis of international corporate investigation practices in the financial sector indicates that, in certain cases, the application of personal branding strategies can be used to circumvent formal qualification requirements for C-level positions. Moreover, with the increased prevalence of digital tools, such strategies have facilitated the ability of fictitious experts to present themselves as legitimate professionals.

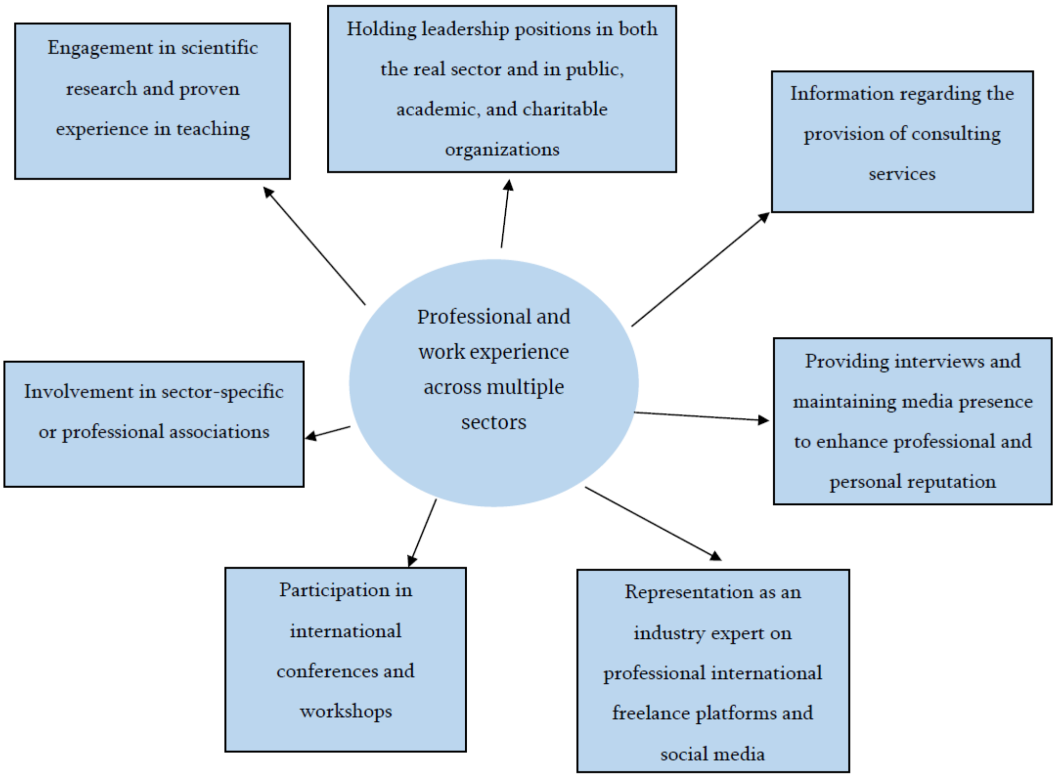

Figure 3. Contemporary factors characterizing professionalism of senior executives in the financial-banking sector

Nonetheless, despite these concerning developments, in the context of Executive and Board-level due diligence investigations, the presence of the following indicators provides grounds for suspecting that a candidate for an executive or board-level position may have deliberately presented false or misleading information in their official biography, aimed at distorting transparency. Such indicators include:

- From the perspective of academic publishing, particular attention is drawn to the presence of publications predominantly in low-impact journals, as well as the tendency to repeatedly publishing scientific articles in the same journals. In recent years, a growing trend has emerged whereby articles are published in such outlets through paid schemes utilizing artificial intelligence, often without adherence to strict academic or peer-review standards. To mitigate these risks and to differentiate experts in the global labor market with genuine competitive advantage, it has become increasingly essential to present publications or theses in internationally recognized indexing databases such as Scopus or Web of Science, alongside active participation in prestigious, high-ranking international conferences. Specifically, for the financial sector, analysis of the emerging requirements for senior executives reveals a growing trend mandating publications in Q3, Q2, or Q1-ranked academic journals, often in conjunction with holding international qualifications.

