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Corporate Board Committees and Corporate Outcomes: An International Systematic Literature Review and Agenda for Future Research

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This paper comprehensively reviews the current body of international accounting literature regarding advisory/monitoring committees and corporate outcomes. Specifically, it synthesizes, appraises, and extends current knowledge on the (a) theoretical (i.e., economic, accounting/corporate governance, sociological and socio-psychological) perspectives and (b) empirical evidence of the observable and less visible attributes at both the individual and committee levels and their link with a wide range (financial/non-financial) of corporate outcomes. Using the systematic literature review method, 304 articles from 59 journals in the fields of accounting and finance that were published between January 1992 and December 2018 are reviewed. The main findings are as follows. First and theoretically, agency theory is the most dominant applied theory/studies with no application of theory at all (descriptive), while the application of integrated theoretical frameworks is lacking in the reviewed articles. Secondly, the existing empirical evidence focusses excessively on (a) monitoring instead of advisory committees and (b) observable rather than less visible committee attributes. Thirdly, scarcity of cross-country

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studies along with methodological limitations relating to measurement inconsistencies, insufficiency of variables, and dominance of quantitative studies, among others, are identified. Finally, promising future research avenues are outlined.

Keywords: Accounting; corporate board subcommittees; corporate governance; corporate outcomes; advisory and monitoring roles.

JEL Classification: G3, M12, M14, M4, O32.

1. Introduction

The modern development/regulatory history of corporate board subcommittees started internationally in the 1940s in the United States but has varied across countries. Discernibly, the regulations from the 1940s through to 2003 focussed on the audit committee, such as the governance regulations of the U.S. Business Roundtable (1978), the U.S. Committee of Sponsoring Organizations of the Treadway Commission (1985), the Hong Kong Stock Exchange (1989), the Cadbury Report (1992) and the Combined Code (1998) in the United Kingdom, and the Sarbanes-Oxley Act (2002) in the United States, among many others (Aguilera & Cuervo-Cazurra, 2004; ECGI, 2019). The Sarbanes-Oxley Act, for example, requires public firms to form three monitoring board committees — audit, compensation, and nomination/governance; however, to date, comparable international guidance on the establishment and composition of board advisory committees remains lacking. For instance, no regulations or rules regarding board advisory committees exist in the United States, and as such, it is up to firms to adopt them as they are deemed to be appropriate (Reeb & Upadhyay, 2010). Noticeably, the evidence of clear and strong governance regulations on board monitoring committees, but limited/no such governance regulations relating to board advisory committees in the United States, is largely applicable to the plethora of governance regulations and codes that have been issued worldwide (Aguilera & Cuervo-Cazurra, 2004).

Meanwhile, the previous traditional/narrative reviews often focus on a single board monitoring committee (i.e., audit committee) (e.g., Ghafran & O'Sullivan, 2013; DeZoort *et al.*, 2002), the board of directors in general (e.g., Johnson *et al.*, 1996, 2013; Kirsch, 2018; Zahra & Pearce, 1989), and/or a particular attribute of boards of directors or subcommittees (Kirsch, 2018).¹ While it is reasonable for previous reviews to focus on the audit

¹ Other literature reviews on the board of directors and/or audit committee include Carcello *et al.* (2011a), Chalmers *et al.* (2019), Cohen *et al.* (2004), and Street and Hermanson (2019).

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committee alone, more attention has recently been given to other board committees, including the advisory committees and, more importantly, the advisory role of directors (Adams & Ferreira, 2007; Al-Shaer & Zaman, 2019; Faleye, 2011; Faleye *et al.*, 2011, 2013; Fracassi & Tate, 2012; Kang *et al.*, 2018; Kim *et al.*, 2014; Muravyev *et al.*, 2016; Zalata *et al.*, 2019). Therefore, this paper reviews the literature on both advisory and monitoring committees and corporate outcomes. The aim is to synthesize, appraise, and extend the current knowledge of the advisory and monitoring committees in order to identify what is currently known and what remains to be known empirically and theoretically about the impact of the observable and less visible attributes at both the individual and committee levels on corporate outcomes. The findings of this study will, therefore, be of great benefit to academics and researchers, including doctoral/research students, policy-makers and regulators, and practitioners worldwide.

We document three main findings. First, the theoretical evidence suggests that the agency theory is the most dominant theoretical framework applied in the sampled articles followed by the resource dependence theory. However, theoretical application and integration are lacking in most past studies. Secondly, marginal attention has been paid to the advisory role of directors/advisory board subcommittees and less emphasis on certain, yet promising, observable and less visible attributes of directors, indicating the possibility that gaps and questions addressed in previous studies fell short in comprehensively examining both advisory and monitoring board subcommittees. We also find that there is still conflicting evidence on such less emphasized areas. Third, the vast majority of studies concentrates on a single country — in most cases, the United States — and cross-country examinations are still rare. In addition, most studies reviewed use quantitative methods, whereas other methods, such as mixed or qualitative methods, are rarely applied. Finally, we identify methodological limitations relating to measurement inconsistency of variables and variables insufficiency, among others.

Our paper differs from previous reviews on board committees in four respects. First, previous reviews/narrative-analysis studies on board committees focus on a particular board committee (audit committee), particular attributes of the audit committee (financial expertise), or cover a very limited number of — mostly dated — studies on a limited number of board committees. This paper extends such current reviews, as well as the study by Kang *et al.* (2007), which originally adopt the classification of observable and less visible attributes, by taking into consideration advisory and

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monitoring committees and their observable and less visible attributes on both the individual and committee levels.

Secondly, previous reviews/meta-analysis studies tend to cover a limited period of time and related literature. Previous reviews/meta-analysis studies cover research around or before the SOX era when there was much evidence on the formation of audit committees, but little evidence on other attributes, or when the reviews were less comprehensive by covering post-SOX research only. Therefore, this paper differs from previous reviews in more comprehensively reviewing a larger number of studies than undertaken in previous reviews, covering 59 journals that were published between January 1992 and December 2018. Thirdly, theoretical perspectives among current narrative reviews are not given much attention or largely covered in quantity, but often relatively weakly discussed. We extend the current literature by undertaking an exhaustive review and discussion of a wider spectrum of economic, corporate governance, and sociological and socio-psychological theoretical perspectives. Finally, although previous reviews add to the scarcity of meta-analysis research in the fields of accounting and auditing, the dearth of systematic reviews on board committees is one motivation of this paper. The methodological importance of such systematic review is discussed in the methodology section. Overall, we discuss trends and limitations and identify gaps in the current literature on board committees and corporate outcomes. We also set the agenda for future research.

This paper is structured as follows. First, the conceptual background is discussed, followed by the methodology section. This is followed by a review of the theoretical and empirical literature. A discussion of limitations and future research avenues is then presented.

2. Conceptual Background

2.1. *The advisory and monitoring roles of board committees*

The primary roles of boards of directors are to advise and monitor senior management (Adams *et al.*, 2010; Faleye *et al.*, 2013; Klein, 1998). Literature attests that a key role of the board is to monitor executives in order to reduce agency costs that arise from the separation of ownership and control (Hillman & Dalziel, 2003). The monitoring function can include controlling and approving strategic actions, evaluating managerial performance, setting executive compensation levels, and hiring and firing executives (Kaczmarek *et al.*, 2012b). The main objective of these tasks is to align the interests of managers with those of the shareholders.

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Regarding the advisory role, Hillman and Dalziel (2003) argue that prior research that refers to service and strategy (Zahra & Pearce, 1989) or service and resource dependence roles (Johnson *et al.*, 1996) originally drew from the work of Pfeffer and Salancik (1978) and so can be classified under the provision of resources role of boards. This resource provision role can be beneficial in enhancing communications with external stakeholders, facilitating access to external resources, such as capital, and enhancing the reputation of the organization (Johnson *et al.*, 1996; Ntim, 2013; Pfeffer & Salancik, 1978; Zahra & Pearce, 1989; Zona *et al.*, 2018). Counsel and advice interactions between management and directors can provide valuable information to management. Managers can rely on such information when making strategic decisions (Johnson *et al.*, 1996; Lorsch, 1989; Pfeffer & Salancik, 1978), including contemporary strategic paths (Judge & Zeithaml, 1992), or at times of infrequent yet significant events (bankruptcies, restatements, or acquisitions), where uncertainty increases over a short period (Boivie *et al.*, 2016).

2.2. The potential antecedents of the advisory/monitoring intensity

As members of multiple monitoring committees, independent directors may feel it is inappropriate for them to focus on both functions (Colquitt *et al.*, 2001), and therefore, they may attempt to minimize the potential liability exposure (Klausner *et al.*, 2005) as they may not have sufficient time to focus on both functions (Faleye *et al.*, 2013). Regarding possible liability exposure, monitoring failures can have a negative impact on the director's reputation (Richardson, 2005), career (Arthaud-Day *et al.*, 2006), and wealth (Faleye *et al.*, 2013; Klausner *et al.*, 2005). There is a belief, however, that advisory directors have fewer tasks to perform and less potential liability exposure compared with monitoring directors and thus are potential free riders (Faleye *et al.*, 2013).

Despite these findings, research also raises questions about the determinants of board structure that can influence the optimal coverage of advisory and monitoring functions. In addition to the environmental competitiveness aspect (Boone *et al.*, 2007), such as the level of operations complexity (Coles *et al.*, 2008; Linck *et al.*, 2008) and the level of firm dependence on external resources, the asset structure of the firm (Coles *et al.*, 2008) can also explain the differences in board structures. Larger firms, for example, tend to be more dependent on the external environment and so have more external relationships; this is explained by the extra demands they impose to gain access to external resources (Klein, 1998).

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3. Methodology

This paper reviews the literature using the systematic literature review (SLR) method. Based on such an approach and the resulted studies, we develop a framework to understand board committees’ roles (see Fig. 1). The framework is developed to understand the linkage between external and internal contingencies, board committees’ attributes (which are divided into observable and less visible attributes), and corporate outcomes.

The SLR can not only take into account a large quantity of interdisciplinary research with various methodological approaches, as opposed to meta-analysis (Pickering & Byrne, 2014), but it also can enhance the doubtful quality of the “mass of often-contradictory” evidence, which has made conventional narrative reviews less effective for policy-makers and practitioners (Tranfield *et al.*, 2003, p. 207). Moreover, the SLR relies on the implementation and justification of “prespecified eligibility criteria” when identifying, appraising, and synthesizing the literature and thereby reducing the probability of bias sample selection (Higgins & Green, 2011, p. 3). Therefore, the SLR method can ensure a replicable, transparent, and scientific way of conducting reviews (Cook *et al.*, 1997). More precisely, the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) flowchart is adopted to illustrate the excluded and included articles for each individual phase of the review process to facilitate

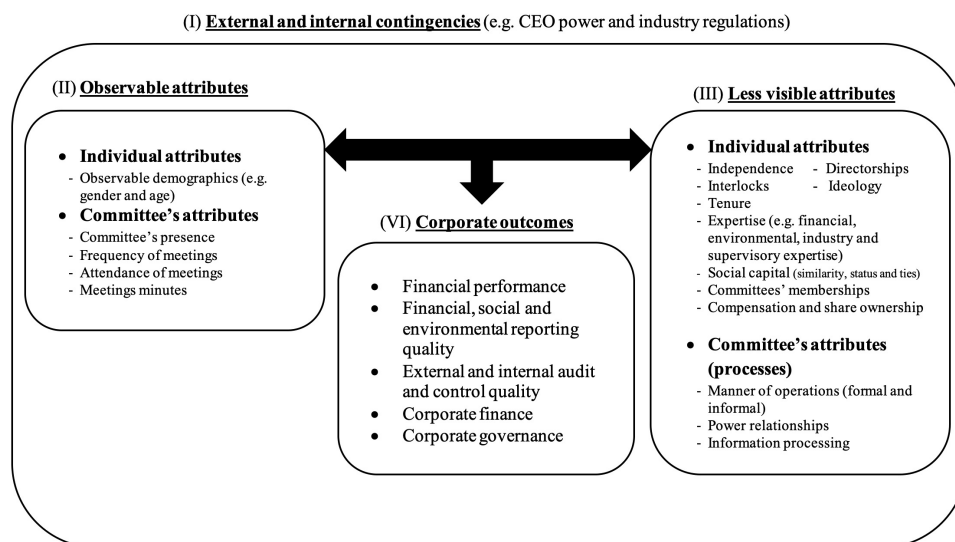


Fig. 1. Framework to understand board committee’s roles.

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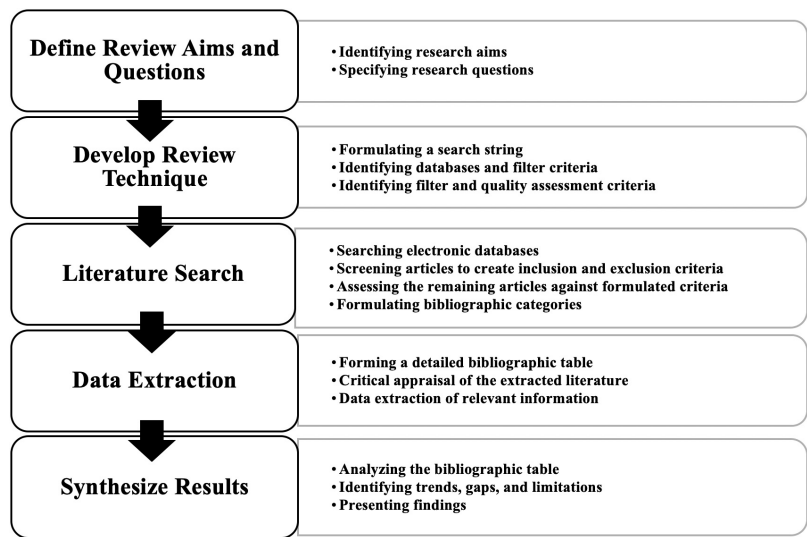


Fig. 2. SLR approach, adapted from Pickering and Byrne (2014) and Petticrew and Roberts (2006).

traceability of the review techniques, which is rarely done in narrative reviews (see Fig. 3) (Moher *et al.*, 2009). Figure 2 illustrates the SLR approach adapted from Pickering and Byrne (2014) and Petticrew and Roberts (2006).

