OVERLAPPING MEMBERSHIPS ON THE AUDIT AND OTHER BOARD COMMITTEES: IMPACTS ON FINANCIAL REPORTING QUALITY

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ABSTRACT

Research aim: This research aims to investigate how overlapped members on the audit committee (AC) impact the primary role of the committee, especially in terms of improving the quality of the financial reporting of the company.

Design/ Methodology/Approach: The population of the study consists of non-financial institutions listed on Bursa Malaysia (BM). Using purposive sampling, cross-sectional data were collected from the annual reports of the 100 top companies listed on BM.

Research finding: The descriptive statistics of the study show that 98.7 per cent of the observed companies in this study have overlapping membership on the audit and other board committees. The study also shows that more than three-fourths of the AC members also serve on other board committees. The study found that overlapping memberships on the AC and other mandatory committees, significantly and positively impact the financial reporting quality (FRQ).

Theoretical contribution/Originality: The results of this study suggest that overlapping memberships on the AC of the Malaysian big public listed companies play a significant role in terms of the FRQ of the company.

Practitioner/Policy implication: Regulatory bodies and investors should encourage the chair of the AC to work on other board committees to bring relevant information to improve the performance of the AC.

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Research limitation/Implication: The inherent drawback of the current research is the small sample size, and that it does not provide in-depth and comprehensive data from the documents of the company. The research sample was drawn from the largest 100 Malaysian companies. Therefore, the results of the study may not be generalisable to smaller companies.
Keywords: Overlapping memberships, Audit committee (AC), Remuneration committee (RC), Nomination committee (NC), Financial Reporting Quality (FRQ)
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1. Introduction

Audit committees have a role in the financial reporting process of companies and, in some cases, their members represent half of the board of directors (BOD). For instance, audit committee (AC) members would be assumed to contain three individuals if the overall size of the board contains six members. Since the board has other committees; namely, remuneration committee (RC), nomination committee (NC), risk management committee (RMC), and perhaps other board committees depending on their necessity, there must be overlapping members across these committees (Annuar & Abdul Rashid, 2015). Overlapping board members may affect the activities and effectiveness of these committees including the AC either positively or negatively (Kusnadi, Leong, Suwardy, & Wang, 2015). The objective of this study is to determine whether membership on different board committees is beneficial to the AC members in performing their oversight function of the financial reporting.

Some literature found a positive relationship between overlapping memberships on the AC and the financial reporting quality (FRQ) of the companies (Chandar, Chang, & Zheng, 2012; Chang, J. C., Luo, M., & Sun, 2011; Liao & Hsu, 2013), while others did not find any such relationship (Kusnadi et al., 2015). In addition, previous studies were limited to only the overlapping membership between the AC and RC (Chandar et al., 2012; Kusnadi et al., 2015). This study examines the impact of overlapping memberships between the AC, RC, NC, and voluntary committees (VC), if any, on the FRQ of the company.

The study contributes to the extant literature on corporate governance (CG), especially in the context of AC effectiveness. It studies overlapping memberships between different board committees in the same company and the way this influences the performance of each committee, especially the AC. In addition, this study expands the literature of the AC effectiveness by providing new empirical research in the context of Malaysia. Apart from accounting scholars and researchers interested in

CG research, this study is beneficial to the public listed companies, investors, and regulatory bodies in Malaysia.

This study helps investors ascertain the impact of shared board members on the effectiveness of the AC, particularly the effect of intra-company overlapping memberships on the FRQ. The findings familiarise shareholders with the impact of intra-company overlapping memberships and how this relates to the FRQ. Investors can use the results of this study as a basis to rethink and relook at the roles of the members of the AC on the corporate board.

In addition, this study assists the Malaysian regulatory bodies and companies to improve board effectiveness as well as enhance the quality of the financial reporting of the companies. Hopefully, as this study is the first of its kind in a developing country, the results of this study could be generalised to other developing countries or those countries that share a similar market and governance structure to that practised in Malaysia.

From the regression results, the research found that overlapping directors between the audit and other mandatory committees have a significant positive impact on the FRQ of the company. However, the overlap between the audit committee and the risk management committee (RMC) has an insignificant impact on the FRQ. Similarly, the AC members' overlap on other VCs, such as the investment committee and whistle-blowing committee, has an insignificant impact on the FRQ of the company. Moreover, the study finds that some characteristics of overlapped directors on the AC matters while other features do not. The overlapping of the AC chairman on other corporate committees has a significant positive impact on the FRQ; however, the study highlights that the overlap of AC members with accounting background has an insignificant impact on FRQ. The study also exposed that the magnitude of the overlap has no significant impact on the FRQ. This result indicates that whether the proportion of the overlapped directors on the AC is high or low, overlapping memberships between the audit and other board committees has a significant positive impact on FRQ.

The remainder of this paper is structured as follows. Section 2 provides the literature review and hypotheses development. Section 3 discusses the research method. Section 4 presents the results and section 5 concludes the paper.

2. Literature Review and Hypotheses Development

2.1. Board Committees

The oversight role of corporate boards is perceived as mitigating the agency problems between the investors and the managers of the company (Fama & Jensen, 1983). Such oversight encompasses approving and reviewing strategies, nominating new BODs, appointing CEOs, deciding compensation for CEOs and top management, lowering the potential risks, monitoring controls, and dealing with external auditors (Chandar et al., 2012). Given such diverse responsibilities, corporate boards can be clustered into different sub-committees with each sub-committee delegated to certain activities.

2.2. Audit Committee

One of the most important sub-committees of the corporate board is the AC whose main responsibility is to oversee the financial reporting process (Hoitash, Hoitash, & Bedard, 2009). The AC assists the BODs in fulfilling its legal duties related to the issues of accounting, auditing, internal control, and financial reporting (Annuar & Abdul Rashid, 2015). The AC ensures the quality of the financial reporting of the company. This committee oversees whether the financial statement of the company presents the main activities and resources of the company. It also oversees whether the financial statement is prepared fairly by using the personal experience and skills of its members as well as recruiting internal and external auditors to help it enhance the FRQ of the company (Annuar & Abdul Rashid, 2015).

The AC monitors all the audit and non-audit services provided by the internal auditors to ensure their independence (Klein, 2002a). Internal auditors also report regularly to the AC. Moreover, according to the Sarbanes-Oxley Act of 2002, the AC is also responsible for appointments, compensation, retention, and oversight of the activities of the company's external auditors. The AC contracts with the external auditors regarding the issues for auditing the financial statement. The committee decides the nature of the items to be audited, the type of audit to be done, the duration of the auditing process, and the audit fees (Klein, 2002b). In addition, the external auditors report the result of the audit engagement to the AC of the board (Carson, 2002).