- An additional concern frequently observed in executive biographies is the mention of parliamentary experience, yet presented in such a way that makes it difficult to assess the actual depth of expertise or corresponding KPI achievements. In the era of digitization, the proliferation of social media, freelance-oriented remote work platforms, smaller-scale media outlets, and specialized interview programs has created numerous opportunities for fictitious experts to establish reputations as legitimate specialists, often leveraging minor public appearances to build seemingly credible profiles under the guise of professional expertise [Baghryan et al., 2024, 104]. While this risk is increasingly considered difficult to fully regulate, for professionals seeking to align with international standards, it has become critical to regularly and transparently provide remote services through reputable freelance platforms such as Toptal, Talmix, Expert360, Upwork, Catalant, among others. In cases where such remote service provision is absent – even when accompanied by parliamentary or industry-related work experience, supported by visible media engagement – the presence of clearly defined specialization and positioning within a specific professsional niche remains an indispensable requirement.
- Verification of leadership roles in public, academic, or sectoral associations has also become a key mechanism for distinguishing whether a candidate's participation in such bodies is merely nominal or whether there are documented achievements resulting from tangible project involvement. One of the major challenges facing corporate investigations in the modern career market is not only confirming the authenticity of a candidate's professional experience by years, accurately assessing the substance and the depth.
- As a result of digitalization trends, particularly within the financial sector, there has been a marked increase in demand for international certifications and executive education programs. However, this demand has also led to a surge in questionable or shortcut methods of acquiring international certifications, creating significant management challenges. To prevent such risks, modern corporate investigations now widely utilize platforms such as Credly and similar systems. These platforms provide detailed monitoring of qualification pathways, the genuine academic or professional value of respective programs, and the rigor of requirements set for attaining such certifications. Particularly in recent years, high-risk targets have included globally renowned business schools, universities, international chartered institutes, and specialized transnational professional organizations – along with the educational programs they offer and their respective graduates.

Given the current situation in the financial sector and the emergence of new challenges, it has become increasingly essential in many cases to conduct continuous monitoring of the executive management teams of financial institutions. These factors, combined with the growing need for comprehensive and multi-dimensional oversight of personnel policies, have contributed to a developing trend in financial and banking practice: internal control units are gradually being restructured and shifted from the subordination of executive bodies to the direct supervision of Boards of Directors.

The risks associated with fictitious and manipulated resumes submitted by independent candidates for board membership are particularly pronounced in secondary-tier financial institutions operating in developing countries. These institutions are often represented by commercial banks, microfinance organizations, leasing companies, and other financial market participants with limited market share, yet active within specific target market segments [Fedorova et al., 2022, 28].

Ongoing transformations in the financial market have also fundamentally reshaped the traditional roles and responsibilities of Boards of Directors. By analyzing the classical functions of boards and the evolving expectations placed upon them, it is possible to distinguish key differences between traditional and modern functions:

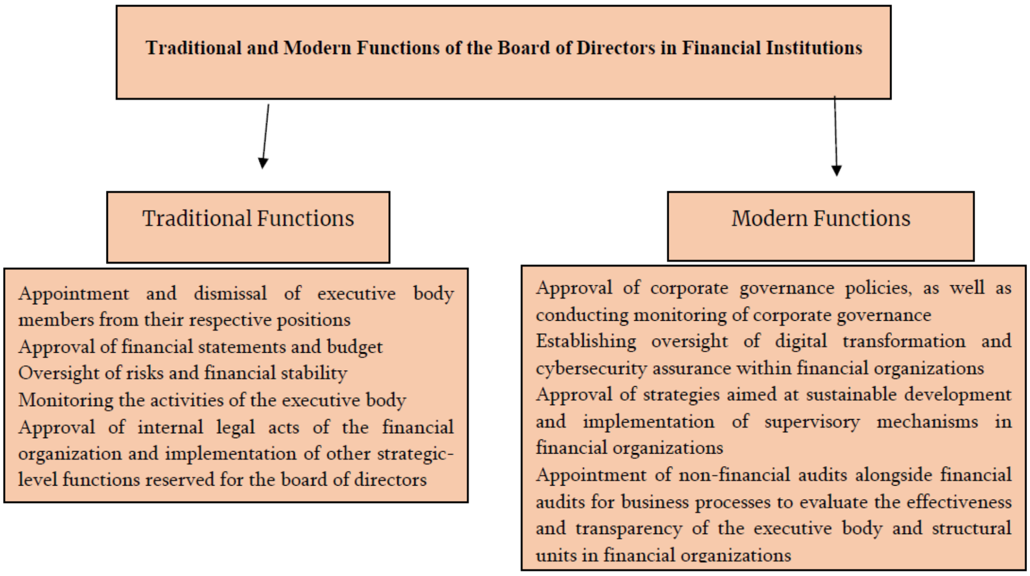

Chart 4. Traditional vs. modern functions of boards of directors in financial institutions

In response to the need for systemic-level engagement with the contemporary challenges facing financial organizations, and to ensure continuous control over potential risks, non-financial audits have emerged as a critical supplement to traditional financial audits in recent years [Asogba et al., 2025, 101].

The primary focus areas of non-financial audits in financial organizations include:

- Human Resources and Talent Management Policy;

- Business Process / Operational Audit -To enhance customer satisfaction and the quality of financial services;
- Product Governance Audit- To assess competitiveness of financial products under current market conditions;
- Cybersecurity Vulnerability Assessment (Audit of Digitalization Policy);
- Information Technology (IT) Audit;
- ESG Audit (Evaluation of Environmental, Social, and Governance Aspects);
- Branding Audit- To assess brand awareness and vulnerabilities in the target market;
- Public Relations (PR) Audit-To evaluate stakeholder relationship management and the institution's reputation;
- Marketing Policy Audit;
- Evaluation of Development Policies and Research Tools;
- Sales Management and Customer Relations Policy Evaluation;
- Business Diagnostics- To identify risks at tactical and strategic levels;
- Corporate Governance Policy Evaluation;
- Evaluation of Corporate Culture Realism and Its Alignment with Institutional Vision
- Compliance Audit (Audit of Adherence to Legal and Internal Regulations).

Although non-financial audits are not yet legally required in many jurisdictions, from a corporate governance perspective, they are increasingly recognized as essential prerequisites for ensuring sustainable development within the financial sector. To achieve high levels of objectivity and transparency in sector-specific, expert-led audits of financial organizations, it is of critical importance to engage independent experts or consulting firms that do not have any actual or potential affiliations with the audited organizations.

Conclusion

In terms of enhancing the inclusiveness of boards of directors in financial institutions, one of the most critical attributes is ensuring that decision-making aligns both with the specific characteristics of the target market and with the international best practices and available instruments. As a result, there is a growing demand for a balanced composition of boards, with some members, representing the local financial market and others being highly qualified specialists with extensive experience in international financial institutions. Despite the increasingly stringent corporate governance requirements set by international financial organizations and central banks, one of the key challenges for boards of directors remains the necessity to present effective strategic approaches to ensure that financial institutions achieve their predefined profitability targets. This is particularly important for secondary-tier financial institutions, where both timely responses to external challenges and continuous improvement of internal control mechanisms, including the comprehensive application of non-financial audit tools, are essential for sustainable operations. The process of digital transformation and the flexible application of artificial intelligence provide boards of directors with enhanced opportunities to realistically assess the evolving needs of their organizations and to establish specialized expert committees within their governance structures to provide targeted support.

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For any organization operating within the financial sector, the primary responsibility of the board of directors is to define the medium- and long-term strategic goals of the institution and to develop practical roadmaps for achieving them. In today's financial markets, strategic approaches that emphasize sustainable development, supported by digital transformation initiatives and the flexible integration of artificial intelligence into business processes, are of utmost importance. One of the principal challenges, particularly in developing countries, is the formation of inclusive structural units within boards of directors and ensuring the genuine presence of independent board members. From the perspective of strengthening internal controls, preventing potential abuses, complying with internationally recognized standards, and effectively implementing human resource policies, systematic non-financial auditing and the introduction of corporate investigation mechanisms have become increasingly relevant for financial institutions. These needs are especially pronounced in secondary-tier financial institutions and regional-level commercial banks. A key focus of the research presented in this article has been the identification of both positive and negative factors influencing the effectiveness of boards of directors.