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Multiple Directorships and the Monitoring Role of the Board of Directors: Evidence from Malaysia

(Pelbagai Jawatan Pengarah dan Peranan Pemantauan Lembaga Pengarah: Bukti Malaysia)

Hasnah Kamardin
Rohaida Abdul Latif
Kamarun Nisham Taufil Mohd
Noriah Che Adam
(College of Business, Universiti Utara Malaysia)

ABSTRACT

This study aims to examine the relationship between multiple directorships and the monitoring role of the board of directors in Malaysian listed companies (PLC). The monitoring role is proxied by the percentage of directors' attendance in board meetings, as attending meetings provides directors with resources about the management actions and assists directors to exercise their role effectively. The study uses a sample of 1023 directors from 134 companies on the Main Market of Bursa Malaysia (Malaysian Bourse) in year 2008. The results of the study show that the incidence of multiple directorships is low. Independent directors are found to have more multiple directorships. Directors with multiple directorships are older directors, have less director ownerships and are on boards with a high fraction of independent directors. Based on the 75% cut-off for the percentage of meetings' attendance, the logistic regression suggests that no agency cost is associated with multiple directorships. However, the tendency to be absent from board meetings is associated with the high number of board meetings whilst the tendency to attend more board meetings is associated with the increase in age, tenure, and director ownership.

Keywords: Corporate governance; multiple directorships; board meetings attendance; director ownership; tenure; firm performance; Malaysia

ABSTRAK

Kajian ini bertujuan untuk mengkaji hubungan di antara pelbagai jawatan pengarah dan peranan pemantauan oleh lembaga pengarah dalam syarikat-syarikat tersenarai Malaysia (PLC). Peranan pemantauan adalah diproksikan kepada peratusan kehadiran Pengarah dalam mesyuarat lembaga yang mana menghadiri mesyuarat menyediakan mereka dengan sumber-sumber mengenai tindakan pihak pengurusan dan membantu mereka menjalankan peranan dengan berkesan. Kajian ini menggunakan sampel 1023 pengarah daripada 134 syarikat di Pasaran Utama Bursa Malaysia (Bursa Malaysia) pada tahun 2008. Hasil kajian menunjukkan bahawa kewujudan pelbagai jawatan pengarah adalah rendah. Pengarah bebas didapati mempunyai lebih banyak pelbagai jawatan pengarah. Pengarah dengan pelbagai jawatan pengarah adalah terdiri daripada pengarah yang berumur, mempunyai kurang pemilikan pengarah dan berada di lembaga pengarah yang mempunyai pecahan pengarah bebas yang tinggi. Berdasarkan 75% peratusan kehadiran mesyuarat, regresi logistik menunjukkan tiada kos agensi yang berkaitan dengan pelbagai pengarah. Walau bagaimanapun, kecenderungan untuk ponteng mesyuarat lembaga dikaitkan dengan bilangan tinggi mesyuarat lembaga manakala kecenderungan untuk menghadiri mesyuarat Lembaga Pengarah lebih dikaitkan dengan peningkatan umur, tempoh perkhidmatan, dan pemilikan pengarah.

Kata kunci: Tadbir urus korporat; pelbagai jawatan pengarah; kehadiran mesyuarat lembaga; pemilikan pengarah; tempoh perkhidmatan; prestasi firma; Malaysia

INTRODUCTION

Outside directors are an important governance mechanism to monitor the decisions of the management and executive directors to ensure that the decisions are in line with the interests of the other outside shareholders (Fama 1980; Fama & Jensen 1983). Their experience in other companies in a similar industry would make them qualified as business advisers with less transaction costs incurred by the companies. They are expected to bring independence to the board and add to the diversity of skills and expertise of the directors (Abdullah 2004). However, the findings from studies on the effectiveness of outside directors, particularly the effectiveness of the monitoring role of independent directors, are mostly found to be insignificant. Several studies have suggested that having excessive multiple directorships is one of the factors that leads to directors not producing a positive effect on firm performance (Haniffa & Hudaib 2006; Jackling & Johl 2009), management oversight role (Kamardin & Haron 2011a), or the strategic role performed by the directors (Kamardin & Haron 2011b).