The keywords that are covered in this paper include “*audit committee**,” “*compensation committee**,” “*nomination committee**,” “*governance committee**,” “*CSR committee**,” “*finance committee**,” “*risk committee**,” “*strategy committee**,” “*compliance committee**,” “*regulation committee**,” and “*health and safety committee**,” among others. As monitoring committees have a considerably high number of corporate consequences that are too numerous to be covered fully in this review, keywords related to such committees are combined with specific corporate outcomes.² The search strings used are presented in Table 1.

Three databases are commonly used in prior reviews of boards of directors and board committees (Kirsch, 2018; McNulty *et al.*, 2013; Nguyen *et al.*, 2020), which are Business Source Premium (EBSCO), Scopus, and Web of Science. These databases are used to search for peer-reviewed journal studies in the English language that were published from January 1992, when articles started to appear regularly in the literature, to December 2018. The total number of 4693 articles is obtained after applying the selection criteria

² A more detailed information about the area and keywords considered and their justification is presented in Appendices A and B.

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Table 1. Search Strings Used in this Paper

The Committee	Search String
Audit committee	(“Audit committee*”) AND (“reporting” OR “monitor*” OR “advis*” OR “acquisition” OR “investment”)
Compensation committee	(“remuneration committee*” OR “compensation committee*”) AND (“Pay” OR “monitor*” OR “advis*” OR “acquisition” OR “investment”)
Nomination committee	(“appointment* committee*” OR “nomination* committee*” OR “nominating committee*”) AND (“audit*” OR “divers*” OR “ownership” OR “shareholder*” OR “composition” OR “monitor*” OR “advis*” OR “acquisition” OR “investment”)
Other committees: Executive, regulation, compliance, risk, governance, health and safety, advisory, ethics and social, strategy, and finance committees	(“executive committee*” OR “risk committee*” OR “compliance committee*” OR “regulatory committee*” OR “governance committee*” OR “ethics committee*” OR “social committee*” OR “corporate social responsibility committee*” OR “CSR committee*” OR “health committee*” OR “safety committee*” OR “strategy committee*” OR “finance committee*”)
“Board committees” and its synonyms	(“board committee*” OR “board subcommittee*” OR “board sub-committee*” OR “corporate committee*” OR “firm* committee*” OR “board* advis*” OR “board* monitor*” OR “board vigilance”) AND (“monitor*” OR “advis*” OR “acquisition” OR “investment” OR “compensation” OR “auditing” OR “financial performance” OR “firm performance” OR “agency” OR “R&D”)

above. Table 2 shows the results from three different databases and the results for each committee with totals. This paper subsequently considers peer-reviewed journals, which are included in the quality rankings guide of the U.K. Chartered Association of Business Schools (ABS) in the fields of accounting and finance (ranked as 4*, 4, 3, or 2).³ After the quality

³The Financial Times (FT) and The University of Texas at Dallas (UTD) lists only cover 50 journals (four of which are accounting journals) and 24 journals (three of which are accounting journals), respectively (Hussain, 2011). In addition, these lists are not transparent in terms of how the included journals are selected, nor do they represent all the Association to Advance Collegiate Schools of Business (AACSB)-defined business disciplines (Adler & Harzing, 2009). The Australian Business Deans Council (ABDC) and the U.K.’s Association of Business Schools (ABS) Academic Journal Quality Guide use different ways to classify journals into ranked tiers. Sangster (2015) asserts that the Australian education culture treats A* and A journals as “good,” whereas the U.K. education culture treats journals ranked 4*, 4, and 3 as “good.” To avoid confusion about what is “good” and to enhance the objectivity of the quality assessment of current literature, this paper adopts all ABS publications (ranked as 4*, 4, 3, or 2) in the field of accounting and finance.

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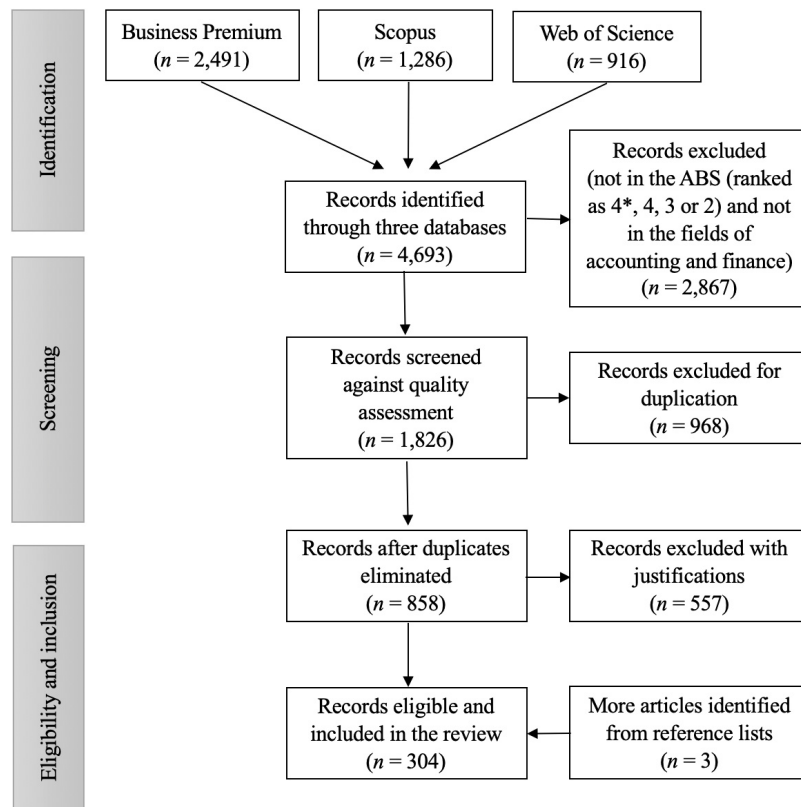


Fig. 3. PRISMA flow diagram, adapted from Moher *et al.* (2009).

assessment process, a total of 1826 articles are collected from the three databases. The removal of 968 duplicate articles resulted in the remaining 858 articles, which are then filtered against the exclusion criteria. The exclusion and exclusion criteria are summarized in Table 3.

The reference sections of the sample studies are cross-referenced and three additional materials are identified as related to the less emphasized advisory function in the sample articles (Cahaya *et al.*, 2017; Faleye, 2011; Hsu & Hu, 2016). Although these studies do not mention any board committee in their title, abstract, or keywords, these studies examine board committees' advisory role and so are included in the sample articles. A final total of 304 articles are relevant and exported to *NVivo* and *Excel* to sort and code the articles into categories (e.g., board committees, corporate outcomes, attributes examined). Figure 3 illustrates the stages of this review, including the number of studies, included and excluded. The *PRISMA* flowchart is adopted from Moher *et al.* (2009), with only a few amendments to be suitable

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Table 2. Results of Search Strings from Three Different Databases

Search String Results for Each Committee	Business Source Premier		Scopus		Web of Science		Total per Committee	
	All	ABS	All	ABS	All	ABS	Total (All)	Total (ABS)
Audit committee	565	298	561	289	420	232	1546	819
Compensation committee	155	73	127	89	112	91	394	253
Nomination committee	56	36	59	33	38	28	153	97
Executive committee	704	85	84	26	84	59	872	170
Other committees	780	49	215	74	93	50	1088	173
“Board committees” and its synonyms	231	132	240	172	169	126	640	430
Total per database	2,491	674	1,286	683	916	586	4693	1942

Notes: Filter criteria for all searches are based on: search terms (as illustrated in Table 1) that appear in the title, abstract, or keywords; articles are in the English language, from peer-reviewed journals in the fields of business, accounting, finance, and economics, and published during the period of January 1992 to December 2018. Prior to the screening process and selection of eligible papers for this review, this paper takes into account all papers that are published in journals listed in the U.K.’s Association of Business Schools (ABS) Academic Journal Quality Guide (1942 papers).

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Table 3. Summary of the Inclusion and Exclusion Criteria

Inclusion Criteria	
Filter criteria for databases	All peer-reviewed journal studies in the English language that are published from January 1992 to December 2018 in which search terms appear in their title, abstract, or keywords and within the fields of business, accounting, finance, and economics are included.
Quality assessment	Peer-reviewed journals which are included in the quality ranking guide of the U.K. Association of Business Schools (ABS) (ranked as 4*, 4, 3, or 2) in the fields of accounting and finance are included.
Studies identified through cross-referencing	Additional materials are identified as related to the less emphasized advisory function in the sample articles. Although such materials do not mention any board committee in their title, abstract, or keywords, these studies examine board committees' advising role and so are included in the sample articles.
Exclusion Criteria	
Exclusion criteria (1)	Articles that are conceptual, editorial, chapters in edited books, conference papers, and commentaries are removed.
Exclusion criteria (2)	Articles that examine the board of directors in general without investigating one or more board committees are excluded.
Exclusion criteria (3)	Articles that only focus on the impact of external contingencies (e.g., regulations) on monitoring committees' attributes (e.g., activity and independence) are excluded.
Exclusion criteria (4)	Articles that contribute to one or more board committees or mention them in the limitation section without including any testing variables relating to one or more board committees in the examination are excluded.
Exclusion criteria (5)	Articles that examine board committees of non-profit or state-owned organizations are excluded.

for the aim of this study. This flowchart has been used in previous SLRs (Kirsch, 2018; Tanskanen *et al.*, 2017).

4. Descriptive Findings

Regarding journal subject fields covered, studies reviewed are from 59 journals, of which 35 journals are in the accounting field and 24 are in the finance field. In addition, the majority of articles are published in the accounting subject journals (225 articles), followed by the finance journal field

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Table 4. Classification of Studies by Journal Subject Field, Title, and Rank

Journal Subject Area and Title	Journal Rank (ABS)				Total
	2	3	4	4*	
Accounting					
<i>Abacus</i>		2			2
<i>Accounting and Business Research</i>		9			9
<i>Accounting and Finance</i>	10				10
<i>Accounting Horizons</i>		6			6
<i>Accounting Research Journal</i>	3				3
<i>Accounting Review</i>				18	18
<i>Accounting, Auditing and Accountability Journal</i>		4			4
<i>Accounting, Organizations and Society</i>				1	1
<i>Advances in Accounting</i>	1				1
<i>Asian Review of Accounting</i>	7				7
<i>Auditing: A Journal of Practice and Theory</i>		17			17
<i>Australian Accounting Review</i>	7				7
<i>British Accounting Review</i>		7			7
<i>Contemporary Accounting Research</i>			22		22
<i>European Accounting Review</i>		7			7
<i>International Journal of Accounting</i>		1			1
<i>International Journal of Accounting and Information Management</i>	1				1
<i>International Journal of Auditing</i>	10				10
<i>International Journal of Disclosure and Governance</i>	2				2
<i>Journal of Accounting and Economics</i>				3	3
<i>Journal of Accounting and Organizational Change</i>	1				1
<i>Journal of Accounting and Public Policy</i>		8			8
<i>Journal of Accounting in Emerging Economies</i>	6				6
<i>Journal of Accounting Literature</i>		1			1
<i>Journal of Accounting Research</i>				3	3
<i>Journal of Accounting, Auditing, and Finance</i>		7			7
<i>Journal of Applied Accounting Research</i>	8				8
<i>Journal of Business Finance and Accounting</i>		9			9
<i>Journal of Contemporary Accounting and Economics</i>	5				5
<i>Journal of International Accounting Research</i>	1				1
<i>Journal of International Accounting, Auditing, and Taxation</i>		1			1
<i>Journal of International Financial Management and Accounting</i>	1				1
<i>Managerial Auditing Journal</i>	29				29
<i>Research in Accounting Regulation</i>	4				4
<i>Review of Accounting Studies</i>			3		3
	96	79	25	25	225
Finance					
<i>Applied Financial Economics</i>	1				1
<i>Corporate Governance: An International Review</i>		27			27
<i>Emerging Markets Finance and Trade</i>	1				1
<i>European Financial Management</i>		1			1
<i>Financial Analysts Journal</i>		1			1

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Table 4. (Continued)

Journal Subject Area and Title	Journal Rank (ABS)				Total
	2	3	4	4*	
<i>Financial Review</i>		1			1
<i>International Journal of Business Governance and Ethics</i>	3				3
<i>International Journal of Managerial Finance</i>	1				1
<i>International Review of Financial Analysis</i>		2			2
<i>Journal of Banking and Finance</i>		3			3
<i>Journal of Corporate Finance</i>			6		6
<i>Journal of Empirical Finance</i>		1			1
<i>Journal of Finance</i>				3	3
<i>Journal of Financial and Quantitative Analysis</i>			2		2
<i>Journal of Financial Economics</i>				6	6
<i>Journal of Financial Research</i>		2			2
<i>Journal of Multinational Financial Management</i>	1				1
<i>Journal of Real Estate Finance and Economics</i>		2			2
<i>Journal of Risk and Insurance</i>		1			1
<i>Pacific-Basin Finance Journal</i>	3				3
<i>Research in International Business and Finance</i>	2				2
<i>Review of Accounting and Finance</i>	3				3
<i>Review of Financial Studies</i>				1	1
<i>Review of Quantitative Finance and Accounting</i>		5			5
	15	46	8	10	79
Total	111	125	33	35	304

(79 articles). Regarding journal titles, the top five journals that publish the highest number of articles are *Managerial Auditing Journal* (29 articles), *Corporate Governance: An International Review* (27 articles), *Contemporary Accounting Research* (22 articles), *Accounting Review* (18 articles), and *Auditing: A Journal of Practice and Theory* (17 articles). Therefore, most of the journals that have the highest number of publications are in the field of accounting. The journals are ranked based on ABS guidance (see Table 4).