To fulfil such activities, the members of the AC meet quarterly following which they convey the results of their meeting to the corporate board (Annuar & Abdul Rashid, 2015). Finally, according to the Malaysian

Code on CG (MCCG), the AC must contain at least three members, and each AC member must be a non-executive director.

2.3. Remuneration Committee

Another important board committee is the RC, which has the responsibility for determining and choosing suitable remuneration packages for top management (Annuar & Abdul Rashid, 2015). The RC also periodically assesses the performance of the executives (Main, Jackson, Pymm, & Wright, 2008). The committee is also responsible for monitoring the company's equity compensation plans. However, the RC may need to obtain the approval of the AC, BODs, and recommended shareholders in order to undertake certain compensation decisions (MCCG, 2012).

Furthermore, in carrying out these duties, the RC members meet once in each quarter or on an ad hoc basis (Main et al., 2008). Like the case of the AC, the board must make sure that the majority of the members of the RC are independent directors (MCCG, 2012). The committee provides a report to the shareholders and the general public regarding the performance and related compensation awarded to the senior management (Spira & Bender, 2004).

Nevertheless, although the RC plays a conformance role and controls the activities of the CEO, similar to the AC, it has a different focus in the monitoring activities. In terms of the conformance rules of the board, the RC focuses more on internal and human resource activities or executive compensation (Main et al., 2008) compared to the AC, which focuses on oversight functions and corporate accounts (Spira & Bender, 2004). It hires an external remuneration consultant (Main et al., 2008) unlike to the AC, which deals with external auditors to strengthen its monitoring activities. Furthermore, the RC has less of a relationship with the CEO compared to the AC (Spira & Bender, 2004).

2.4. Nomination Committee

The NC is another important key sub-committee of the corporate board. The main responsibility of this committee is to develop, maintain, and review the criteria to be used in the recruitment process and annual assessment of the BODs (MCCG, 2012).

The nominating committee assesses and recommends the candidates of directorships to the board as well as reviews the succession plans and training programmes for the board (Annuar & Abdul Rashid, 2015). The committee also makes sure that recruitment of the new directors is based upon competence, commitment, contribution, and performance. Furthermore, the NC establishes policies to promote diversity in the board. In addition, all the processes of the nomination and election should be disclosed in the annual reports (MCCG, 2012). The committee also reviews and evaluates the performance of the BODs on a regular basis (Carson, 2002).

The NC is perceived to improve board effectiveness through managing the board composition. This committee helps the company to recruit the right individuals as the audit and other board committee members (Carson, 2002). Therefore, the NC plays a significant role in mitigating agency problems between the management and the owners of the companies albeit the quality of the committee depends on the characteristics of its members, such as company-specific knowledge, experience, independence, tenure, ownership, and the reputation of the directors (Vafeas, 1999).

2.5. Voluntary Committees

Apart from the minimum required board committees, such as the AC, RC, and NC, companies could have extra committees depending on the needs of the company (Kalelkar, 2017). Examples of VCs include the Risk Management Committee (RMC). The RMC has the responsibility to manage risks and make relevant recommendations to the board for approval. The RMC also reviews the internal control of the company to provide protection for the investment of the shareholders (Yatim, 2010). Several factors that influence the establishment of the RMC are the board size, the proportion of independent non-executive directors on the corporate board, and the expertise as well as the diligence of the BODs (Yatim, 2010).

Some companies may voluntarily establish environmental and sustainability sub-committees to the corporate board (Mackenzie, 2007). The main roles of the members of the sustainability committee include ensuring and promoting the environmental health, safety, and sustainability in the company as well as monitoring compliance with environment-related laws (Mackenzie, 2007). Other roles of the social and environmental committee are enhancing the public confidence and corporate social responsibility of the company (Cowen & Carolina, 1987).

2.6. Hypotheses

Being members of other board committees, may positively affect the effectiveness of their work and enable AC members to contribute to corporate policies (Chandar et al., 2012). When an AC member sits on the RC, for example, they can give provide more information regarding the activities of the chief executive (Spira & Bender, 2004). Evaluating the performance of the top management to decide their equivalent compensation, shows the way management is working to improve the earnings of the company. With such information, the AC can easily detect the misbehaviour of the management related to managing the earnings (Laux & Laux, 2009).

In addition, in the NCs, the AC members sitting on this committee can participate in nominating and recruiting new board members suitable for the most important activities of the board, especially the audit committee activities, such as monitoring and ensuring the quality of the financial statement of the company (Annuar & Abdul Rashid, 2015). The AC may benefit from the overlapped members on the NC of the board by hiring directors that have financial control and audit skills.

Like the remuneration and NC, members of the AC may also work effectively when they sit on the RMC. In such scenarios, members of the AC could be more aware of the nature of the contemporary risks that the company is facing and experiencing (Yatim, 2010). Knowing these risks, the AC can develop strategies to control them, such as enhancing and improving the control mechanisms of the company (Spira & Bender, 2004). By taking the necessary action, the audit committee would be able to eliminate or reduce the level of these risks. In addition, when there is an overlap between the members of the AC and RC the FRQ of the companies is high compared to those companies that do not have such an overlap (Chandar et al., 2012).

However, AC members may neglect their primary responsibility when they are sitting on other board committees (Liao & Hsu, 2013). Although all board committees undertake monitoring activities, they have different areas or issues to be monitored (Spira & Bender, 2004). Given that, the primary focus and objectives of the other board committees are different from the AC's primary objectives. For example, the primary objective of the RC is to remunerate the CEO of the company (Main et al., 2008), while the primary focus of the NC is to hire skilled and experienced BODs (Kusnadi et al., 2015). However, since the primary objective of the AC is to ensure the quality of the financial reporting of the company (Nelson & Devi, 2013), its members may not be able to give full concentration to this primary objective if they work on other board committees (Liao & Hsu, 2013).

For that reason, overlapping membership on the AC may lead to many challenges and opportunities to the members of this committee in undertaking their activities effectively. Although the AC generates more relevant information easily from other committees, the AC may neglect to detect the irregular earnings management exercised by the top management due to a loss of focus. Given these conflicting prospects, the first hypothesis of the study is:

H_1: There is a significant relationship between overlapping members on the audit and other board committees and the FRQ.