Multiple directorships or outside directorships refer to the number of external appointments held by corporate directors (Ferris, Jagannathan & Pritchard 2003). Haniffa and Hudaib (2006) define multiple directorships as directors sitting on more than one board. The effect of multiple directorships can be viewed from two perspectives. The first perspective, *Quality Hypothesis*, views multiple directorships as a proxy for high director quality (Fama 1980; Fama & Jansen 1983). Directors with multiple directorships by virtue of more networks are expected to generate benefits by helping to bring in needed resources, suppliers and customers to a company (Booth & Deli 1996). They would have more experiences and knowledge about industry. Directors who have experience in related strategies are expected to be more capable of contributing to the strategic decision process (Ruigrok, Peck & Keller 2006; Carpenter & Westphal 2001). Another perspective, *Busyness Hypothesis*, assumes that directors who serve on multiple boards become so busy that they cannot monitor management adequately, which then leads to high agency costs. Accordingly, directors who serve on multiple boards would be overcommitted, and as a consequence, they tend to shirk their responsibilities.

In the Malaysian Code on Corporate Governance 2012, multiple directorships are one of the concerns in relation to directors' commitment. Accordingly, directors in Malaysian public listed companies are recommended to hold a maximum of five directorships. Prior to that, the Minority Shareholders Watchdog Group (MSWG) in 2009 also suggested limiting the directorships of the independent directors to five directorships. This practice is not surprising because of the high limit of directorships allowable to directors. Section III of the Bursa Malaysia Practice Note no. 13 and Bursa Listings Requirements allow directors to have up to 25 directorships, 10 in public companies and 15 in non-public companies. The number is higher in Malaysia compared to the US, where a director holding less than three multiple directorships is often considered as the best practice. "Busy directors" in the US are defined as directors holding three or more directorships (Ferris et al. 2003; Sarkar & Sarkar 2009). However, in Malaysia, multiple directorships of independent directors are found to be common among listed firms (Haniffa & Cooke 2002).

Despite all the concerns, empirically, little is known about the extent of multiple directorship practices by different types of directors in public listed companies in Malaysia. How critical are the multiple directorships in Malaysia? Do multiple directorships bring benefits or costs to the companies? Thus, the first objective of this study is to examine the extent of multiple directorships in Malaysian listed companies. The findings of the study provide further evidences of whether multiple directorships are indeed an emerging concern to corporate governance practices and extend the literature on the multiple directorships in Malaysia. The second objective is to examine the effect of board of directors' characteristics with the monitoring role of board of directors as proxied by the directors' attendance in the board meetings. These findings will provide some inputs to the accounting policymakers, regulators and researchers related to the current practices of multiple directorships and board characteristics in Malaysia.

LITERATURE REVIEW

The board of directors plays a significant role in ensuring the survival and success of a company. The directors observe managers to make sure they act in the interests of the shareholders. In the concentrated ownership environment in Malaysia, where substantial shareholders serve as managers, the role of directors also includes the protection of minority shareholders' interests. As an important internal mechanism to monitor the performance of managers and to protect the interests of shareholders, the Malaysian Corporate Governance Blueprint 2011 explicated that good corporate governance is the responsibility of the board of directors who act as active and responsible fiduciaries. The following sections provide the literature review and hypotheses development of the director characteristics (multiple directorships, age, tenure, gender and director ownership), board characteristics (board size, independent directors and board meetings), and firm characteristics (firm size and firm profitability).

ATTENDANCE AT BOARD OF DIRECTOR MEETINGS

Attending board meetings is considered as one way through which board members can contribute to formulating and implementing the strategy roles and monitoring roles (Davies 1991; Vafeas 1999). Jiraporn, Davidson, DaDalt and Ning (2009) highlight the difficulty in measuring the link between multiple directorships and firm performance, as it requires all possible exogenous variables that affect the relation and proper modelling is required to tackle the endogeneity issues. They suggest a study of the monitoring activity of directors. Even though the monitoring activity is not easy to observe, using directors' absence at board meetings is suggested as the proxy for the directors exercising their role in board meetings. The current study adopts the method of Jiraporn et al. (2009) to proxy the monitoring role. The benefits and costs of the monitoring role are proxied by the percentage of attendance of board meetings. Attending meetings provides directors with the information concerning the management decisions and makes them more effective in exercising their monitoring role.