The theories applied in the reviewed literature are classified into either economic and corporate governance theories or sociological and socio-psychological theories (see Table 5). Agency theory is the most commonly used in the sample articles (applied 116 times) followed by resource dependence theory (applied 21 times), institutional theory (applied 13 times), legitimacy theory (applied 10 times), and signaling theory (applied 8 times). Other theories, such as managerial power theory (7), stewardship theory (7), managerial hegemony theory (5), stakeholder theory (5), entrenchment theory (3), human capital theory (3), and social identity theory (3), are applied to varying degrees.

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Table 5. Classification of Theories Used in the Sample Articles and Their Usage Frequency

Economic and Accounting/ Corporate Governance Theories	Total	Sociological and Socio-Psychological Theories	Total
Agency theory	116	Resource dependence theory	21
Legitimacy theory	10	Institutional theory	13
Signaling theory	8	Stewardship theory	7
Managerial power theory	7	Human capital theory	3
Managerial hegemony theory	5	Social identity theory	3
Stakeholder theory	5	Source credibility theory	1
Entrenchment theory	3	Dissonance theory	1
Tournament theory	2	Embeddedness theory	1
Political cost theory	2	Social capital theory	1
Upper echelons theory	1		
Capital structure theory	1		
Risk aversion theory	1		
Transaction cost economics	1		

5. Theoretical Perspectives

5.1. *Accounting/economic and corporate governance theories*

5.1.1. *Agency theory*

Agency theory expects that certain attributes of directors align the interests of both shareholders and management. Certain attributes (independence) of audit committee (Bédard *et al.*, 2008; Pucheta-Martínez & de Fuentes, 2007; Zaman *et al.*, 2011), compensation committee (Cybinski & Windsor, 2013; Goh & Li, 2015; Liao & Hsu, 2013), and the nomination committee can bring unbiased and fair judgment and improve board composition quality, which eventually will reduce the agency problem (Appiah & Chizema, 2016). Therefore, well-defined monitoring mechanisms may ensure the alignment of interests that is threatened by management opportunistic behavior.

Agency issues, however, should be treated differently depending on the country or industry examined. The United Kingdom and the United States, for example, where the majority of studies are set, tend to have dispersed ownership structures (Adelopo *et al.*, 2012; Vafeas & Waegelein, 2007). However, in Malaysia (Haji, 2015), management is monitored by groups of investors who can benefit from the control tool acquired at the expense of other shareholders. Finally, yet importantly, agency theory has its own limitations in explaining the relationship investigated. For example, the industry examined can be challenging for studies that base their assumption just on agency theory (Berezinets *et al.*, 2017; Cerbioni & Parbonetti, 2007).

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Therefore, although agency theory is most relevant in less competitive markets, it has been questioned for its narrow focus and its overstated pessimistic view about managers' opportunistic behavior, sometimes even at the expense of shareholders. This is because firms in highly competitive markets are more profitable and the competition provides a monitoring effect; therefore, firms can build common interests between managers, owners, and the board of directors as suggested by stewardship theorists (Davis *et al.*, 1997).

5.1.2. *Legitimacy theory*

The strategic legitimacy theory has been mostly applied to examine corporate social responsibility behavior and to ensure that such behaviors are aligned with the society's expectations (Haji, 2015; Kent & Monem, 2008). Research on board committees that is based on legitimacy theory generally illustrates that firms apply different methods (e.g., triple bottom line reporting) to legitimize the organization's actions, particularly those with the least social involvement (Kent & Monem, 2008). Legitimacy theory, however, has been criticized for not being able to fully explain the corporate social responsibility (CSR) and environmental behavior (Haji, 2015; Haji & Anifowose, 2016; Rupley *et al.*, 2012). Legitimacy theory focusses on meeting external society's different needs (Chang & Sun, 2009; Sun *et al.*, 2014) by, for example, adopting a robust governance structure, such as having a majority of independent directors on the board and audit committee, and satisfying disclosure practices (intellectual capital disclosure) (Haji, 2015). Other studies also encourage the integration of more than one theory and adopt a multi-theoretical framework combining legitimacy, stakeholder, and resource dependence theories (Al-Hadi *et al.*, 2016).

5.1.3. *Signaling theory*

Based on signaling theory, previous studies generally examine certain attributes of board committees and firm characteristics that can serve as signals (Eminet & Guedri, 2010; Kent *et al.*, 2018; Li *et al.*, 2012; Mangena & Tauringana, 2008). For example, firms adopting the full recommendations regarding the compensation committee's best practices can serve as a signal that can eventually minimize shareholders' dissenting vote (Kent *et al.*, 2018), and younger organizations are more inclined to disclose intellectual capital information in order to help them minimize uncertainty and thus the cost of capital (Li *et al.*, 2012).

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5.1.4. *Managerial power theory*

Studies that focus on managerial power theory use proxies, such as compensation consultants and the magnitude of executive pensions, among others, as less transparent ways to predict the level of CEO power (Collins *et al.*, 2009; Goh & Li, 2015; Hsu *et al.*, 2014; Seamer & Melia, 2015). For instance, Hsu *et al.* (2014) argue that consultants that provide non-compensation-related consultations (e.g., actuarial and pension services) can be also hired in the compensation committee for their compensation-related advice. The existence of such consultants is found to create a conflict of interest reflected in lower CEO pay-performance sensitivity. Goh and Li (2015) argue that this theory expects that it might be preferable to management to use pensions as a less transparent, usually with poor disclosure quality, and as a complex element of compensation package. Overall, managerial power theory can be integrated with agency theory as they are built on the same ground. Both theories consider that the separation of ownership and control will result in agency costs; however, while the agency theory expects that certain internal corporate governance mechanisms can reduce agency costs, such as equity compensation; managerial power theory considers this as an issue in itself.

5.1.5. *Managerial hegemony theory*

This theory is applied in the literature to put doubt on the effectiveness of monitoring functions of monitoring directors in audit, compensation, and nomination committees. Based on this theory, studies illustrate that, using their power, management can select colleagues and friends or directors who have similar demographic characteristics and so can control monitoring committees' matters (Beasley *et al.*, 2009; Bruynseels & Cardinaels, 2014; Hermanson *et al.*, 2012). Managerial hegemony theory is mostly combined with other theories, such as agency theory, and is used to question the effectiveness of monitoring committees due to relationships (Bruynseels & Cardinaels, 2014; Hermanson *et al.*, 2012), similar demographic characteristics (Hermanson *et al.*, 2012), or information asymmetry (Rashidah & Fairuzana, 2006) between monitoring directors and management. Rashidah and Fairuzana (2006) argue that board of directors' lack of information about the firm's affairs is because they are often tied up with other duties, and so, there is more reliance on incomplete management information.

5.2. *Sociological and socio-psychological theories*

5.2.1. *Resource dependence theory*

Based on resource dependence theory, studies argue that politicians on the main delegated committees can enhance legitimacy (Pascual-Fuster & Crespi-Cladera, 2018). Gaining legitimacy is related to more appreciative stakeholders, facilitated access to capital, increased investment opportunities, and general social acceptance (Erickson *et al.*, 2005). Research has variously integrated resource dependence theory with agency theory as a competing theory (Faleye *et al.*, 2011) or as a complementing theory (Appiah & Chizema, 2016; Pascual-Fuster & Crespi-Cladera, 2018). While agency and resource dependence theories might be conflicting, which is discussed later (Faleye *et al.*, 2011), they may also complement each other in other ways. For example, in countries such as Spain, it is less likely that there are trade-offs between advisory and monitoring functions due to the overall maturity of corporate governance regulations and the politicians' roles in facilitating access to the political system and bringing valuable knowledge to the organization (Pascual-Fuster & Crespi-Cladera, 2018). This can lower uncertainty and improve the company's long-term success (Appiah & Chizema, 2016). Thus, while each theory can be drawn on different disciplines, they can complement each other in identifying the optimal attributes of a board of directors and its committees that might ultimately enhance the corporate performance.

5.2.2. *Institutional theory*

In the literature, studies combine institutional theory with other theories to explain the gap between the symbolism of corporate governance structures and practices and firms' actual achievements (Clune *et al.*, 2014; Cohen *et al.*, 2010). Institutional theory suggests that governance processes and structures are symbolic in "form" rather than substantive through genuine purposes "substance" (Cohen *et al.*, 2010, p. 773). Institutional theory may complement our understanding when combined with other theories, especially when safety and health practices are widely ignored and firms are required to "be consistent with the parent company's unique labor disclosure policy" (e.g., Indonesia) (Cahaya *et al.*, 2017, p. 320). Therefore, international firms' disclosure practices may not be fully understood by depending on local demands alone from, for example, the stakeholder or strategic legitimacy perspectives, but also by taking an international institutional lens into consideration (coercive isomorphism).

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5.2.3. *Stewardship theory*

In the literature, stewardship theory is mostly compared/contrasted with agency theory. Studies find that, in line with agency perspective, the proportion of independent directors in delegated monitoring committees and non-existence of CEO duality are positively related to the organization's performance (Bédard *et al.*, 2008; Kallamu & Saat, 2015; Romano & Guerrini, 2012). However, others find that, in line with stewardship perspective, more insider directors and CEO duality contribute to clearer strategic decisions and so is positively related to organizational performance (Wijethilake *et al.*, 2015). The examination of "corporate culture featured with hierarchical power delegation and family-oriented ownership structure" (Wijethilake *et al.*, 2015, p. 256) has shown the limitations of relying on a single theoretical perspective. Few studies, however, illustrate such limitations by combining both agency and stewardship theories.

5.2.4. *Human capital theory*

In the literature on board committees, studies are either consistent or inconsistent with the human capital theoretical arguments (Carter *et al.*, 2010; Gull *et al.*, 2018; Vafeas, 2009). For example, Carter *et al.* (2010) argue that the resource dependence and human capital theories do not expect a clear link between gender and ethnic diversity and financial performance, as diversity might change over different times and in different circumstances. However, Gull *et al.* (2018) demonstrate the positive impact of boards' and committees' gender diversity (e.g., females who are former audit committee members) on earnings management. Overall, studies that apply this theory mainly focus on gender and ethnic diversity to illustrate their positive or negative impacts on corporate outcomes, such as financial performance and earnings quality.

5.2.5. *Social identity theory*

In the literature on board committees, this theory has been taken into account mainly to explain the negative (e.g., fault line as a dividing mechanism) or the positive impact (e.g., diversity as a tool to reduce individual biases) of having particular individuals on board committees (Faleye, 2011; Hutchinson *et al.*, 2015; Kaczmarek *et al.*, 2012a). First, social identity theory expects that diversity of boards and their committees, such as experience, beliefs, and perceptions, have a heterogeneous working environment in which people further categorize themselves into subgroups based on nationality, gender, age, and education. This diversity may result in

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difficulties in communications among directors and hence may negatively impact the decision-making process (Kaczmarek *et al.*, 2012a).

Secondly, the concept of diverse boards and nomination committees in terms of, for example, gender diversity can arguably bring a wide range of background experience and knowledge that is necessary to avoid the negative effect of directors' bias in the decision-making process (Hutchinson *et al.*, 2015; Kaczmarek *et al.*, 2012a). In conclusion, the literature basing on social identity theory is inconclusive in regard to the usefulness of diversity on boards and board committees, and the notion of fault line has mainly adopted this theory to go beyond the predominant concept of the principle-agent dilemma.

6. Empirical Evidence: The Impact of Corporate Board Committees

6.1. *Financial performance*

6.1.1. *Observable attributes*

Observable demographics. Few studies examine the promising area of outsiders' observable demographics; however, the findings are still rare and inconclusive. For example, while gender diversity of board monitoring committees enhances the return on assets (ROA) and Tobin's Q (Hutchinson *et al.*, 2015), there is no significant association between gender, ethnic and age diversity of audit, compensation, and nomination committees and ROA and Tobin's Q (Carter *et al.*, 2010).

Committees' presence. Regarding the presence of board committees, the majority of studies concentrate on the presence of monitoring committees in terms of their type or number (Ames *et al.*, 2018; Florio & Leoni, 2017; Nahar *et al.*, 2016a; Reddy & Sharma, 2014; Shaukat & Trojanowski, 2018; Wijethilake *et al.*, 2015). While a group of studies view monitoring committees as important monitoring and collaborative mechanisms that, in return, can enhance the firm performance (Christensen *et al.*, 2010; Reddy & Sharma, 2014; Wijethilake *et al.*, 2015; Yen *et al.*, 2013), other studies find a negative or no affect (En-Te & Nowland, 2010; Shaukat & Trojanowski, 2018).