The chair of the AC plays a very important role in the activities of the AC and its relationship with the BODs. One of the main responsibilities of the AC chair is setting the agenda of the committee and working with members of the AC. In addition, the chair of the AC is the one who promotes the effective functioning of the committee to achieve its primary responsibility, which is promoting high quality financial reporting.

The chair is the functional and figurative leader of the AC. Given that, the leadership characteristics of the AC chair have a significant impact on the effectiveness of the AC and its ability to improve the FRQ (Bruynseels, Liesbeth, Krishnamoorthy, & Wright, 2016; Eyenubo, Mohammed & Ali, 2017). For instance, accounting expertise and the status of the AC chair is associated with the FRQ of the company. Bruynseels et al. (2016), and Abernathy, Beyer, Masli and Stefaniak (2014) found that an AC chair with accounting and financial expertise is associated with lower levels of absolute discretionary accruals and income increasing accruals. Similarly, the status of the AC chair contributes towards achieving the objective of the committee including high-quality financial reporting (Bruynseels et al., 2016; Eyenubo, Mohammed & Ali, 2017).

On the one hand, the overlap of the AC chair could have a positive impact on the company's FRQ, as the chairman of the committee knows the most important information that the AC needs from the other board committees. When the overlapped AC chair receives some relevant information from other committees, the chair not only shares such information with their fellow AC members but has the power to push other members of the committee to use that information. On the other hand, when the AC chairperson is a director who is also involved with other company committees, earnings management becomes higher. This could be the result of the extreme busyness of the AC chair due to membership on the different boards (Harris & Shimizu, 2004). This busyness of the AC chair and its negative impact on the FRQ is also expected to exist when the chairs of the AC are shared among the different committees on the same corporate board. Due to these abovementioned conflicting arguments of the impact of audit committee chair's overlap on FRQ, the second hypothesis is:

H_2: *There is a significant relationship between the AC chair's membership on other committees and the FRQ.*

Referring to the Sarbanes-Oxley Act, public listed companies are required to have at least one director on the AC with financial expertise. In addition, AC members with financial expertise help the committee achieve its primary responsibility. The financial expertise of the AC is highly related to the FRQ (Nelson & Devi, 2013). This shows the importance of the members with financial expertise to the AC's effectiveness.

Nevertheless, given that the extreme busyness of these crucial directors will affect the performance of the committee (Harris & Shimizu, 2004), it is expected that the FRQ of the company will be lower when the directors shared among different committees of the same corporate board are AC financial experts. Since these financial expert members on the AC are busy with the non-accounting related activities being undertaken by the other board committees, the effectiveness of the AC would become lower. However, AC members with financial expertise bring information (accounting and finance related information) to the AC, and strengthen the collaboration of the AC with the other committees when they overlap on other committees, which, perhaps, improves the FRQ of the companies. Therefore, due to these contrasting arguments, the third hypothesis of the study is:

H_3: *There is a significant relationship between the AC members with accounting skills on the other committees and the FRQ.*

The magnitude of overlapping memberships on the AC negatively influences FRQ. This is because when AC directors spend their time working on other committees, it takes most of their time and concentration or focus. Since most shared directors are independent directors, they will divide their scarce time between the different board committees, which negatively affects the performance of each committee. Also, when the number of shared directors is extremely high, they will lose the concentration and core requirements of the AC since each board sub-committee has different major roles (Chandar et al., 2012). They may also influence the mentality or way of thinking of other BODs sitting on the other board committees. However, the proportion of overlapping memberships could be positively linked to the effectiveness of the AC. This is because these overlapped directors will bring more information to the AC when the number of the overlapped directors is high. Given these two opposite views, the fourth hypothesis of the study:

H_4: There is a significant relationship between the magnitude of overlapping memberships on the audit and other board committees and the FRQ.

3. Data and Research Design

3.1. Sample Selection

Consistent with prior studies (Chandar et al., 2012), the ideal population under study consists of all non-financial companies listed on BM. Furthermore, applying purposive sampling techniques, the study selected and collected data from the top 100 companies listed on Bursa Malaysia based on market capitalisation.

Furthermore, the study selected cross-sectional analysis of the 2013 financial year to test the impact of overlapping AC members on the FRQ of the company. The reason behind the selection of this sample period was that the MCCG was last revised in 2012. The aim of the revision was to achieve excellence in CG through strengthening the board structure and composition in recognition of the role of directors as active and responsible fiduciaries (MCCG, 2012). Moreover, the data were analysed using descriptive statistics, correlations, and regression analysis.

In this study, 11 financial institutions – banks and insurance companies – were excluded from the sample since these companies have different financial statements compared to non-financial companies (Chandar et al., 2012; Nelson & Devi, 2013). Also, 14 companies were excluded from the sample because some important elements were missing. Therefore, the final sample of the study was 75 non-financial institutions listed on BM.

This research used secondary data, with the information pertinent to the company and BODs collected from the Bloomberg database and annual reports. The annual reports were downloaded from the websites of BM and the selected companies.

3.2. Theoretical framework

3.2.1. Agency Theory

Agency theory, which is regarded as a supposition explaining the relationship between principals and agents in a given business, is accompanied by certain problems arising from the special nature of this relationship. These problems are generally categorised as: (i) the conflict of interests between the principal and the agent as the two of them attempt to maximise their own utility and set different goals. In this case, the principal is unable to observe the agent's activities due to either its difficulty or economic feasibility; and (ii) the problems that arise from the different risk-taking tolerance of the principal and the agent.

Specifically, some special problems arise in terms of the different attitudes of the two sides towards risk. While there are numerous instances of an agency relationship, the classic agency relationship of the management and the shareholders is considered to be the most important. In this relationship, the agent (management) is expected to act in the best interests of the principal (shareholder) (Oussii & Taktak, 2018). To do so, the two sides of an agency relationship attempt to employ various control mechanisms to mitigate agency problems regarding information asymmetry (Fama and Jensen, 1983; Kalelkar, 2017; Oussii & Taktak, 2018). These control mechanisms may involve external audits, as well as the use of outside directors and ACs (Kalelkar, 2017). Based on the discussion above, the agency theory is used for this study.