MULTIPLE DIRECTORSHIPS

According to the 'quality hypothesis,' directors with more multiple directorships are expected to have more exposure to certain tasks and procedures, which can be implemented in another company to provide effective monitoring (Beasey 1996; Mohd Salleh et al. 2005; Sarkar & Sarkar 2005; Tan 2005). Directors who have experience in related strategies are expected to be more capable of contributing to the strategic decision process (Carpenter & Westphal 2001). On the other hand, according to the 'busyness hypotheses,' if directors have too many board assignments, they may have limited time and attention for a company (Jackling & Johl 2009; Ferris et al. 2003; Kamardin & Haron 2009; Sarkar & Sarkar 2005; Vafeas 1999). Less time is given to closely scrutinizing the internal control system, which leads to less effectiveness in monitoring the managers. Since building up knowledge about the company and its industry is time intensive, busy directors may undermine their ability to discharge their role (Ferris et al. 2003; Haniffa & Hudaib 2006; Murphy & McIntyre 2007).

Jiraporn et al. (2009) examined the relationship between multiple directorships and directors' absence in the board and audit committee meetings, and found that outside directorships lead to the likelihood of absence in meetings. Their results support the agency cost of multiple directorships. Kamardin and Haron (2009) showed that multiple directorships are negative and significantly related to the strategic roles performed by directors. The results lend support for directors having less multiple directorships in order to be effective in the strategic role. The results of the study are consistent with those of Carpenter and Westphal (2001) and Ruigrok et al. (2006). Lack of time and specific knowledge may constrain directors' involvement in strategic decision-making (Ruigrok et al. 2006). Thus, multiple directorships are expected to be associated with high agency cost. With regards to the attendance of board meetings, busy directors are expected to be less likely to attend board meetings.

H_1 Directors with a large number of outside directorships are less likely to attend board meetings.

AGE AND TENURE

Spliker and Prawitt (1995) associate relevant experience and knowledge with certain tasks developed from experience. Previous studies in management used demographic characteristics, such as age and tenure, to proxy manager knowledge (Zander 1994). The knowledge acquired by the BOD is assumed to improve the quality of actions taken. Carpenter and Westphal (2001) provide evidence that a BOD, having experience in a particular situation or having specific expertise, would be likely to affect their role in monitoring managers and providing services to the board. Weir (1964) and Kirchner (1958) argue that the process of decision making and the quality of that decision depends on the age of the decision-maker. The age of the manager can also have an effect on the selection and perspective on strategic decision-making (Wiersema & Bantel 1992). Further, Mclntyre, Murphy and Mitchell (2007), and Taylor (1975) find that managerial age has a relationship with the performance of decision-making, and in turn, will affect a company's growth. To remain longer on the board, directors have to show excellent performance in their roles. In order to develop all the skills and bring better cognitive resources to decision-making tasks, older directors and longer tenure directors would be expected to attend more board meetings.

H_2 Older directors are less likely to be absent from the board meetings.

H_3 Longer tenure directors are less likely to be absent from the board meetings.

GENDER

The issue of gender is a concern in Malaysia as highlighted by the corporate governance blueprint 2011, which focuses on greater diversity in the BOD including gender diversity. Women are shown to be under-represented on the board as they only comprise 7.5% of the total directors while forming approximately 50% of the workforce (The Edge Financial Today 2011). In addition, Malaysia has about 23% of women at the senior management level, which is similar to the United States and higher than the UK (19%) (Grant Thorton International Business 2007). In Asian countries, Malaysia is in third place after the Philippines (50%) and Thailand (39%). However, women on the board of the top European companies grew to 12% in 2010, from 8% in 2004. The Women, Family and Community Development Ministry has targeted to have at least a 30% representation of women in a decision-making position in the corporate sector by 2016. A study by Korn/Ferry International Asia Pacific (2011) using a sample of 100 domestic companies by market capitalisation in Australia, Hong Kong, India, Malaysia, New Zealand and Singapore shows that more than 70% of the boards in these countries, except for Australia, have no female independent directors. Peterson and Philpot (2007) examine the role of female directors of the US Future 500 firms and show that female directors are less likely to sit on the executive committee, and are more likely to sit on the public affairs committee. However, there is no gender bias in director assignment to other board committees. Rose (2007) shows that there is no significant relationship between female board representation and firm performance (Tobin's Q) in Danish firms. However, Huse et al. (2009) report that in relation to board effectiveness (i.e. board control tasks), the contribution of women is varied depending on the board tasks.