In a similar vein, one stream of research focusses on the existence of both advisory and monitoring committees, or only focusses on the existence of the advisory ones (i.e., committees that are not among the main monitoring committees — audit, compensation, nomination, and governance committees) (Adams *et al.*, 2018; Ararat *et al.*, 2015; Premuroso & Bhattacharya, 2007; Reeb & Upadhyay, 2010). The majority of studies illustrate a clear positive relationship between the presence of advisory committees, such as

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technology committee (Premuroso & Bhattacharya, 2007), and financial performance (Ames *et al.*, 2018; Premuroso & Bhattacharya, 2007; Reeb & Upadhyay, 2010). Future studies may examine less developed countries in which less significant relationships between the committees' presence and financial performance are found, particularly in the light of issues, such as the type of the firm (family-owned) (En-Te & Nowland, 2010).

Committees size and frequency of meetings. The size and frequency of board subcommittee meetings are also key examined attributes. Those attributes are examined in relation to financial performance bearing in mind the importance of firm characteristics (e.g., size and leverage), among other issues (Brick & Chidambaran, 2010; Carter *et al.*, 2010; Detthamrong *et al.*, 2017). For example, the monitoring activity of board committees may be driven by prior financial performance of the firm (Brick & Chidambaran, 2010) and that the impact of committees' sizes on financial performance may depend on the firm size (Detthamrong *et al.*, 2017). This suggests that the firm characteristics and prior decisions may play an important role in determining the effectiveness of board committees' attributes.

6.1.2. *Less visible attributes*

Independence and social ties. A number of studies focus on less visible attributes, such as the independence and tenure of outside directors, number of committees' memberships, and financial expertise, among others (Adams *et al.*, 2018; Davidson *et al.*, 1998; Defond *et al.*, 2005; Falato *et al.*, 2014; Fracassi & Tate, 2012; Hauser, 2018; Hsu & Hu, 2016; Kallamu & Saat, 2015; Tan & Liu, 2016). Generally, the independence of outside directors is the most examined attribute among the less visible attributes. While directors' independence is measured less precisely in less developed countries (Kallamu & Saat, 2015), more precise measures of firm characteristics and outside directors' independence are applied in more developed countries (Duchin *et al.*, 2010; Leung *et al.*, 2014; Muravyev *et al.*, 2016). Based on the cost of information acquisition (accessibility to firm-specific information), Duchin *et al.* (2010) document that if this cost is low (high) to the firm, appointing outside directors is positively (negatively) associated with ROA, Tobin's *Q*, and stock returns. In addition, based on a sample of U.K.-listed firms, Muravyev *et al.* (2016) find that audit committee membership of non-executive directors who are also executives in other firms is positively associated with accounting performance, particularly those executive directors from well-performing firms. Therefore, such directors contribute to both advising and monitoring performance.

6.2. *Financial, social, and environmental reporting quality*

6.2.1. *Financial reporting quality*

Observable attributes

Committees' presence. Results generally indicate the importance of the presence of a mixture of board committees in relation to various levels of financial reporting quality (Beasley *et al.*, 2000; Forker, 1992; Jaggi *et al.*, 2009; Laux & Laux, 2009; McMullen, 1996; Nahar *et al.*, 2016a; Osma & Noguer, 2007; Peasnell *et al.*, 2005; Piot & Janin, 2007; Romano & Guerrini, 2012; Wild, 1994, 1996). For example, results generally illustrate the importance of the presence of board subcommittees, such as governance, audit, and risk committees, in reducing accrual earnings management practices (Huang *et al.*, 2009; Jaggi & Leung, 2007; Piot & Janin, 2007), the compliance with mandatory disclosure requirements (Al-Akra *et al.*, 2010; Alanezi & Albuloushi, 2011; Ettredge *et al.*, 2011; Glaum *et al.*, 2013), or improving the quality of risk disclosure (Nahar *et al.*, 2016b).

Committee size and frequency and attendance of meetings. A number of studies examine the committee-level attributes, such as subcommittee size, attendance of meetings, and overlapping memberships (Ahmad-Zaluki & Wan-Hussin, 2010; Carol Liu & Zhuang, 2011; Habib & Bhuiyan, 2016a; Jerry *et al.*, 2006; Juhmani, 2017; Koh *et al.*, 2007; Qamhan *et al.*, 2018; Song & Windram, 2004; Sultana, 2015; Van der Zahn & Tower, 2004). For instance, researchers generally believe that the frequency and attendance of meetings can measure the degree of directors' commitments to monitor managerial opportunistic behavior; therefore, such attributes can play an important role in improving the quality of financial reporting (Gebrayel *et al.*, 2018; Qamhan *et al.*, 2018; Song & Windram, 2004; Van der Zahn & Tower, 2004).⁴

⁴In order to focus on less traditional board committees that are not given much attention in the literature, we do not discuss all studies examining the audit committee in the main text. Such studies, however, are taken into account when discussing and making concluding remarks of this paper. These studies examine the (a) independence and/or financial expertise (Abbott *et al.*, 2004; Cheng *et al.*, 2015; Habbash, 2013; Huang *et al.*, 2016) in relation to the financial reporting quality and (b) size and frequency of meetings (Al-Jaifi *et al.*, 2017; Ben Saada, 2018; Levesque *et al.*, 2010; Zhao & Ziebart, 2015) in relation to corporate finance outcomes. Such studies also investigate the (c) committee's presence (Bakar *et al.*, 2005; Goddard & Masters, 2000; Hassan, 2016) and independence and/or financial expertise (Boo & Sharma, 2008; Ghafran & Yasmin, 2018; Goodwin & Seow, 2002; Huang *et al.*, 2014; Krishnan & Visvanathan, 2007; Lee, 2008), among others (Chan *et al.*, 2013; Kalelkar, 2017; Karim *et al.*, 2016; Pucheta-Martínez & García-Meca, 2014), in relation to the external audit quality.

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Less visible attributes.

Independence and social ties. A large number of studies illustrate the importance of the independence of directors in monitoring committees (Abdul Rahman & Hamdan, 2017; Abdullah *et al.*, 2010; Botti *et al.*, 2014; Chen *et al.*, 2015; Habib & Azim, 2008; Ika & Ghazali, 2012; Klein, 2002; Krismiaji *et al.*, 2016; Pomeroy & Thornton, 2008; Rashidah & Fairuzana, 2006; Saleh *et al.*, 2007; Sil *et al.*, 2011; Vafeas, 2005; Zalata & Roberts, 2016). The majority of studies either illustrate the importance of the independence of the audit committee's directors (Bin-Ghanem & Ariff, 2016; Carcello & Neal, 2003; García Lara *et al.*, 2007; Ge & Kim, 2014; Joubert & Fakhfakh, 2011; Kelton & Yang, 2008; Sharma *et al.*, 2011; Uzun *et al.*, 2004) or find that such attribute does not matter or is less effective (Abdullah *et al.*, 2010; Lim, 2011; Marra & Mazzola, 2014; Rashidah & Fairuzana, 2006). However, fewer studies consider social ties of directors. The literature generally illustrates the negative impact of directors' social ties with CEOs; however, advice or professional ties illustrate their positive or their harmless impact on monitoring the financial reporting quality. While social ties between directors and CEOs increase earnings management instances (Bruynseels & Cardinaels, 2014) and reduce the motivation of audit committee members to assess managers' integrity (Wilbanks *et al.*, 2017), advice or professional ties show their harmless (Bruynseels & Cardinaels, 2014) or positive impact (Wilbanks *et al.*, 2017) on such corporate outcomes. Intintoli *et al.* (2018), however, adopt more creative measures to examine not only social ties, but also their quality (closeness as one measure of centrality). Intintoli *et al.* (2018) illustrate that the more connected the non-opted audit committee's independent directors are, the lower accrual earnings management practices and the higher accounting conservatism. Overall, the number of studies using such precise measures of social ties remains rare.

Interlocked directors. Regarding interlocked directors, the likelihood of earnings management contagion between firms with interlocked boards is found to be higher, particularly for positions that can highly impact the quality of financial reporting, such as the audit committee's members in general (Peng-Chia *et al.*, 2013) or the audit committee's financial expertise (centrality or busyness) (Carrera *et al.*, 2017). Therefore, such results suggest the dark side of social capital of the audit committee's members. Overall, such studies focus only on professional ties, and future research may address this gap.

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Problem, co-opted, and CEO directors. Studies that examine co-opted or CEO directors or those with prior problems generally illustrate their negative impact on financial reporting quality, which reflected in more classification shifting (Zalata & Roberts, 2016), accrual or real earnings management practices (Habib & Bhuiyan, 2016b). For example, although such directors may have sufficient experience and skill and may act in a way to protect their reputation (Kang *et al.*, 2018), CEO directors that share similar background to and opinions with CEOs may instead show sympathy and so may lead to weaker monitoring (Zalata & Roberts, 2016).

Directors' directorships and tenure. Regarding directors' directorships and tenure, He and Yang (2014) find via an S&P sample from 2003 to 2007 that the audit committee's members' tenure (directorships) decreases (increases) accrual earnings management practices in regulated industries and vice versa in unregulated industries (see Hundal [2016], Kapoor and Goel [2017], and Sharma and Iselin [2012] for more results about the negative impact of directors' multiple directorships and Li and Wahid [2018] for the benefits of tenure-diverse boards). As such, industry regulations can shape the monitoring effectiveness of the audit committee.

Expertise (accounting, financial, supervisory, and insurance expertise). A large number of studies examine financial expertise and its relation to the financial reporting quality (Bédard *et al.*, 2004; Carcello *et al.*, 2011b; Cohen *et al.*, 2014, 2017; Farber, 2005; Mangena & Pike, 2005; McDaniel *et al.*, 2002; Sellami & Fendri, 2017; Sultana *et al.*, 2015; Sun *et al.*, 2012; Tanyi & Smith, 2015; Wang *et al.*, 2015; Yang & Krishnan, 2005; Zgarniet *et al.*, 2016). Studies that examine financial expertise either use general definitions (e.g., accounting, finance, and supervisory) and so are not clear on the effectiveness of a specific type of expertise (e.g., Chang & Sun, 2009; Yang & Krishnan, 2005) or classify financial expertise into accounting, finance, supervisory, and, occasionally, assurance expertise to explain which of these can drive the quality of financial reporting (Bryce *et al.*, 2015; Sun *et al.*, 2012; Xie *et al.*, 2003). In addition, other studies classify financial expertise into only accounting and finance expertise (Baber *et al.*, 2015; Carcello *et al.*, 2011b; Ho *et al.*, 2014; Kent & Stewart, 2008; Schmidt & Wilkins, 2013) or into accounting and non-accounting expertise (Dhaliwal *et al.*, 2010; Krishnain & Visvanathan, 2008; Sultana *et al.*, 2015). For example, non-accounting financial expertise is less effective in relation to earnings conservatism (Krishnain & Visvanathan, 2008), and accounting financial expertise is more effective in enhancing accounting conservatism, bearing in mind the importance of their independence (Krishnain & Visvanathan,

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2008; Sultana *et al.*, 2015). Research in this area also illustrates several factors that may influence the monitoring effectiveness of financial expertise in audit committee, such as CEO involvement in the selection process (Carcello *et al.*, 2011b), regulations (Agoglia *et al.*, 2011; Hsu *et al.*, 2018; Kim and Klein, 2017), and the adoption of IFRS (Ozkan *et al.*, 2012).

Expertise (industry expertise). Several emerging studies examine industry expertise as a more specific type of experience of financial expertise or independent directors in monitoring committees (Cohen *et al.*, 2014; Sellami & Fendri, 2017; Wang *et al.*, 2015). Although financial expertise is more effective if combined with industry expertise (Cohen *et al.*, 2014; Sellami & Fendri, 2017), industry expertise generally improves the directors' monitoring ability over the earnings quality (Cohen *et al.*, 2014; Wang *et al.*, 2015) and related party disclosure (Sellami & Fendri, 2017). A small number of recent articles, therefore, have started to investigate the impact of the industry expertise.

6.2.2. *Social and environmental reporting quality*

Observable attributes

Committees' presence. While a group of studies show the importance of having frequent monitoring committee meetings in improving the monitoring activity (Al-Shaer *et al.*, 2017; Appuhami & Tashakor, 2017; Haji & Anifowose, 2016; Kent & Monem, 2008; Persons, 2009), another group of studies focusses on the presence of less traditional board committees, such as corporate social responsibility (CSR), risk, and technology committees, and their relationship to a range of environmental and social reporting quality (Buckby *et al.*, 2015; Mallin & Michelin, 2011; Rossi & Tarquinio, 2017). For example, Rossi and Tarquinio (2017) illustrate the importance of having a CSR committee; this is reflected in an increase in the volume of information of external assurance statement of sustainability reports.