3.3. Dependent Variable

The dependent variable of the study is the FRQ, which can be measured in four ways. The first is through the qualitative characteristics of financial reporting, which is difficult to operationalise and test quantitatively. The second measurement is to use the audit opinion on the financial statement irrespective of whether the opinion is unqualified or qualified. Although this method is easily observable and reliable as it is provided by an external body (external auditor), its use seems inappropriate to measure the quality of financial reporting in East Asian countries including Malaysia. This is because Kobori and Hutchinson (2015) highlight that most of the companies in East Asian countries receive modified opinions from the external auditors. In Asian countries, external auditors are sued if the companies that have received an unqualified opinion face bankruptcy because of the investors' losses. Given that, the external auditor most likely provides a modified opinion on the financial statement to avoid litigation if the company faces bankruptcy in the period subsequent to when the auditor issued an unqualified opinion (Khurana & Raman, 2004).

However, a longitudinal study by Salleh and Jasmani (2014) found that 93.9 per cent of Malaysian companies received an unqualified opinion. Based on the two extreme and contrasting scenarios mentioned above, this measure (audit opinion) seems inappropriate to measure the FRQ in this study. The third measurement of the FRQ is the financial restatement made after annual publication of the financial statement (Cohen, Hoitash, Krishnamoorthy, & Wright, 2014).

Finally, the fourth measurement of the FRQ is the magnitude of earnings management. Even though earnings management has its weaknesses, such as errors that may occur in the estimation models, it is the most used proxy for the FRQ. Therefore, earnings management seems appropriate for this study.

3.4. Absolute Value of Discretionary Accruals

This current study adopted the model of Kothari, Leone and Wasley (2005) as a measurement of the earnings management level in the selected companies. This model has been widely used and considered more powerful in earnings management detection (Rashid, Noor, Matsuki, Abrahman, & Omar, 2016). Also, the model applies an approach called the "Performance Matched Discretionary Accrual". Hence, this study employs the model of Kothari et al. (2005) to detect discretionary accruals for earnings management in the selected companies. Therefore, to test discretionary accruals in a given year, we estimate the following regression model for Equation 1.

$$TA_{it}=\beta_0\left[1/Assets_{i,t-1}\right] + \beta_1\left[(\Delta REV_{it} - \Delta REC_{it})\right] + \beta_2[PPE_{it}] + \varepsilon_{it}$$

where,

TA_t represents the net income before extraordinary items – operational cash flow.

ΔREV_{it} represents the change in company i's sales from year $_{t-1}$ to $_t$, scaled by assets at the beginning of the year.

ΔREC_{it} represents the change in company i's receivables from year $_{t-1}$ to $_t$, scaled by assets at the beginning of the year.

PPE_{it} represents company $_i$'s gross property, plant, and equipment in year $_t$, scaled by assets at the beginning of year $_t$.

Regression analysis is employed to obtain the residual values. These residual values represent the values of the discretionary accruals of the selected companies (Rashid et al., 2016). The non-discretionary accruals can be obtained by obtaining the fitted values of the residual values from the regression model. After that, the residuals are converted into absolute values to determine the level of the company's earnings management.

3.5. Independent Variables

The independent variables of the study for the overlapping between the audit and other board committees are represented by the overlap of the

AC members, overlap on the AC chair, overlap on the AC accounting expert, and the magnitude of the overlap. In addition, the first three independent variables are dichotomous variables while the fourth independent variable is continuous. The first independent variable of the study is overlapping memberships on the AC. Overlapping memberships are measured as a dummy variable. This takes the value of one if at least one AC member sits on either the RC and the nominating committee or another committee, if any, and zero otherwise (Chandar, Chang, & Zheng, 2012). The second independent variable of the study is the overlapping of the AC chair, which is the chair of the AC's membership on a committee other than the AC. This is measured as 1 if the AC chair sits on other committees, and 0 otherwise.

The third testable variable of the current study is the overlap memberships on the AC members with financial expertise. This takes 1 if there is at least one AC member with financial expertise sitting on other committees, and 0 otherwise. As used by some studies, such as Nelson and Devi (2013), and Kalelkar (2017), in this study, an AC member is considered as having accounting or financial expertise if he/she has any degree in accounting or he/she is a member of any national or international professional accounting body, such as the Malaysian Institute of Accountants (MIA). The last testable variable of the study is the magnitude of the overlap. This can be measured as the total number of AC members who also sit on other committees divided by the size of the AC.

3.6. Control Variables

Consistent with prior studies (Habib & Jiang, 2015; Kusnadi et al., 2015), the current study includes company size, company growth, and leverage as the control variables of the current study. In this study, company size is measured by the market capitalisation of the company. The data were downloaded from the Bloomberg database. The literature shows a significant positive relationship between company size and discretionary accruals (Nelson & Devi, 2013) because these companies try to reduce political pressure coming from society, banks, and investment analysis by using aggressive accounting policies. Therefore, company size is significantly negatively associated with the FRQ.

The growth of the company is measured by the total sales of the company divided by the total assets. In the literature, studies have found that the growth of the company is positively associated with higher abnormal discretionary accruals (Habib & Jiang, 2015; Johl, Johl, Subramaniam & Cooper, 2013). Since booming companies face political scrutiny from the public, they are more likely to use earnings management to reduce this pressure (Johl et al., 2013). Therefore, there is a significant negative relationship between company's growth and the FRQ.

Leverage is one of the measures of the company's liquidity and is measured as the total liabilities divided by the total assets. Previous studies found mixed results for the relationships between leverage and the FRQ. These studies, thus, concluded a significant positive association between leverage and earnings management (Habib & Jiang, 2015). Nevertheless, other studies found a significant negative relationship between leverage and earnings management (Yang, Hung-Neng, & Boon Leing, 2008). Since companies with high debts are under scrutiny and are required to meet the debt covenants imposed by the lenders (Alves, 2013), they are less likely to practice earnings management, and these indebted companies have to provide better FRQ. Therefore, regardless of the direction, there is a significant association between leverage and earnings management.

3.7. Data Analysis

This study uses multiple regression to determine the relationship between discretionary accruals and overlapping memberships between the audit and other committees on the same corporate board. In addition, the study uses SPSS version 23 software to analyse the data. The study uses the following multiple regression in Equation 2 to test the impact of each independent variable on the performance-matched discretionary accruals.

$$DAC = \beta_0 + \beta_1 OV_{it} + \beta_2\ OV\_P_{it} + \beta_3 OV\_FE_{it} + \beta_4\ OV\_CH_{it} + \beta_5 FSIZE\_{it} + \beta_6 GTH_{it} + \beta_7 LEV_{it} + \varepsilon_{it}$$

where,

DAC is the Earnings Management measured by the absolute value of the Discretionary Accruals.