Agency costs theory of Jensen and Meckling (1976) is the predominant theory oftenly used to explain the relationship between board of directors and firms' corporate governance. It is implied from agency costs theory that gender diversity would bring greater independence in the board. The more diverse is the board in terms of gender, the more independent the board management and decision making processes are. Greater gender diversity means higher independence on the board which consequently would result in better alignment of shareholders and managerial objectives. Resource dependency theory postulates that an organisation depends on resources which originate from external environment. The theory argues that the board is regarded as a vital recourses as it provides linkage and networking to inter-organisations and external environment (Hillman, Wither & Collins 2009). Therefore, regardless of gender, both male and female directors are essential resources to the firms that can greatly increase companies sources of expertise, sources of resources and networking. Both male and female directors are expected to attend more meetings to participate in the decision making and play their role accordingly.

H_4 Gender diversity is less likely to affect directors' attendance to board meetings.

DIRECTORS' OWNERSHIP

Directors' ownership provides direct incentives for directors to act in line with shareholders' interests as the wealth of the directors is tied to the performance of the firm (Jensen & Meckling 1976; Brickley et al. 1988; Weisbach 1988). Several studies, such as Han and Suk (1998), Ang, Cole and Lin (2000), Filatotchev et al. (2005) and Krivogorsky (2006) find that the presence of larger directors' ownership reduces agency costs, and therefore increases performance. However, Fauzias et al. (1999), Chang (2003) and Lin, Huang and Young (2008) find that performance is negatively and significantly related to board ownership. Therefore, the results of the influence of the board or director ownership on performance are mixed. The concentrated ownership in Malaysia, which is controlled by managers and family members, might have some implications on the decision making process of the board of directors. Thus, it is expected that directors with large shareholdings are more likely to attend board meetings.

H_5 Directors with large shareholdings are less likely to be absent from the board meetings.

BOARD SIZE

Larger board size would mean that more resources are available to the board. Board members can share their expertise, knowledge and experience in the process of decision making (Pfeffer & Salancik 2003). Uadiale (2010) proposes that companies should have a larger board size since a larger board can protect companies resources, which are limited (Pearce & Zahra 1992). Similarly, Dalton, Daily, Johnson and Ellstrand (1999) imply that large board size can increase the performance of companies because they have a connection with the external resources. However, Jensen (1993) and Yermack (1996) argue that agency problems exist when the size of the board increases as it is difficult to communicate, coordinate and make a decision, and it also reduces the capability of the board to manage the organization. In the case of the attendance of board meetings, the agency cost created by larger board size would increase the likelihood of being absent from meetings as other directors are expected to attend.

H_6 A board with large board size is more likely to have directors absent from the board meetings.

INDEPENDENT DIRECTORS

Independent directors play an important role in monitoring management (Fama 1980; Fama & Jensen 1983) and enhancing the effectiveness of the board. They are expected to bring independent views to the board and add to the diversity of skills and expertise of the directors (Abdullah 2004). They also act as business advisers and 'watchdogs' to ensure that managers act in the interests of outside shareholders. Recently there has been a growing tendency to have a greater proportion of independent and non-executive directors to serve on the board. The existence of outside independent directors on the board has been regarded to be so important that the Malaysian Securities Commission made it mandatory that at least 33% of the directors must be independent (Securities Commission 2007). A high percentage of independence is required because boards are less likely to exert control over management when they lack independence from the management (Carpenter & Westphal 2001). For monitoring purposes, independent directors are expected to attend more board meetings in order to monitor management decisions and protect the shareholders' interests.