Less visible attributes

Independence. A group of studies that investigate the importance of directors' independence in relation to various proxies of environmental and social reporting quality still generates inconsistent findings (Akhtaruddin & Haron, 2010; Al-Shaer *et al.*, 2017; Appuhami & Bhuyan, 2015; Cerbioni & Parbonetti, 2007; El-Gazzar *et al.*, 2008; Kent & Monem, 2008; Li *et al.*, 2012; Pavlopoulos *et al.*, 2017). While such attribute is associated with better CSR and environmental disclosures (Al-Shaer *et al.*, 2017; Appuhami & Tashakor, 2017; DeBoskey *et al.*, 2018), no association is found between such attribute and those related to, for example, integrated reporting

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practices (Haji & Anifowose, 2016) or risk management disclosure (Buckby *et al.*, 2015). For example, on the one hand, DeBoskey *et al.* (2018) show that a public policy committee that is fully composed of outside directors enhances the level of political disclosure of the firm. On the other hand, Haji and Anifowose (2016) argue that the independent audit committee may play a symbolic role in enhancing firms' legitimacy. Based on South African listed firms between 2011 and 2013, their study did not find any association between the independence of the audit committee and integrated reporting practices.

Expertise (financial and environmental expertise). Regarding board committees' expertise, findings generally illustrate the importance of specific kinds of expertise in improving environmental and social reporting quality (Al-Shaer *et al.*, 2017; Al-Hadi *et al.*, 2016; Appuhami & Tashakor, 2017; Haji & Anifowose, 2016; Michelon *et al.*, 2015; Rossi & Tarquinio, 2017; Zimmerman, 2015). For example, studies examine specialists in board committees, such as those with social, environmental, or sustainability experience in the CSR committee (Rossi & Tarquinio, 2017) and those with financial expertise in audit and risk committees (Al-Hadi *et al.*, 2016; Appuhami & Tashakor, 2017). Such attributes increase, for example, the transparency of external assurance statement of sustainability reports (Rossi & Tarquinio, 2017) and market risk disclosure (Al-Hadi *et al.*, 2016), but have no impact on CSR disclosure (Appuhami & Tashakor, 2017).

6.3. *External and internal audit/control quality*

6.3.1. *External audit quality*

Observable attributes

While the focus is only on audit committee attributes, studies examining the observable demographics in such a committee are rare (DeZoort *et al.*, 2003; Harjoto *et al.*, 2015; Khlif & Achek, 2017), which may indicate a lack of research on such an observable attribute and its relationship with external audit quality. In addition, the widely and traditionally examined observable attributes still generate inconclusive findings, such as the audit committee's presence (Affy, 2009; Collier & Gregory, 1996, 1999; Knechel & Willekens, 2006; Pucheta-Martínez & de Fuentes, 2007) and frequency of meetings (Abbott & Parker, 2000; Adelopo *et al.*, 2012; Carcello *et al.*, 2002; Cohen & Hanno, 2000; Jizi & Nehme, 2018; Mangena & Tauringana, 2008; Vafeas & Waagelein, 2007).

Regarding the frequency of meetings, more frequent meetings, which can be an indication of diligence, can spare more time for the director to more

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effectively perform their monitoring role and remain informed about financial reporting matters (Mangena & Tauringana, 2008). While findings indicate that more diligent and active committee members may, for example, demand higher audit effort (Adelopo *et al.*, 2012), this is found to be not significantly related to the probability of external auditors to review the interim reports (Mangena & Tauringana, 2008).

Less visible attributes

Independence and social ties. Several studies illustrate the importance of having independent audit committees, and some are more creative in measuring such less observed attributes, including those studies that examine directors' social ties (Abbott *et al.*, 2003; Bronson *et al.*, 2009; Bruynseels & Cardinaels, 2014; Crespi-Cladera & Pascual-Fuster, 2014; Jiang & Zhou, 2017; Mangena & Tauringana, 2008; O'Sullivan, 1999; Vafeas & Waegelien, 2007; Wu *et al.*, 2016; Xianjie *et al.*, 2017; Zaman *et al.*, 2011). While the strictness of independence (not depending only on financial reports) of the monitoring committees' directors does not matter in relation to audit qualification (Crespi-Cladera & Pascual-Fuster, 2014), directors' independence, generally, illustrates its importance in maintaining the independence of external auditors and in enhancing the audit effort. Regarding social ties, while non-professional ties, such as friends, between the audit committees' members and CEOs are found to impair audit quality (lower audit fees), the advice ties (relationships through common employment or education) between such parties do not (Bruynseels & Cardinaels, 2014). However, such precise definitions of social ties are rarely applied in relation to external auditors (Xianjie *et al.*, 2017).

Expertise (financial expertise). In regard to financial expertise, several studies focus either on specific definitions of financial expertise of audit committees or on much wider definitions of financial knowledge (Cohen *et al.*, 2010, 2014; deZoort & Salterio, 2001; Ghafran & O'Sullivan, 2017; Jizi & Nehme, 2018; Mangena & Tauringana, 2008; Pomeroy, 2010; Rainsbury *et al.*, 2009; Zaman *et al.*, 2011). Financial expertise, compared with supervisory expertise, is shown to be a better monitor in terms of its tendency to support the auditor's opinion over the opinion of management (deZoort & Salterio, 2001). In addition, other studies concentrate on more precise definitions of financial expertise (Cohen *et al.*, 2014; Ghafran & O'Sullivan, 2017). Non-accounting expertise, compared with its accounting expertise, and accounting expertise with industry knowledge, compared with accounting expertise without industry knowledge, are generally found to be more effective in performing their monitoring duty, which are often

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reflected in higher audit fees (Ghafran & O'Sullivan, 2017) and lower non-audit fees (Cohen *et al.*, 2014), respectively.

Audit committee processes. Finally, yet importantly, studies also investigate — via primary data — the audit committee processes in relationship with the external audit quality (Annuar & Abdul Rashid, 2015; Cohen *et al.*, 2002; Lin *et al.*, 2008; Rupley *et al.*, 2011; Salleh & Stewart, 2012). The findings generally illustrate that the monitoring quality of the audit committee over financial reporting process should be examined with caution. This is because the monitoring quality of the audit committee may depend on, for example, its ability to resolve the disputes between management and external auditors (Salleh and Stewart, 2012).

6.3.2. *Internal audit/control quality*

Observable attributes

Several studies that examine observable attributes focus on the diligence of the audit committee (Abbott *et al.*, 2007; Barua *et al.*, 2010; Hermanson & Zhongxia, 2009; Ismael & Roberts, 2018; Munsif *et al.*, 2013). For example, the frequency of audit committee meetings is shown to increase the internal audit budget (Barua *et al.*, 2010) and the disclosure quality of internal control material weaknesses (Munsif *et al.*, 2013). Barua *et al.* (2010), for example, argue that audit committees that frequently meet can enhance the communication between the audit committee's directors and internal and external auditors, which can reduce the probability of financial reporting restatements or errors, among others. Therefore, it is expected that a diligent audit committee is more encouraged to enhance internal auditing, which may lead to an increase in internal audit budget.

Less visible attributes

Independence and social ties. Several studies illustrate the importance of having an independent audit committee (Abbott *et al.*, 2007; DeZoort *et al.*, 2002; Lee & Fargher, 2018; Munsif *et al.*, 2013; Naiker & Sharma, 2009; Scarbrough *et al.*, 1998; Zaman & Sarens, 2013). Previous studies show the effectiveness of an independent audit committee in, for example, reducing the number of material internal control weaknesses (Naiker & Sharma, 2009), outsourcing the routine internal activities (Abbott *et al.*, 2007), and increasing the number of meetings with the chief internal auditor (Scarbrough *et al.*, 1998).

Expertise (financial expertise). Regarding the financial expertise, the findings of studies that examine the monitoring effectiveness of financial expertise are still inconclusive (Abbott *et al.*, 2007; Barua *et al.*, 2010; Ismael & Roberts, 2018; Lisic *et al.*, 2016; Norman *et al.*, 2011). A group of

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studies find that financial expertise may enhance the internal audit and control quality (Abbott *et al.*, 2007; Hoitash *et al.*, 2009; Ismael & Roberts, 2018; Lisic *et al.*, 2016). For example, based on a U.S. sample, Lisic *et al.* (2016) find that the financial expertise of the audit committee is negatively related to the external auditor release of an adverse opinion regarding internal control, but this relationship is weaker when the CEO's power is higher (chairperson duality and higher executive pay).

Conversely, other studies illustrate that, generally, financial expertise may not necessarily improve the internal audit and control quality (Barua *et al.*, 2010; Goh, 2009; Norman *et al.*, 2011). For example, Barua *et al.* (2010) and Goh (2009) are more precise in measuring the financial expertise. While financial expertise is defined as audit expertise, who previously worked for audit firms (Barua *et al.*, 2010), financial expertise are divided into either accounting or non-accounting expertise (Goh, 2009). Findings illustrate that the existence of audit expertise related negatively with internal audit investments (Barua *et al.*, 2010) and only non-accounting financial expertise, but not the accounting expertise, is positively related to the timeliness of material weakness remediation in internal control (Goh, 2009).

Audit committee processes. Formal and informal processes and power relationships may impact the interactions between audit committee members and internal audit function (Abbott *et al.*, 2010; Al-Mudhaki & Joshi, 2004; Brennan *et al.*, 2015; Carcello *et al.*, 2005; Kalbers & Fogarty, 1993; Zain & Subramaniam, 2007). For example, the informal interactions of audit committee members are positively associated with the quality of internal audit function (Zaman & Sarens, 2013), and the power of such members affects their relationship with management, as well as the relationship between management and external auditors (Turley & Zaman, 2007).

6.4. Corporate finance

6.4.1. Observable attributes

Regarding the observable attributes, several studies examine the impact of the existence of monitoring committees on certain corporate finance matters, such as IPO underpricing (Bédard *et al.*, 2008; Cheung *et al.*, 2009; Hearn, 2012). Findings generally illustrate that the mere existence of monitoring committees without considering the country's level of investor protection (Hearn, 2012) or the directors' independence and financial knowledge (Bédard *et al.*, 2008) may not be effective in reducing the IPO underpricing. Studies also examine other observable attributes, such as board committees'

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presence, size, frequency of meetings, and the rarely examined attribute of directors' age, in relation to corporate finance issues (Appiah & Chizema, 2016; Dao *et al.*, 2013; Doan & Nguyen, 2018; Elmagrhi *et al.*, 2017; Feng *et al.*, 2007a; Francis *et al.*, 2012; Kent *et al.*, 2018). Directors' age in the audit committee (Dao *et al.*, 2013), for example, is found to be effective governance mechanisms in lowering the cost of equity capital. Dao *et al.* (2013) argue that the audit committees with older directors may become more risk averse as they are more likely to be concerned about their reputation compared with younger directors and so may contribute to higher financial reporting quality by, for example, appointing specialized auditors.

6.4.2. *Less visible attributes*

Although previous studies have contributed to the monitoring function of directors by examining, for example, the monitoring committees' memberships (e.g., Habib & Bhuiyan, 2016a), the advisory function has attracted less attention in the literature compared with the monitoring function. Consequently, an emerging stream of research has criticized this intensity and promoted more friendly boards. For example, a few emerging studies that examine the potential trade-offs between and the optimal coverage of the dual roles have (a) illustrated that intense monitoring impacted positively on the monitoring functions and negatively on the advisory functions (acquisition performance) (Faleye *et al.*, 2011), (b) illustrated the opposite, that is, having particular directors (CEO directors) impacted positively on the advisory functions and negatively on the monitoring functions (Faleye, 2011), or (c) illustrated that there are no trade-offs, that is, the benefits or disadvantages of having monitoring directors on not only monitoring functions but also on the advisory functions (Fracassi & Tate, 2012; Kang *et al.*, 2018; Kim *et al.*, 2014; Muravyev *et al.*, 2016).

Committees' membership, tenure, and CEO directors (advisory and monitoring trade-offs). First, research illustrates the trade-offs between the two functions (Faleye *et al.*, 2011; Faleye, 2011). On the one hand, Faleye *et al.* show that when most of the independent directors serve in at least two monitoring committees, the monitoring quality is higher and reflected in lower earnings management and excess CEO pay. However, this increased monitoring quality is also related to performance reduction of a firm's acquisitions and the firm's weak innovation. The final remarks by Faleye *et al.* illustrate that the negative impact resulting from lower advisory quality outweighs the positive impact resulting from higher monitoring quality in firms with more complex operations.

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On the other hand, Faleye (2011) shows that although the presence of CEO directors, as talented and experienced directors, in the compensation committee is associated with higher acquisition returns, particularly for complex firms, the presence of such directors, as potentially sympathetic directors, is associated with weaker pay-performance sensitivity. Overall, research shows that the complexity of the industry, monitoring intensity (based on the committees' memberships), and the type of directors employed may impact the effectiveness of the two functions of the board.

Committees' membership and tenure (optimal advisory and monitoring performance). Secondly, Kim *et al.* (2014) argue that in order for outside directors to be able to advise management on strategic matters, such directors may need firm-specific information. Kim *et al.* find that tenure of outside directors in audit and compensation committees related to enhanced acquisition and investments policies (sum of research and development) and lower excess executive pay. However, financial reporting weakened with longer tenure of monitoring directors, but this weakness is reduced with the existence of independent financial expertise, suggesting that both advising and monitoring performance is enhanced with longer directors' tenure and the presence of financial expertise.