OV is the Overlapping Memberships between the audit and other committees of the board measured by the dummy variable, which takes the value of 1 if at least one AC member sits on any other committee of the board, such as the RC and NC or another committee, if any, and 0 otherwise.

OV_P is the Magnitude of the AC overlap measured by the total number of AC members who also sit on the other committees divided by the size of the AC.

OV_FE is the Overlap of the AC members with accounting or financial expertise that takes 1 if there is at least one AC member with accounting expertise sitting on other committees, and 0 otherwise.
OV_CH is the Overlap of the AC chairs that takes 1 if the AC chair sits on other committees, and 0 otherwise.
FSIZE is the Company size measured by the Market capitalisation of the company.
GTH is the Company Growth measured by the total sales divided by total assets.
LEV is the Leverage measured by the total liabilities divided by the total assets.

The Pearson correlation matrix is also computed to examine the correlation between the independent variables as well as the multicollinearity assumption.

4. Research Findings

4.1. Descriptive Statistics

Table 1 presents the descriptive statistics of the dichotomous variables of this study. The table reports the data frequency, percentages, minimum and maximum. In the case of overlapped memberships on the AC, 98.7 per cent of the observed companies have *OV_MC*. This might indicate that Malaysia's public listed companies have an overlapping membership on the audit and other mandatory board committees. In other words, every Malaysian public company has at least one AC director who, at the same time, serves on other mandatory committees of the same corporate board. Only 1.30 per cent of the studied companies do not have *OV_MC*.

In addition, the size of the overlap between the AC and the voluntary board committees is less than the overlap between the AC and the other mandatory committees. For instance, the results of the current study indicate that 37.3 per cent of the selected companies have *OV_RMC,* while 62.7 per cent of the investigated entities do not have such an overlap. Similarly, only 29.3 per cent of the observed companies have *OV_OVT* on the board, whereas the majority of Malaysian companies, 70.7 per cent, do not have such an overlap.

Furthermore, if we at look the characteristics of the overlapped directors sitting on the AC, the observed companies in this study have 77.3 per cent of *OV_FE*. Similarly, the percentage of *OV_CH* of the selected companies is 78.7 per cent.

Table 1. Descriptive Statistics (Dichotomous Variables)

	N	Min.	Max.	Freq.	Percentage (%)
OV_MC	75	0	1		
Overlap				74	98.70
No Overlap				1	1.30
OV_RMC	75	0	1		
Overlap	75	0	1	28	37.3
No Overlap				47	62.7
OV_OVT	75	0	1		
Overlap				22	29.3
No Overlap				53	70.7
OV_FE	75	0	1		
Overlap				58	77.3
No Overlap				17	22.7
OV_CH	75	0	1		
Overlap				69	78.7
No Overlap				16	21.3

Notes: *OV_MC* = Overlap between Audit and Other Mandatory Committees; *OV_RMC* = Overlap between Audit and RMC; *OV_OVT* = Overlap between Audit and Other VCs, such as investment committee, bid committee, executive committee, and whistle-blowing committee; *OV_FE* = Overlap of AC Financial Experts; *OV_CH* = Overlap of AC Chairperson.

Table 2 presents the descriptive statistics of the continuous variables of this study. It reports the descriptive statistics of the variables, such as Discretionary Accruals (DAC), Audit committee financial expert (AC_FE), Logged FSIZE, Leverage (LEV), and Growth. Regarding the results of this data, it can be seen that the average DAC of the studied companies is .1023. This result of the current study is significantly higher than the findings of Nelson and Devi (2013) who found .0604 as the average DAC of Malaysian public listed companies. The result of this present study is also ten times higher than the findings of Rahman and Ali (2006) who reported the average DAC of Malaysian companies as being .0132. This result indicates that the tendency of earnings management among Malaysian companies is growing with time.

In addition, the average OV_P reported in this study is 76.89 per cent, which indicates that more than three-fourths of the AC members of the companies studied in this study also work on other committees of the same corporate board. For instance, three out of the four directors that an AC contains work on other board committees. This result is more than double the findings of Chandar et al. (2012) who contend that only one-third of AC directors of US companies work on other board committees. However, this difference could be due to differences in the environmental contexts.

Table 2. Descriptive statistics (continuous variables)

	N	Min.	Max.	Mean	SD	Skew.	Kurts.
DAC	75	.00	.95	.1023	.180	3.174	1.260
OV_P	75	.00	1.00	.76889	.229	-.791	.422
AC_FE	75	1	4	1.41	.595	1.532	3.376
LEV	75	.051	1.000	.46187	.239	.314	-.463
FSIZE	75	RM2,192,078,848	RM58,930,573,312	RM12,661,785,426.39	.988	.686	-.633
GTH	75	.080	3.290	.62107	.5918	2.537	7.205

Notes: *AC_FE* = Audit committee financial expert, *DAC* = Discretionary Accruals, *OV_P* = Magnitude of AC overlap.

Table 3 presents the Spearman correlations between all the sets of variables of this current study. OV_MC is negatively correlated with the DAC. This correlation is significant at -27.2 per cent, P-value < .10 (2-tailed). This result indicates a significant positive relationship in the overlap between OV_MC and FRQ. This result is consistent with the findings of Laux and Laux (2009), and Chandar et al. (2012). Similarly, the correlation between overlapping memberships on audit and VCs on the board is negatively correlated with abnormal accruals but, statistically, is not significant. As can be seen in Table 4, the relationship of DAC with the OV_RMC is only -4.9%, which, although negative, still seems insignificant. Again, DAC's relationship with OV_OT is negative but not statistically significant (-14.9%) even though this relationship looks stronger than the relationship between DAC and OV_RMC.

Moreover, the magnitude or proportion of AC overlap (OV_P) is negatively correlated with DAC even though the value of this result is not statistically significant (at -16.8%). However, the value of this relationship is less than the relationship between OV_MC and DAC. This implies that OV_P does not matter compared to the OV_MC. Nevertheless, since the result of this current study does not show a strong correlation in the case of the relationship OV_P and DAC, this result contradicts the findings of Chandar et al. (2012), who highlight that the magnitude of overlap on the audit and RCs is positively correlated with abnormal accruals (i.e., negative relationship between the magnitude of overlapping memberships between the audit and the RCs and FRQ).