H_7 A board with more independent directors is less likely to have members absent from the board meetings.

FREQUENCY OF BOARD MEETINGS

Jensen (1993) argues that the board in a well-functioning firm should be relatively inactive and exhibit few conflicts. In such a firm, the board performs routine board tasks. However, the role of a corporate board becomes increasingly more important during a crisis. As such, frequent board meetings are important as a way to respond to the tough years of operations. Vafeas (1999) finds that frequency of board meetings is inversely related to firm performance. Al-Najjar (2012) examines the determinants of board meetings frequency among 120 UK companies from 2003-2008. Using multinomial logit regression, the study finds that board size positively affect frequency of board meetings. In most cases, directors are also appointed as members of the board committees. Being overcommitted to work, directors having more outside directorships are expected to skip some meetings.

H_8 A board with a high frequency of meetings is more likely to have members absent from the board meetings.

FIRM SIZE

Eisenberg, Sundgren and Wells (1998) reveal that agency problems in small sized companies are minimal due to the ownership structure in this type of company being closely held. The agency problem in large companies is expected to be higher due to the separation of ownership and the process of decision-making (Jensen & Meckling 1976). The directors of larger firms are perceived to have more skills because of the size and complexity of the operations they oversee (Ferris et al. 2003). With the increased complexity in businesses, more experts are required to complement the management expertise. Thus, directors in large firms are expected to attend more meetings.

H_9 Directors in large firms are less likely to be absent from board meetings.

FIRM PERFORMANCE

There is limited evidence on the relationship between firm performance and directors' attendance to board meetings (Vafeas 1999; Jensen 1993; Brick & Chidambaran 2010; Al-Najjar 2012). When a company performs poorly, directors' expertise and knowledge in strategic decision making, monitoring the strategy implementation and management control system, providing services to increase company reputation, and providing supplementary resources to managers are highly demanded. More meetings are expected to be conducted in the year of poor performance (Vafeas 1999; Jensen 1993). In this situation, directors are expected to attend more meetings. The current study argues that firm performance may affect directors' attendance to board meetings.

H_{10} Directors in companies with poor performance are less likely to be absent from board meetings

RESEARCH METHODS

SAMPLE SELECTION

The sample of the study is directors in the companies listed on the Main Market of Bursa Malaysia for the financial year end 2008. The year 2008 is chosen because it is immediately a year after the financial crisis started in 2007. During this time, board of directors are expected to provide more monitoring activities. In addition, the year 2008 is chosen to check the effectiveness of the revised Malaysian Code on Corporate Governance 2007. Finance companies, PN17 companies (distressed firms), REITS, closed-end fund, and exchange traded funds are excluded from the population. About 20% of companies are selected from each industry, resulting in a final sample of 134 companies. The sample of companies based on industry is reported in Table 1 below.

TABLE 1. Sample companies based on industry

Industry	Frequency
Consumer Product (CP)	25
Industrial Product (IP)	48
Trading & Service (TS)	32
Technology (TECH)	4
Property (PROP)	8
Construction (CONST)	8
Plantation (PLNT)	9
Total	134

Of the 1023 directors considered in this study, 443 (43.3%) are independent directors, 207 (20.2%) are non-independent non-executive directors or affiliated directors and 373 (36.5%) are executive directors. Detailed information concerning the directors relating to the outside directorships in public listed companies, directors meetings' attendance, age, tenure, gender, director ownership, board size, type of directors, frequency of board meetings, total assets and ROA were gathered from the annual reports. Only outside directorships in public listed companies are considered in this study because not all companies provide information about the outside directorships in private companies.