Independence and social ties. Studies that examine directors' independence focus on either compensation or audit committees (Francis *et al.*, 2012; Kent *et al.*, 2018; Mangena & Taurigana, 2007; Raghunandan & Rama, 2003) or take into account all board advisory and/or monitoring committees (Fracassi & Tate, 2012; Kang *et al.*, 2018). The independence of directors in monitoring committees, generally, enhances banks' perceptions (Francis *et al.*, 2012) and shareholders' satisfaction (Kent *et al.*, 2018; Raghunandan & Rama, 2003). In addition, the independent directors in advisory committees (e.g., finance committee) also illustrate their monitoring ability in protecting shareholders' wealth and monitoring managerial opportunistic behavior by, for example, enhancing the monitoring of "cash spending behavior" (Hsu *et al.*, 2015, p. 715).

The findings of studies examining directors who are socially similar or tied to CEOs (friendly boards), however, are still inconsistent. Such similarities and ties between directors and management may improve (Kang *et al.*, 2018) or weaken (Fracassi & Tate, 2012) directors' advising performance. Based on U.S. listed firms, Kang *et al.* (2018) examine all board committees, including the advisory and monitoring ones. Their study finds that such directors improve the innovation performance of the firm (number of patents), suggesting that such directors play a crucial role in advising

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management. However, based on S&P 1500 firms, Fracassi and Tate (2012) find that social ties (prior employment or education) between CEO and directors in monitoring committees impact negatively on Tobin's Q , ROA and acquisition performance, suggesting that such ties may destroy both independent directors' advising and monitoring effectiveness.

Expertise (financial expertise). Another stream of research examines financial expertise in relation to risk management, cost of capital, or shareholder ratification, among others (Bédard *et al.*, 2008; Feng & Yue, 2013; Francis *et al.*, 2012; Krishnan & Ye, 2005; Raghunandan & Rama, 2003; Schneider, 2018). Financial expertise in audit committees generally illustrates monitoring ability in, for example, influencing lending decisions of banks (Schneider, 2018). However, Duellman *et al.* (2018) find that financial expertise on audit committees gains higher excess returns from insider trading compared with other financial expertise on other board committees (e.g., governance committee), suggesting that having both access to inside information and information processing ability can result in a higher private benefit to the outside director.

6.5. Corporate governance

6.5.1. Executive pay and succession

Observable attributes

Committees' presence, size, and frequency of meetings. Several studies investigate observable attributes at the committee level, such as committee's presence, size, and frequency of meetings (Frankforter *et al.*, 2012; Kachelmeier *et al.*, 2016; Kang & Nanda, 2017; Main & Johnston, 1993; Sakawa *et al.*, 2012). While the presence of the nomination committee and the frequency of meeting and size of the compensation committee is negatively associated with backdating employment (Frankforter *et al.*, 2012), the existence of the compensation committee is traditionally examined in Western countries and illustrates a harmless impact on the structure of executive pay (Main & Johnston, 1993).

Less visible attributes

Independence. Several studies examine the independence of monitoring committees, particularly the compensation and nomination committees, and the relationship with the executive compensation (Abdelmotaal & Abdel-Kader, 2016; Anderson & Bizjak, 2003; Cybinski & Windsor, 2013; Forbes & Watson, 1993; Goh & Li, 2015; Guo & Masulis, 2015; Kostander & Ikaheimo, 2012; Lo & Wu, 2016; Sun & Cahan, 2009; Vafeas *et al.*, 2003).

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The independence of directors can enhance their monitoring effectiveness over the executive pay (e.g., pay-performance link) (Hsu *et al.*, 2014) and on a specific, yet less visible, kind of executive pay (e.g., backdating and pension) (Collins *et al.*, 2009; Goh & Li, 2015). However, Cybinski and Windsor (2013) indicate the redundancy of the existence of independent compensation committee. Their study finds that the firm size is an important factor to explain the monitoring effectiveness of the independent compensation committee. Future research may investigate other less emphasized areas of research focussing on the advisory individuals in compensation committees, such as compensation consultants who also provide non-compensation consultations (Hsu *et al.*, 2014).

CEO directors and social similarity. Studies illustrate that the directors' background — such as directors who are CEOs of other firms (Faleye, 2011; Li & Qian, 2011) — may have a negative impact on the CEO-shareholders' incentive alignment (e.g., pay-performance link). For example, Faleye, 2011 shows that the presence of CEO directors, as potentially sympathetic directors, in the compensation committee is associated with higher CEO compensation (see also Main *et al.* (2008) for the impact of social norms on executive compensation). However, the lack of studies that examine such attributes is obvious, and future research, therefore, can extend this issue to, for example, other subcommittees.

Expertise (former politicians and financial expertise). A recent stream of research illustrates the importance of considering directors in monitoring committees with political or financial backgrounds (Frankforter *et al.*, 2012; Hsu & Liao, 2012; Kachelmeier *et al.*, 2016; Park, 2017; Pascual-Fuster & Crespi-Cladera, 2018; Sapp, 2008; Wang *et al.*, 2015). Although former politicians can bring resources and contribute to the advisory role of board committees (advising about issues associated with the political system), doubt is expressed about their monitoring effectiveness over executive compensation, particularly in important monitoring positions (representing blockholders in or chairperson of monitoring committees) (Pascual-Fuster & Crespi-Cladera, 2018).

Committees' membership. While financial expertise illustrates the importance in the alignment of CEOs' and shareholders' incentives, findings regarding common memberships between monitoring committees are inconclusive (Faleye *et al.*, 2011; Liao & Hsu, 2013). While common membership on monitoring committees may improve transfer of valuable information between such committees (Faleye *et al.*, 2011), such an attribute can make directors overcommitted and thus more neglectful about

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performing their monitoring responsibility (e.g., weaker performance-pay link) (Liao & Hsu, 2013).⁵ Future research can continue to investigate such less emphasized individual attributes.

6.5.2. Board and committee matters

Observable attributes

Observable demographics and board characteristics. Research in this subtheme focusses on the observable attributes of gender (Peterson *et al.*, 2007; Jiraporn *et al.*, 2009), frequency of meetings (Al-Najjar, 2012; Ferris *et al.*, 2003), and committees' presence (Cai *et al.*, 2015; Hussain & Mallin, 2003; Subramaniam *et al.*, 2009; Vafeas, 1999), among others. The greater minority representation (e.g., females or non-British directors) in nomination committees tends to be associated with greater minority representation in both the board and the nomination committee (Hutchinson *et al.*, 2015; Kaczmarek *et al.*, 2012a). In addition, the larger the compensation committee is, the higher the representation of female directors in that committee (Strobl *et al.*, 2016). Gender diversity can increase the linkage of a firm to its external environment, can meet stakeholders' expectations, and can bring a wider range of knowledge and innovation (Hutchinson *et al.*, 2015). In addition, female directors may possess similar values and experiences and so may recommend appointing directors with similar demographics (Kaczmarek *et al.*, 2012a).

Less visible attributes

Independence and board characteristics. Several studies examine the relationship between committees' independence and board characteristics (Beasley & Salterio, 2001; Cotter & Silvester, 2003; Shivdasani & Yermack, 1999; Vafeas & Afxentiou, 1998; Vafeas, 2003). Firms that have a number of independent directors above the required minimum number in their audit committees, especially those with industry experience, tend to separate the chairperson of the board and CEO positions, have larger boards, and have higher numbers of outside directors (Beasley & Salterio, 2001). Beasley and Salterio argue that outside directors who serve as the chairpersons of the board positions have more incentives to improve the monitoring effectiveness of the audit committee to reduce information asymmetry between outsiders and management and larger boards tend to include more outsider directors in the audit committee. Additionally, the percentage of

⁵See also the studies by Huson *et al.* (2012) and Main (1994) that investigate the processes of compensation and nomination committees, respectively.

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independent directors in the board is positively related to independent directors on the board or its committees (Cotter & Silvester, 2003; Shivdasani & Yermack, 1999).

Directors' compensation or committees' membership and directors' activity, independence, and busyness. A more recent series of articles investigate directors' compensation or committees' membership and the relationship with directors' activity, independence, and busyness (Engel *et al.*, 2010; Feng *et al.*, 2007b; Ferris *et al.*, 2018; Nguyen, 2014; Seamer & Melia, 2015). Directors' compensation can improve the advising and monitoring activities (e.g., attendance at meetings of advisory and monitoring committees); however, the type of equity-based director compensation tends to improve the monitoring activity at the expense of advising activities (Nguyen, 2014). Seamer and Melia (2015) highlight directors' pay practices that fail to comply with Australian regulatory recommendations and illustrate that increasing independent directors' representation in the compensation committee can limit such practice of paying directors with stock options. In addition, Ferris *et al.* (2018) document that busy members of the compensation committee, as presumably more skilled directors, do not have higher total pay but have lower equity-based pay compared with other directors. However, firms headquartered in countries where individualism (degree of independence and self-reliance) and uncertainty avoidance (tolerance for uncertainty) score above the world score median and firms headquartered in countries with common or civil law, compared with socialist countries, tend to pay directors higher total compensation (Ferris *et al.*, 2018). Therefore, institutional factors play an important role here.

Directors' reputation and subsequent appointments/dismissal. Directors can be subject to litigation (Brochet & Srinivasan, 2014; Srinivasan, 2005). Eminent and Guedri (2010) argue that the nomination committee's independent directors tend to appoint directors independently from CEOs, and so the likelihood of appointing directors with stronger monitoring reputation will be higher. Kachelmeier *et al.* (2016) find that the probability of audit committee members being replaced was higher when they were sitting in the audit committee at the time that financial reporting irregularities were observed, even if such directors were not there during the time at which the irregularities occurred, suggesting that the characteristics of audit committee members do not matter. Clune *et al.* (2014, p. 749) explore the informal processes of nomination committees by arguing that the "discussion of director skill sets would not even appear on the committee's meeting agenda." Nomination committees do not only consider a wide range of

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directors' demographics, such as independence and expertise, but also consider the "chemistry and comfort" of the candidate directors because the nomination committee's director "guards the culture and effectiveness of the board" (Clune *et al.*, 2014, p. 750). Therefore, the authors demonstrate the complexity of the nomination process.

7. Discussion of Research Limitations

7.1. *Theoretical limitations*

7.1.1. *Poor discussion and specification of theoretical frameworks*

Similar to the findings of Johnson *et al.* (2013), many studies in the sample do not specify their theoretical framework. A theoretical framework enables researchers to understand the world and make sense of its complexity based on predictions and explanations (Weick, 1989). Theories used in the sample articles are originally developed by authors from different disciplines. This can make the understanding of some theories more challenging than others. Specifying the theory and discussing its underlining assumptions can, therefore, make views and opinions more transparent, consistent, and reproducible and thus less biased and more reliable. Johnson *et al.* (2013, p. 249) uphold the importance of theoretical specification and discussion, and they argue that an engineering certificate from a prestigious university, for example, can be an indication of "the level of education (a demographic characteristic), but it may also indicate an area of expertise (human capital) or status and network ties (social capital)."

7.1.2. *Lack of theoretical integration*

Monitoring management and provision of resources. Agency theory is mostly applied without taking into consideration the less emphasized resource dependence theory, which suggests that directors, particularly outside directors, can provide links to external valuable resources, such as reputation and valuable business contacts, to lower uncertainty and increase legitimacy (Hillman & Dalziel, 2003; Pfeffer, 1972). A few emerging studies, however, avoid such limitation and not only incorporate both agency and resource dependence theories (which is discussed further in the empirical limitations section), but also incorporate other theories that share some concepts with resource dependence theory, such as human capital and social capital theories at an individual level to illustrate the importance of this incorporation. While human capital theory emphasizes the important role of

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individuals' knowledge, abilities, and skills that result from education, training, and experience, social capital theory emphasizes the importance of networks and contacts that can provide firms with valuable information and resources.

Opportunistic versus trustworthy management. While agency theory views management as opportunistic, stewardship theory views managers as trustworthy individuals and good stewards of the firm's resources (Eisenhardt, 1989; Davis *et al.*, 1997; Donaldson & Davis, 1994). Although agency theory is mostly combined with stewardship theory in the sample articles, a very large body of studies relies on agency theory as a single perspective of examination. The examination of different countries and industries, for example, has shown the limitations of relying on a single theory, yet only a few studies have illustrated such limitations by combining both agency and stewardship theories. For example, while more independent directors in delegated monitoring committees, such as the audit committee, are positively related to firm's value (Romano & Guerrini, 2012), others find the opposite in highly competitive markets where there is a greater need for an in-depth understanding of the firm's operations that is possessed by insider directors (CEOs) (Randoy & Jenssen, 2004). The short-sightedness of a single theory can be overcome by integrating both theories, which in turn can provide us with a more holistic view of the phenomenon under investigation.

International operations and culture in developing contexts (stakeholder and institutional perspectives). Our understanding of current board committees' attributes, structures, and processes at an international level — particularly in developing countries in which few studies have been conducted — can be deepened by combining multiple theories. Based on stakeholder theory (Freeman, 1984), studies encourage the adoption of, for example, CSR practices (e.g., diverse compositions of committees) in Western economies and find their positive impact on a variety of stakeholders via high-quality CSR disclosure, among other benefits (Abdelmotaal & Abdel-Kader, 2016; Al-Shaer *et al.*, 2017; Hutchinson *et al.*, 2015). However, such practices based on this model might be too narrow to be adopted in some developing countries. Stakeholder theory may not explain CSR practices (e.g., representing more employees in the CSR committee) in Indonesia, where safety and health practices are widely ignored by society; instead, institutional theory could explain these practices in this context where firms with international operations are found to follow the parent firm's labor disclosure policy (coercive isomorphism) (Cahaya *et al.*, 2017).