Furthermore, if we look at the relationship between the characteristics of the overlapped directors on the AC and abnormal accruals it can be seen in Table 3 that some features of these shared directors matter while other features do not. For example, Table 3 shows that OV_FE is negatively correlated with DAC but insignificant (at – 4.2%). In addition, OV_CH is significantly negatively correlated with DAC at -23.6%, P-value < .10. This result indicates that the AC chairperson should work on other board committees to bring and share more information with the AC members. Similarly, referring to the results in Table 3, AC_FE can sit on the other board committees as that may improve the FRQ of the company. This result is inconsistent with the findings of Kusnadi et al. (2015), and Chandar et al. (2012), who both highlight the lack of a significant correlation between the characteristics of overlapped members on the AC and FRQ.

Table 3. Spearman correlations coefficient results

	DAC	*OV_MC*	*OV_RMC*	*OV_OT*	*OV_P*	*OV_FE*	*OV_CH*	*FSIZE*	*LEV*
DAC									
OV_MC	-.272*								
OV_RMC	-.049	.09							
OV_OT	-.146	.075	.169						
OV_P	-.168	.391**	.365**	.265*					
OV_FE	-.042	.214	.294*	.074	.598**				
OV_CH	-.236*	.223	-.002	.050	.482**	.572**			
FSIZE	.255*	-.116	.207	.031	-.075	-.031	-.224		
LEV	-.362**	.068	.141	.228*	.005	-.017	-.175	.133	
GROWTH	.294*	-.093	.053	.009	.078	.103	.045	.125	.142

Notes: *OV_OT* = AC members' overlap with other VC, such as investment, bid, and executive committees; *DAC* = Discretionary Accruals; *OV_P* = Magnitude of AC overlap; *OV_MC* = Overlap between Audit and Other Mandatory Committees; *OV_RMC* = Overlap between Audit and RMC; *OV_P* = Magnitude of AC overlap; *OV_CH* = Overlap of AC Chairperson; *OV_FE* = Overlap of AC Financial Experts.
Significance is based on the two-tailed test, ** and * represent the significance level at 1% and 5%.

In the case of the control variables, Table 3 suggests that FSIZE is significantly positively correlated with the DAC of the company (25.5 per cent, p<.10, two tailed). This result implies that the larger a company is, the more likely that the company engages in earnings management. This result is consistent with the findings of Nelson and Devi (2013), and Chandar et al. (2012). Nevertheless, LEV is significantly negatively correlated with the DAC (-36.2 per cent, p<.01, two tailed). This suggests that companies that are highly indebted are less likely to undertake earnings management due to the pressures coming from the individual and institutional creditors to provide better FRQ. This result of the current study supports the findings of the study of Yang et al. (2008). In addition, the GTH of the companies is significantly positively correlated with DAC at 29.4 per cent, P-value <.10. The more a company grows, the more likely that the company performs aggressive earnings management as a tool to minimise public pressures. This result supports the finding of Habib & Jiang (2015), Johl et al. (2013), and Yang et al. (2008).

4.2. Regression Results

The regression models used for this study are significant ($p<.05$), with the adjusted R-squares of the four regression models used, being 40.6 per cent for model 1, 38.1 per cent for model 2, 38.2 per cent for model 3, and 38.3 per cent for model 4. This indicates that the predictors can explain approximately 40 per cent of the variance in the DAC (see Table 4).

4.3. Overlapping Committees and FRQ

Table 4 reports the results of the regression analysis of the current study, which shows changes in abnormal accruals due to the presence of overlapping memberships on the AC and other control variables.

Table 4: Regression Results

		Model 1		Model 2		Model 3		Model 4	
	Pred.	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat
OV_MC	+/-	-1.307^	-1.68						
OV_RMC	+/-	.000	.002	.011					
OV_OVT	+/-				0.063	0.314			
OV_P	+/-							-0.218	-0.42
OV_FE	+/-	.337	1.325	0.289	1.046	0.286	1.108	.343.	1.194
OV_CH	+/-	-.861#	-3.224	-.920#	-3.359	-.925#	-3.42	-.891#	-3.197
GTH	+	.641*	4.248	.662*	4.267	.668*	4.32	.658*	4.291
LEV	+/-	-2.073*	-5.361	-2.154*	-5.434	-2.189*	-5.36	-2.127*	-5.37
FSIZE	+	.000^	1.927	.000#	2.019	.000#	2.047	.000^	1.906
Intercept		2.756		3.088		3.09		2.673	
N		75		75		75		75	
Adj. R^2		0.406		0.381		0.382		0.383	
F Value		9.325		8.497		8.526		8.549	

Notes: *OV_OT* = AC members' overlap with other VC, such as investment, bid, and executive committees; *DAC* = Discretionary Accruals; *OV_P* = Magnitude of AC overlap; *OV_MC* = Overlap between the Audit and Other Mandatory Committees; *OV_RMC* = Overlap between the Audit and RMC; *OV_P* = Magnitude of AC overlap; *OV_CH* = Overlap of AC Chairperson; *OV_FE* = Overlap of AC Financial Experts. *GTH* = Growth, LEV = *Leverage*, FSIZE = Market capitalisation.
Significance is based on the two-tailed test, *, # and ^ represent the significance level at 1%, 5% and 10%.

To test and find the results of the first hypothesis, which was the impact of overlapping memberships between the audit and other board committees on abnormal accruals, we divided the overlap into four different models.

Since a given AC member can overlap other mandatory committees (OV_MC), RMC (OV_RMC) and other VC (OV_OVT), they were regressed differently to compare the impacts of each kind of overlap on FRQ. In addition, in this study, the magnitude of overlap (OV_P) has similar observations with the overlap on other board sub-committees. OV_P requires to be tested in a separate model from those used for OV_MC, OV_RMC and OV_OVT to reduce the biasness in the model. On the other hand, OV_FE and OV_CH is the special characteristics of the overlapped members on the AC. Thus, since OV_FE and OV_CH have unique observations, they were regressed together and included in all four models.

The first model provides the impact of overlapping memberships between the audit and other mandatory committees (OV_MC) on the FRQ. For the coefficient of the prediction of OV_MC, especially the overlap of AC members on the remuneration and nominating committees, DAC is negative and significant at the 10 per cent, which provides a partial acceptance of H_1 of the current study. This result suggests that companies with at least one AC member who also sits on other mandatory committees on the same corporate board have, on average, low levels of abnormal accruals. In other words, companies with OV_MC have better FRQ.

Nevertheless, model 1 and model 2 show that DAC is positively but insignificantly impacted by the overlap between AC and VCs on the same corporate board. For instance, as can be seen in Table 4, OV_RMC positively impacts on the DAC, but it is not statistically significant. Similarly, DAC is negatively impacted by the OV_OVT. In addition, this result partially rejects the first hypothesis of the current study. Despite its significance, this result indicates that it is not beneficial for a company to have an OV_OVT on their corporate board because such an overlap does not improve the FRQ of the company or perhaps reduces the quality of the financial statement of the company. The findings of the study are contrary to the results of the studies by Habib and Uddin Buiyyan (2016), and Kalelkar (2017), where further analysis reveals that the overlap membership improves company's reporting quality.

4.4. Overlapping Magnitude and FRQ

Model 4 in Table 4 indicates that DAC is not significantly affected by OV_P as this impact is statistically insignificant (p-value >.10). This result indicates that, although it is not significant, there is a negative relationship between OV_P and DAC. Since the coefficient of this result is -.218, which is less than the coefficient of OV_MC (which is only -1.307), it suggests that overlapping membership is only beneficial to the FRQ when the magnitude or the proportion of the overlap is not high; as highlighted by Chandar et al. (2012). Based on this insignificant relationship between the overlap proportion and FRQ, hypothesis two is rejected.

4.5. Overlapping on the AC Chair and FRQ

As can be seen in Table 4, OV_CH is statistically significant where p-value < .05 in all four models. OV_CH significantly negatively impacts on the DAC. This result indicates that having the chair of the AC serve on the other board committees significantly improves FRQ. This result contradicts the findings of Chandar et al. (2012), and Kusnadi et al. (2015) who failed to find any significant relationship between OV_CH and FRQ. However, the problem of Chandar et al. (2012), and Kusnadi et al. (2015) was that these studies only focused on the AC chairperson's overlap with the RC, so, they did not fully control for the overlap of the AC chair with all the other board committees. Moreover, since the results in Table 4 show that the OV_CH significantly positively impacts FRQ, hypothesis three of the current study is strongly accepted.

4.6. Overlapping on the AC Financial Expertise and FRQ

As can be seen in Table 4, OV_FE is statistically insignificant in all four models. This result indicates that having an AC member with accounting background overlapping on the other board committees is not significantly associated with FRQ. This result is consistent with the findings of Chandar et al. (2012), and Kusnadi et al. (2015). Concerning this insignificant result, the fourth hypothesis of this current study is rejected.

4.7. Control Variables and FRQ

Based on the coefficient result shown in Table 4, GTH is statistically significant and positively associated with DAC with p-value < 1 per cent in all four models provided in this study. The more sales a company report, the more likely a company has higher DAC to reduce public scrutiny. This result is consistent with the findings of Johl et al. (2013), and Habib & Jiang (2015).

Similarly, FSIZE is significantly and positively associated with DAC, with p-value < 5 per cent in models 2 and 3, but FSIZE is significant at 10 per cent p-value in models 1 and 4. This result shows that abnormal accruals are strongly impacted by the size of the company, where the larger the company, the more likely it is to engage in aggressive earnings management to reduce the political pressures from the public. This result is in line with the findings of Chandar et al. (2012), Nelson and Devi (2013), and Zgarni, Hlioui and Zehri (2016).

Finally, LEV had a significant negative association with DAC with p-value < 1 per cent in all four regression models provided in Table 4. This result provides an indication that the more a given company has huge debts, the less likely that company exercises earnings management. Such hugely indebted companies have to provide better FRQ due to the pressures coming from institutional and individual debt investors. This result is in line with the findings of Yang et al. (2008), and Alves (2013).

5. Discussion

The MCCG 2012 addressed some important issues by focusing on board composition and other recommendations related to the CG mechanisms of Malaysian public listed companies. One of the notable points is that MCCG 2012 made it mandatory for every Malaysian public listed company to establish a nominating committee. This made it necessary for every Malaysian public listed company to have a total of at least three board committees; namely, AC, RC, and NC. However, some companies, especially large companies, could freely have more VCs, such as RMC, investment committee, executive committee, and options committee, as well as a whistle-blowing committee.

Consequently, since most of these committees, especially the mandatory committees, require independent directors, and taking into account the insufficient number of independent directors available, there are overlapping memberships on the different board committees. Given that, this allowed the study to utilise the annual reports for data collection to investigate how overlapping memberships on the AC influences the performance of the committee, especially the ability of the committee to promote and provide better FRQ.

The answer for hypothesis 1 was divided into three types. The first is the association between AC members' overlap on the other mandatory committees and the FRQ. The second is the association between AC members' overlap on a VC, especially the risk management committee, and FRQ. The third is the association between AC members' overlap on another VC and the FRQ.

The first association is negative and significant at the 10 per cent level. Thus, Hypothesis 1 is partially supported because only the first association is negative and significant, while the second and third association are positive and insignificant. The positive value indicates that such overlapping memberships on the AC increases the effectiveness of the AC as well as improves the FRQ of the company. This result is consistent with the findings of Habib and Uddin Bhuiyan (2016), and Chandar et al. (2012). However, this result contradicts the findings of Kusnadi et al. (2015) who failed to find any significant correlation between overlapping memberships on the audit and RC and the FRQ.

Nevertheless, there is an insignificant association between AC members' overlap on the VCs and FRQ. Firstly, the association between the FRQ and AC member's overlap on the RMC is insignificant. This is because the FRQ is not expected to increase when AC members sit on the RMC since this committee mostly performs similar jobs to that of the AC. This could be the reason why some companies combine these two committees. Similarly, the FRQ does not change when AC members overlap on the other VCs on the board, such as investment committee and executive committees. Most of the members of these VCs are executive directors and their activities mainly focus on improving the performance of the company and not the monitoring or oversight roles of the company's financial statement. Hence, when AC directors overlap with such VCs, these overlapped directors do not bring significant and relevant information to the AC that can significantly improve the company's FRQ. Given the significant association between 'AC members' overlap on the other mandatory committees and the FRQ' and the insignificant association between 'overlapping memberships on VCs and the FRQ', hypothesis 1 of the present study is partially supported.