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Therefore, multiple theories — such as stakeholder and institutional theories — can be integrated to further clarify the advising and monitoring committees' attributes, structures, and processes and their impact on corporate outcomes in the context of developing countries.

7.2. *Empirical limitations*

7.2.1. *Marginal attention to the advisory role of directors*

The majority of studies concentrate on the monitoring effectiveness of monitoring committees, particularly audit committees. Because the monitoring effectiveness may depend on the private information gathered from CEOs during the advising process (Adams & Ferreira, 2007), the majority of research questions and the gaps addressed are falling short in comprehensively examining both roles of board committees. An exception to this is a few very recent studies that have overcome this limitation and showed the importance of examining both functions. A few recent studies examine, for example, the advising performance of independent directors who are CEOs (Faleye, 2011; Muravyev *et al.*, 2016)) who are co-opted and socially connected to management (Bruynseels & Cardinaels, 2014; Kang *et al.*, 2018). Recent studies also investigate independent directors with longer tenure in monitoring committees (Kim *et al.*, 2014), directors and their memberships in advisory and monitoring committees (Faleye *et al.*, 2011), directors who are former politicians (Pascual-Fuster & Crespí-Cladera, 2018), or those with sustainability experience in the CSR committee (Rossi & Tarquinio, 2017), among others. Faleye (2011), for example, illustrates that having outside CEO directors as advisory directors on the compensation committee impacted positively on acquisition returns but negatively on the pay-performance link, suggesting the trade-off between the advisory and monitoring roles. However, Faleye *et al.* (2011) find the opposite when the majority of independent directors serve on at least two monitoring committees (i.e., monitoring intensity).

7.2.2. *Less emphasis on certain observable and less visible attributes of directors*

Some attributes such as director's independence, committee presence, measures of committee activity (frequency of meetings), and committee size are broadly and historically well examined. However, other attributes are rarely examined and still need further enquiry; these include committee membership (advisory directors), overlapping membership on board committees, political ideology, social and professional ties, status, certain kinds

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of expertise (industry), and some observable attributes such as gender and nationality. Such less emphasized attributes have recently emerged in the literature and shown their importance in influencing the directors' advising and monitoring performance. Habib and Bhuiyan (2018), for example, investigate not only the effectiveness of overlapping membership on audit and compensation committees, but also the equity holdings of directors with such membership to find the benefits of such holdings on audit outcomes. Overall, this paper does not promote the application of certain attributes while abandoning others. Instead, this paper encourages researchers to fill the gaps in the literature by examining some promising, yet less emphasized, attributes. Promising future research avenues regarding such less emphasized areas are outlined later.

7.2.3. *The importance of examining both the determinants and consequences of board committees*

One shortcoming of the existing research is the tendency to investigate one aspect (i.e., consequences) but not both aspects (i.e., determinants and consequences) of board committees' effectiveness. The firms' adoption of certain committees' attributes, particularly those that are not mandated by regulators, is an endogenous decision that is shaped by likely consequences. This is what some previous research illustrates by examining the determinants of board committees' attributes (e.g., committees' activity, memberships, and presence) which include country-, firm-, and individual-level determinants (e.g., Cai *et al.*, 2015; Hussain & Mallin, 2003; Kachelmeier *et al.*, 2016; Nguyen, 2014; Zhong *et al.*, 2017). In developed countries, Nguyen (2014), for example, finds that director compensation for attending advisory and monitoring committees' meetings is positively related to more active board committees. Also, firms that are complex and with high information asymmetry tend to pay higher director compensation and have more active board committees and that firms with higher investment opportunities tend to pay directors in the form of equity-based pay. As such, the demand for advisory and monitoring may depend on the firms' characteristics, which in turn will impact the way and the level firms pay directors. Kachelmeier *et al.* (2016) find that audit committee members are more likely to be replaced when they were sitting in the committee at the time of the financial reporting irregularity despite being present at the time of irregularity occurrence, suggesting that the characteristics of audit committee members may not always matter. Kachelmeier *et al.* (2016, p. 228)

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illustrate the reason behind such action and argued that “boards take remedial actions when necessary to restore perceived legitimacy.”

Looking at less developed countries, Cai *et al.* (2015) examine Chinese firms during the period when audit committee adoption was not a mandatory requirement. Their study documents that audit committees are likely to be adopted when the board has a higher number of non-executive directors, and in regions where the legal environments are weak (e.g., low protection of property rights), suggesting that the adoption of such committees is a form of substitution for weak external governance structures. Hussain and Mallin (2003) investigate firms in Bahrain when there was no corporate governance code and find that 80% and 33% of the firms adopt the audit committee and compensation committees, respectively, but none of the sample firms adopts a nomination committee. Their findings illustrate that the nomination process is in the hands of major shareholders, CEOs, and/or the chairperson and that outside directors are selected based on their experience, skills, and reputation. Zhong *et al.* (2017) examine interlocked directors in China and show that directors facing regulatory sanctions at other firms tend to attend more meetings and produce more transparent financial reports in the appointing firms, especially if such directors are audit committee members. Thus, the monitoring efforts of such directors increase as potentially an attempt to repair their damaged reputation after sanctions imposed on them. Future research is, therefore, encouraged to take into consideration both the antecedents and consequences of board committees when assessing the effectiveness of board committees’ observable and less visible attributes.

7.3. Sample limitations

7.3.1. Lack of cross-country examinations

Although this paper includes a substantial number of studies, the majority of studies reviewed investigate one country — specifically, the United States — and on some occasions two or three countries. Studies that examine two or more countries focus on either developed or developing countries. Very few studies consider a cross-country examination that includes both developed and developing countries. As an exception, Ferris *et al.* (2018) investigate 49 countries, including developed and developing ones. Cross-country examination may not only facilitate generalizability of results, but also it can raise new important institutional issues that can be examined concerning the advisory and monitoring roles of board committees such as legal systems and culture values.

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7.3.2. *Potentially biased samples*

Although there are a limited number of qualitative studies in the literature, there have been several potentially biased sample instances in the qualitative studies (Zaman & Sarens, 2013). For example, Wu *et al.* (2014) investigate audit committee processes and activities by interviewing only the audit committee's members. To comprehensively understand internal informal interactions, some qualitative studies undertook the same examination but interviewed more related parties and so are good examples (Cohen *et al.*, 2010; Turley & Zaman, 2007). Turley and Zaman (2007) examine the quality of internal audit function, among others, by investigating the informal interactions between audit committees' members, staff responsible for financial reporting quality, and internal auditors. Their study interviews audit committees' members, internal auditors, and others. Therefore, covering important related parties (internal auditors and management) when examining phenomena can not only facilitate unbiased and more reliable results, but also facilitate comparability of results across studies and may shed light on more of the audit committee processes and activities.

7.4. *Methodological limitations*

7.4.1. *Endogeneity*

A common concern in corporate governance research is that the findings might be biased because of the potential for endogeneity issues. The attributes of the board of directors and its committees are not exogenous, as such attributes are often influenced by firms' characteristics and accumulative prior decisions (e.g., Adams *et al.*, 2010). Previous research suggests that there are reasons for outsiders to join the boards, which may explain their subsequent behavior upon appointment. Thus, the positive influence of committee presence, gender diversity, and directors' independence, among others, on corporate outcomes can be influenced by several other factors, such as the selection bias and potential reverse causality. For example, considering the presence of advisory and/or monitoring committees as an exogenous explanatory variable for better financial performance may not be valid. Better financial performance may also dictate the formation of board committees instead of the other way around (i.e., simultaneous causality). Reeb and Upadhyay (2010) argue that firms with better financial performance might form advisory and monitoring committees for the purpose of window dressing and/or improving public relations, indicating that better performance might lead to a larger number of board committees. Therefore,

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not considering endogeneity issues may lead to the validity of results being questioned.

Extant studies utilize several techniques to address potential endogeneity bias. For instance, Kang *et al.* (2018) and Adams *et al.* (2018) use fixed-effects, propensity score matching, and two-stage least squares (2SLS) regression with instrumental variable, among other tests, to address unobservable omitted variable biases and reverse causality. Other studies use Heckman selection approaches and/or lagging variables to address the potential endogeneity (Ames *et al.*, 2018; Hoitash *et al.*, 2009; Jiraporn *et al.*, 2009; Premuroso & Bhattacharya, 2007). Therefore, future research is encouraged to continue to apply the appropriate model specifications to address potential endogeneity issues. However, each of these methods has its own limitations and practical difficulties, and therefore, as noted by Larcker and Rusticus (2010), researchers should use battery of alternative research designs to address these underlying endogeneity concerns. Finally, we call for future studies evaluating these different methods to give us a conclusion on which of these methods is more powerful in addressing endogeneity concerns in the corporate governance context.

7.4.2. *Lack of qualitative studies*

In the sample articles, there is a concentration on the secondary data usage and less on the primary data. Most of the studies utilizing primary data focus on audit committees' processes (Cohen *et al.*, 2010; Turley & Zaman, 2007; Zaman & Sarens, 2013). Recent qualitative studies have complemented our understanding of issues surrounding audit committees' processes, which are originally raised by, for example, Turley and Zaman (2007, p. 2) who argue that the "most significant AC consequences result from informal processes involving (voluntary) networks of AC participants [which] have been largely unexplored." Therefore, although recent research has contributed to our understanding of the process of the audit committee, there is still a lack of empirical work on the understanding of the "qualitative factors that are associated with audit committee functioning processes" (Wu *et al.*, 2014, p. 321). A good example of a less traditional examination of audit committee attributes (e.g., beyond independence and financial expertise) is the study by Wu *et al.* (2018, p. 164), which examines the "role-based identity" by classifying the identity of audit committee members as either audit committee professionals or traditional board directors. Wu *et al.* (2018, p. 164) describe the characteristics of directors in each of these two categories and show the importance of "how these characteristics may have contributed to

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the different interpretations of the meaning of their roles and their role-related performances.” As such, further work is needed to untangle the less visible attributes of directors that can drive their behavioral choices and determine their monitoring effectiveness.

Fewer qualitative studies investigate other committees. In the most recent qualitative research, studies highlight the importance of the utilization of primary data. While Clune *et al.* (2014, p. 748) find via interviews that “the nominating committee operates fairly informally and would not have on its agenda an item like characteristics of board members or potential board members,” Malsch *et al.* (2012, p. 416) argue that “compensation committee’s members’ ways of reasoning [...] tend to be in agreement with the moral principles that underlie the cultural schemes of the centre.” Therefore, while much of the recent qualitative research has complemented our understanding of issues surrounding audit committees’ processes to some extent, many more studies using primary data to investigate the processes of other committees, such as compensation and nomination committees, are needed.

7.4.3. *Some measurement inconsistencies*

Prior literature can be accumulated and compared more easily and reliably when measurements are applied in a consistent way (Boyd *et al.*, 2005; Edmondson & McManus, 2007). This paper does not suggest that particular measurements are preferable, nor that all studies should stop measuring a particular variable using different measurements. Instead, this study promotes a more consistent use of commonly used groups of measures that can be used to measure the same variable. There is less commonality of particular variables’ measurements across studies, but there are still opportunities for the convergence of such measurements. A number of studies across fields and themes, even some of the recent ones, measure financial expertise differently. For example, recent studies rely only on experience (Hsu *et al.*, 2015), experience and professional certificates (Carcello *et al.*, 2011b), or academic and professional certificates (Al-Hadi *et al.*, 2016). Some recent studies have attempted to overcome this limitation in the sample articles by narrowly defining financial expertise into accounting, non-accounting, finance, supervisory, or industry expertise, or by including a wide range of measures (Cohen *et al.*, 2014; Ghafran & O’Sullivan, 2017; Lisic *et al.*, 2016; Sellami & Fendri, 2017). Future researchers, therefore, are encouraged to do the same.

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7.4.4. *Variable insufficiency*

Several studies, even recent ones, have examined the presence of monitoring committees without considering other important observable and less visible attributes (e.g., independence, financial expertise, and tenure) to illustrate their advising and monitoring contribution to the firm. Studies that consider only the independence or the presence of monitoring committees do not consider other important factors. Such factors include the role of financial expertise in reducing the instances of restatements (Carcello *et al.*, 2011b) or the importance of the directors' independence, experience, or education, in enhancing the financial performance (Duchin *et al.*, 2010; Muravyev *et al.*, 2016).

8. Future Research Avenues

8.1. *Specific attributes of advisory and monitoring directors*

As illustrated, while the majority of studies focus on the monitoring role of monitoring committees, very few recent studies show the importance of examining the advisory role of board committees. Future research, therefore, should address this empirical limitation and comprehensively investigate the dual roles of board subcommittees. Very few recent studies either examine advising and monitoring functions of compensation and audit committees or take into account all board subcommittees' advising and monitoring functions. For example, in the sample articles, very few studies take the advisory and monitoring roles of all board committees into account (Faleye *et al.*, 2011; Kang *et al.*, 2018). Future research, therefore, can extend this by examining whether specific attributes of advisory and monitoring directors (e.g., industry expertise, ethnicity, or gender), for example, can enhance their advisory and monitoring performance.