The results in Table 4 show that the overlap of AC chair is significantly and positively correlated with the FRQ. This is because the AC chair is the most important person of the AC, as this person is the leader of the committee who manages and directs the AC members. In addition, recent studies showed that the characteristics of the AC chair are significantly correlated with the FRQ. For instance, the experience, and status of the AC chair is significantly correlated with the FRQ (Bruynseels et al., 2016). Similarly, this current study extends the features of the AC chair by looking at the overlap on the AC chair and how this impacts on the FRQ. When an AC chairman sits on other board committees, this overlapped AC chair knows the nature and type of information that the committee needs from other board committees. Then, the chair shares such information with other members of the committee. In addition, he or she can enforce members of the committee to implement and apply the information, which improves the effectiveness of the AC. Given that, the overlap of the AC chairperson improves the FRQ of the company.

This result of the current study contradicts the prior findings of Chandar et al. (2012), and Kusnadi et al. (2015) who both highlight the insignificant impact of AC chair overlap on the FRQ. However, the problem of these studies was that they only looked at the AC chairperson's overlap on the RC whereas this current study investigated the AC chairperson's overall overlap on all the other committees of the board.

Since the FRQ is significantly influenced by the overlap of the AC chair, hypothesis 2 of the study is strongly accepted.

Based on the results in Table 4, the overlap of AC directors with accounting background negatively impacts the FRQ, but the statistical value of this result is not significant. Despite its insignificance, this result suggests that it is better for AC members with accounting expertise to serve on the AC alone rather than overlapping on the other committees of the same board because their overlap is problematic, and perhaps hinders the FRQ of the company if they sit on the other board committees. AC financial experts become busy with non-accounting related activities when they overlap on other committees. This insignificant result supports the findings of Chandar et al. (2012), and Kusnadi et al. (2015). Therefore, given the insignificant impact of the overlap of AC directors with accounting background on the FRQ, hypothesis 3 of the current study is rejected.

According to Table 4, the association is positive but insignificant. Thus, hypothesis 4 is not accepted. This result suggests that the magnitude of the overlapping memberships on AC do not matter. This contradicts the findings of Chandar et al. (2012) who highlight that the magnitude of overlap matters and that it negatively impacts the FRQ. However, this current study suggests that, despite its insignificant result, the magnitude of overlap is positively correlated with the FRQ. The more overlapped directors on the AC, the more information received, which improves the effectiveness of the committee as well as the FRQ of the company (Kalelkar, 2017).

Moreover, the controlling variables, such as company size, sales growth, and leverage, have a significant impact on the FRQ; as shown in Table 4. Leverage was found to have a significant positive relationship with the FRQ (Salehi & Shirazi, 2016), which implies that companies with high debts are likely to have good FRQ to tackle the pressure coming from institutional and individual investors. This result is in line with the findings of Alves (2013). The other two control variables of the study, which are company size and growth, were found to have a significant negative relationship with the FRQ. This result implies that companies with better sales growth and those companies who own the biggest market shares are more likely to undertake earnings management to reduce political scrutiny as well as the public pressures coming from the media, financial analysts, and society as a whole. This result is consistent with the findings of Habib & Jiang (2015), and Johl et al. (2013).

6. Conclusions

Overlapping memberships on the AC have implications regarding the performance of the committee, particularly the ability of the committee to improve the financial reporting of the company. Overlapping directors between the audit and other mandatory committees have a significant positive impact on the FRQ of the company. Overlap provides better collaboration and cohesiveness between the different committees on the board, which leads to the increased performance and effectiveness of the AC. Additionally, overlapped members on the AC, especially the AC chair, bring considerable information from the other board committees, which enhances the FRQ of the company. Unfortunately, the result suggests that AC members with accounting expertise should not overlap on the other committees of the same board because their overlap is problematic and hinders the FRQ of the company. At the same time, the magnitude of the overlapping memberships on the AC do not matter.

The results of this study suggest that overlapping memberships on the AC of big Malaysian public listed companies play a significant role in the FRQ of the company. Also, MCCG 2012 does not address the issue of overlapping memberships. Since overlapping memberships on the AC have an impact on the FRQ of the company, the Malaysian regulatory bodies should develop a proactive plan to address this issue. The MCCG should provide recommendations regarding overlapping memberships on the AC by setting guidelines on the type and proportion of overlap in which AC directors can overlap other committees on the board. This will improve the effectiveness of the committees as well as the FRQ. Also, investors rely on the AC when it comes to controlling and ensuring the reliability of the financial statement. Overlapping memberships on the AC can help investors to receive a high-quality financial statement. Specifically, investors should motivate the AC chairperson to serve on other board committees to capture important or relevant information that can be shared with the AC members. Such an overlap of the AC chair provides better FRQ to the investors.

Since most of the previous studies related to the overlapping memberships on the AC were done in developed countries, this research extended this issue into developing countries where the regulations and market structure differ. Therefore, future researchers in the field can use the findings of this study as the basis for expanding the issues of overlapping memberships on ACs as well as the impact on the FRQ into different contexts and countries.

The inherent drawback of the current research is the small sample size and the instrument used for the study, because it may not provide other factors that can influence the objectives of the study. It does not provide in-depth and comprehensive data from the documents of the companies. As such, future researchers should use other methods of data collection, such as the interview method, which may provide the more detailed information required.

Also, this study emphasises the impact of shared directors between different board committees on the effectiveness and performance of the AC. In fact, this kind of overlapping will also affect the effectiveness of other board sub-committees other than the AC. Thus, future researchers should investigate the impact of overlapping memberships on the performance of other mandatory and VCs on the corporate board.

Finally, a further limitation of the study relates to the generalisability of the results. Given our focus on overlapping memberships between the AC and other committees, and the impact on AC's effectiveness as a proxy for the FRQ, the research sample was drawn from the largest 100 Malaysian companies. Therefore, the results of the study may not be generalisable to smaller companies. Hence, future researchers should examine the impact of overlapping memberships on the effectiveness of the RC, NC, and VC on the corporate board in small companies. The inherent drawback of the current research is the size of the sample which is small.

In terms of academic implications, the results show that the agency theory does not support all of the hypotheses. Hypothesis 3, which looks into accounting skills, and hypothesis 4 which focuses on the magnitude of overlaps may contain elements of resource dependency. As such perhaps the resource dependency theory may also be relevant in the study of overlapping memberships, as it would highlight the other contributions that directors make apart from monitoring. For future research, it is advisable that both the agency and resource dependency theory are combined for research in this area.

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