8.2. *Industry expertise tenure and their advising and monitoring performance*

Kim *et al.* (2014) argue that in order for outside directors to be able to advise management on strategic matters, such directors may need firm-specific information. Tenure of outside directors may enhance directors' firm-specific knowledge beyond their education and experience (financial expertise) and so reduce the information asymmetry between directors and management. This, in return, may enhance directors' advising and monitoring performance. Kim *et al.* (2014) find that tenure of outside directors in audit and

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compensation committees is related to enhanced acquisition and investments policies (sum of research and development) and lower excess executive pay. This is the only study that investigates the relationship between the tenure of outside directors and their advising and monitoring performance in the sample articles. Future research can expand this rarely examined area by, for example, investigating the impact of the tenure of industry expertise to see whether this matters in relation to advising and monitoring outcomes.

8.3. *Directors' gender, nationality, age, experience, and education*

An emerging number of studies have started to investigate whether the participation of female directors within board subcommittees adds value to their firms. Noticeably, these studies utilize either a dummy variable or the proportion of female directors to operationalize the participation of these directors. Hardies and Khalifa (2018) note that utilizing a dummy variable is fraught with problems and it does not distinguish between femininity and masculinity (i.e., confuse between sex and gender), and so such an approach considers gender a biological attribute only. Hardies and Khalifa (2018, p. 395) argue that “gender refers to socially, culturally or psychologically attributed differences between men and women.” As such, studies examining the mere biological differences between men and women may not fully explain the important role of gender in the board committees' literature. In addition, another problem in extant gender studies is that they assume that women are a homogeneous instead of heterogeneous group, and therefore these studies fail to address the differences between different kinds of women. As such, future researchers should take into account other factors, such as education and experience, that may impact women's effectiveness in performing their duties.

While Carter *et al.* (2010) find that gender and ethnic diversity do not matter, Gull *et al.* (2018) and Zalata *et al.* (2018) are more precise and find that human capital of — for example — female directors does matter. Gull *et al.* (2018), for example, take into account the statutory and demographic attributes and find that business-related experience, including education, and audit committee membership of women directors are the main contributors to less earnings management practices (Gull *et al.*, 2018). Therefore, future research can extend and contribute to this promising area by examining whether, for example, gender, nationality, ethnicity, or age diversity matter when taking into consideration the directors' education or other human capital (knowledge, experience, and skills). More specifically,

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future research may examine whether the gender, nationality, and ethnicity of the audit committee's industry and financial expertise matter. This can shed light on the importance of demographic diversity, as such diversity may reduce demographic similarities among directors and so directors can be more objective decision makers.

8.4. *The financial expertise's social ties*

Studies document that the social capital of financial expertise does matter (Carrera *et al.*, 2017). Carrera *et al.* define centrality as the position of directors in their social network, so that the more visible the directors are in their networks (compared to others with fewer networks), the more central the directors are and so more information on the accounting practices would be available to them. Surprisingly, their study finds that the audit committee's financial expertise centrality and the non-financial expertise's connectedness, among others, are negatively related to reporting quality. Therefore, social capital should be taken into consideration to examine the phenomenon under inquiry in greater depth. There is clearly a lack of studies examining the social capital of financial expertise, and, so far, only one research paper (Carrera *et al.*, 2017) shows the dark side of the social ties of financial expertise in the sample articles. Thus, more research is needed to illustrate, for example, whether social ties of a specific type of financial expertise (accounting) matter.

8.5. *Holders of professional certificates of financial expertise who also have industry expertise*

A small number of recent articles have started to investigate the impact of industry expertise, particularly those in audit committees (Cohen *et al.*, 2014; Sellami & Fendri, 2017; Tao & Hutchinson, 2013; Wang *et al.*, 2015). Although industry expertise is examined in combination with financial expertise, financial expertise, as mentioned in the methodological limitation section, is measured differently in the literature. Future research can, therefore, contribute to this emerging stream of research by examining not only directors who have both industry and accounting expertise, but further classify accounting expertise into those with and without professional certificates in accounting and finance to see whether this matters. This can also be investigated in relation to other corporate outcomes that are rarely examined, such as tax avoidance (Hsu *et al.*, 2018) or dividend payment levels (Qiao *et al.*, 2018).

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8.6. *The ideology of board committee directors, particularly those in audit committees*

Recent emerging studies have investigated directors' ideology and the impact on corporate outcomes in the literature of board committees (Gupta & Wowak, 2017; Malsch *et al.*, 2012). For example, Gupta and Wowak (2017) find that the liberalism and conservatism political ideologies of the compensation committee's directors can affect the level of executive compensation. Via interviews, Malsch *et al.* (2012, p. 398) rely on the "cultural biases" of compensation committee members to investigate the impact on executive compensation as these biases tend to be the "basis for making sense of their committee's practices, debates and decisions." Although a few recent studies have emerged in this potential area, there is still much room to apply this newly examined attribute to investigate other board committees, other than compensation committees. For example, future research can examine the political ideology of audit committees' financial expertise and assess whether this can affect audit effort.

8.7. *The bright and the dark side of audit committees directors' social and professional ties with external auditors*

Recent studies arguably have illustrated the dark side of social capital between directors and CEOs, and only a few studies have illustrated the bright side by classifying social ties into different layers. While Fracassi and Tate (2012) find that social ties between directors in monitoring committees and CEOs decrease firm value, Wilbanks *et al.* (2017) are more precise in defining social ties of directors (e.g., professional and social ties). Future researchers are, therefore, encouraged to investigate this research stream that remains understudied and which has generated only a few inconclusive findings. In addition, only one recent study in the sample articles has examined social ties between audit committee directors and external auditors. This study, by Xianjie *et al.* (2017), finds that social ties between auditors and audit committee directors are related to fewer modified audit opinions and increased accounting irregularities. The lack of studies in this stream of research is surprising, and future researchers, therefore, are encouraged to further examine these relationships by, for example, inquiring whether the type of social tie is significant here (professional and social ties).

8.8. *Social and professional ties of interlocked directors and financial reporting quality*

Behavior can spread through social networks partially because of "excessive deference to the judgment of a high-prestige model" (Peng-Chia *et al.*, 2013,

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p. 1). Interlocked boards are found to increase the likelihood of earnings management contagion between firms with interlocked boards, particularly for positions that can impact the quality of financial reporting (audit committee members) (Peng-Chia *et al.*, 2013). However, only professional ties are considered here and social ties (e.g., common golf membership) are ignored, which is widely known to have a more severe impact on the monitoring effectiveness over financial reporting quality (e.g., Wilbanks *et al.*, 2017). Therefore, future research might examine the interlocked directors' social ties, not only their professional ties resulting from merely sitting in the same boards, and see whether this may not only spread the contagion of lower reporting quality between interlocked firms, but also whether this can have a more negative impact on the financial reporting quality compared to professional ties.

8.9. *The link between non-compensation advisory services and executive pay*

Future research may investigate other less emphasized advisory individuals in compensation committees, such as compensation consultants who also provide non-compensation consultations. More specifically, the relationship between specific types of non-compensation advisory services and level of pay or pay-performance link might be a promising area of inquiry. In addition, although advisory firms might change over the year and disclosure of specific non-compensation services might not be available, Hsu *et al.* (2014) recommend examining specific types of non-compensation advisory services, such as employee compensation and training in relation to level of executive pay or the pay-performance link (expensive and non-expensive services).

8.10. *Nomination committee information processing and executive succession (mixed methods approach)*

Walther *et al.* (2017, p. 3) find that the “breadth and depth of information sharing” with executives and “information sharing, absorbing disagreement, and integrating heterogeneous opinions” with/from shareholders, the board, and current executives are positively related to the comprehensiveness of the nomination committee's succession process. Their results suggest that more comprehensive information processing can increase information available to the nomination committee's directors, thus ensuring careful monitoring of the executive succession process. However, this is the only qualitative study that has complemented our understanding of issues surrounding nomination committees' information processing with respect to the

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succession decision-making process in the sample studies. Future research can combine qualitative with quantitative data to shed light on not only information processing via qualitative means as an example, but also investigate the industry expertise of the nomination committee's directors, which can increase the information available to the nomination committee (Walther *et al.*, 2017).

9. Conclusion

This paper presents a replicable, transparent, and scientific way of conducting a comprehensive systematic literature review with a specific focus on corporate board committees and corporate outcomes. To achieve this, it relies on justified and clearly defined eligibility criteria to avoid potential sample selection bias. Findings illustrate that while some attributes, such as director independence, committee presence, and measures of committee activity and size, are largely and historically well examined, other attributes are rarely examined and still need further enquiry. Rarely examined committee attributes include political ideology, social and professional ties, status, certain kinds of expertise, and some observable attributes, such as gender and nationality. Such less emphasized attributes have shown their importance in influencing the directors' advising and monitoring performance reflected in various corporate outcomes. This paper, however, does not promote the application of certain attributes, while abandoning others, but encourages researchers to address unanswered questions in the existing literature by examining some promising, yet less emphasized, attributes. Additionally, there are still opportunities for the convergence of measurements in the literature of board committees, and so the comparability of results will be more reliable. However, this paper does not suggest that particular measurements are preferable; neither does it posit that all studies should stop measuring a particular variable differently. Instead, it promotes a more consistent use of commonly used groups of measures that can be employed to measure the same variable.

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Appendix A

Table A.1. Area of Consideration, Keywords, and their Justifications

Area of Consideration	Keywords Considered	Justification
Board committees	Alternative names for some committees (Nguyen, 2014); the term “board committees” and its synonyms; all studies examining any committees other than the common/monitoring committees are collected regardless of the corporate outcome examined.	To reduce the probability of missing key studies examining less common committees and so this study, eventually, may achieve a more holistic coverage of the literature examining both uncommon and common board committees
Advisory and monitoring roles	The keywords of “advisory” and “monitoring” along with their derivatives (e.g., advising); the widely believed advisory functions of “acquisition” and “investment” of boards are added to the search string (Kim, 2014).	Due to the strong emphasis on examining the monitoring aspect of board committees (Brennan <i>et al.</i> , 2015; Boivie <i>et al.</i> , 2016)
Corporate outcomes	For the audit, compensation, and nomination committees, the most common corporate outcomes are “reporting,” “pay,” and “audit,” respectively. More terms are added where there are very few results (e.g., more terms have been combined with the term “nomination committee”).	Because corporate committees have a considerably high number of corporate consequences that are too numerous to be fully covered in this research, previous reviews on board of directors and board committees that already have been mentioned are an important source of forming corporate outcomes terms (Adams <i>et al.</i> , 2010). These corporate outcomes are also supported by a more precise and objective method of selecting search terms related to the most commonly examined corporate outcomes using the NVivo Word Frequency Query, and key corporate outcomes are identified for each committee (see Appendix B). Consequently, and after exporting results to Excel to allow for more flexibility, most commonly occurring terms relating to corporate outcomes are selected for each committee and the inclusion and exclusion of the resulted terms justified.

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Appendix B

Table B.1. Forming Search Terms Strategy Using NVivo

The Committee	Number of Articles ⁽¹⁾			Word Frequency Query Highest Results of Corporate Outcomes, Other Important Related Terms, and their Derivatives Using NVivo ⁽³⁾	
	EBSCO	Scopus	WoS	Total ⁽²⁾	The Highest Frequent Term and Other Important Related Terms ⁽⁴⁾
Audit committee	1526	1099	839	1733	Derivatives
					reportable, reported, reporting, reports
					monitor, monitored, monitoring, monitors
					advise, advised, advising, advisory
Compensation/ remuneration committee	293	240	167	428	acquire, acquiring, acquired, acquisition
					invest, invested, investing, investment
					pay, paying
					monitor, monitored, monitoring, monitors
					advise, advised, advising, advisory
Nomination/ appointment committee	51	49	25	78	acquire, acquiring, acquired, acquisition
					invest, invested, investing, investment
					audit
					diverse, diversity
					shareholder, shareholders
					composition
					monitor, monitored, monitoring, monitors
					advise, advised, advising, advisory
					acquire, acquiring, acquired, acquisition
					invest, invested, investing, investment

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Table B.1. (Continued)

The Committee	Number of Articles ⁽¹⁾			Word Frequency Query Highest Results of Corporate Outcomes, Other Important Related Terms, and their Derivatives Using NVivo ⁽³⁾	
	EBSCO	Scopus	WoS	Total ⁽²⁾	The Highest Frequent Term and Other Important Related Terms ⁽⁴⁾
Board committees' synonyms (e.g., board committee and corporate committee)	313	378	180	446	Derivatives
					compensate, compensating, compensation, compensations
					audit, auditing, audits
					perform, performance, performances, performed, performing, performs
					agencies, agency

Notes: (1) The committee appears in title, abstract, or keywords, in English language, peer-reviewed articles, in business, accounting, finance, and economics fields, published after January 1992 (and the journal is in the ABS list if the results are beyond normal ranges).
(2) Duplicates are removed.
(3) From abstracts and keywords of the total articles, a minimum length of 3 letters is adopted and stemmed words option is selected.
(4) Words excluded from highest results: (a) Verbs (e.g., examine); not a corporate outcome (e.g., government or market); unmeaningful by itself (e.g., quality, relationship, analysis, or sample); very broad concept (e.g., board, management, or directors). (b) Words included from other sources: Because the advising and monitoring roles will be the focus of this paper, keywords of “monitoring” and “advising” and their derivatives have been included. (c) Due to the more emphasis of the literature on board committees’ monitoring function, the keywords of “acquisition” and “investment” and their derivatives have been included to examine the popularity of investigated board committees advising functions.

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