The descriptive statistics for directors' characteristics, board characteristics and firm characteristics in the study are analysed. A detailed analysis of the significant differences between means was conducted to determine whether there are significant differences in multiple directorships and directors meeting attendance in relation to directors' characteristics, board characteristics and firm characteristics. Logistic regression analyses were conducted to examine the effect of directors' characteristics, board characteristics and firm characteristics on directors' meeting attendance. The following model is used in the study:

$$DIRATD = \beta_0 + \beta_1 OUTMD + \beta_2 AGE + \beta_3 TENURE + \beta_4 GENDER + \beta_5 DIROWN + \beta_6 BSIZE + \beta_7 FRINDP + \beta_8\ BMEET + \beta_9 FSIZE + \beta_{10} FP + \varepsilon$$

Where:

DIRATD	Directors' meeting attendance (1 for less than 75%, 0 otherwise)
OUTMD	Number of outside directorships
AGE	Age of individual director
TENURE	Tenure of individual director
GENDER	Gender (1 for male, 0 for female)
DIROWN	Percentage of individual director ownership, direct and indirect ownership
BSIZE	Board size; number of directors on the board
FRINDP	Fraction of independent directors
BMEET	Frequency of board meetings
FSIZE	Company size; natural log of total assets
FP	Firm performance as measured by ROA in 2007

RESULTS

DESCRIPTIVE STATISTICS

Table 2 reports the distribution of multiple directorships according to different types of director composition and directors' meetings attendance (categorized into two: attending less than 75% and 75% and more). There are 1023 observations on directorships, comprising 443 independent directors, 207 non-independent non-executive directors, and 373 executive directors. For all directors, about 93.45% and 98.24% of directors have 0-3 and 0-5 outside directorships respectively; 61.15% have 0 outside directorships (or 1 directorship), while about 6.55% of the directors have more than three outside directorships. The results suggest that the occurrence of multiple directorships is considered low.

Approximately 88.49% of independent directors and 94.20% of non-independent non-executive (NINE) directors have 0 to 3 outside directorships. Almost 98% of the independent directors have 0-5 outside directorships. About 51% of the independent directors and 55% of the NINE have one directorship. For the executive directors, about 98.93% have 0-3 outside directorships and about 78% of them have one directorship, which shows that executive directors are more focused on their firms. This evidence also shows that executive directors are not distracted from their jobs as most of them only held the post of directors in the firms that they managed.

Following Jiraporn et al. (2009) we use the cut-off point for the directors' meeting attendance at 75%. The results show that 948 directors attended 75% and more of the board meetings whereby 61.29% and 17.93% of them have 0 and 1 outside directorship, respectively. About 93.57% have 0-3 outside directorships. 75 directors attended less than 75% of the board meetings with 65.33% and 17.33% have 0 and 1 outside directorships, respectively. The results show that the occurrence for attending less than 75% and 75% and above for the number of outside directorships (0 and 1) is not much different.

TABLE 2. Distribution of outside directorships

Number of outside directorships	All directors	Independent directors	Non-independent non-executive directors	Executive directors	Director meetings attendance	
					Less than 75%	75% and more
0	630 (61.58%)	227 (51.24%)	115 (55.56%)	288 (77.21%)	49 (65.33%)	581 (61.29%)
1	183 (17.89%)	85 (19.19%)	42 (20.29%)	56 (15.01%)	13 (17.33%)	170 (17.93%)
2	103 (10.07%)	58 (13.09%)	25 (12.08%)	20 (5.36%)	5 (6.67%)	98 (10.34%)
3	40 (3.91%)	22 (4.97%)	13 (6.28%)	5 (1.34%)	2 (2.67%)	38 (4.01%)
4	28 (2.74%)	21 (4.74%)	7 (3.38%)	0 (0.00%)	1 (1.33%)	27 (2.85%)
5	21 (2.05%)	18 (4.06%)	1 (0.48%)	2 (0.54%)	2 (2.67%)	19 (2.00%)
6	8 (0.78%)	5 (1.13%)	2 (0.97%)	1 (0.27%)	3 (4.00%)	5 (0.53%)
7	6 (0.59%)	4 (0.90%)	2 (0.97%)	0 (0.00%)	0 (0.00%)	6 (0.63%)
8	2 (0.20%)	1 (0.23%)	0 (0.00%)	1 (0.27%)	0 (0.00%)	2 (0.21%)
9	2 (0.20%)	2 (0.45%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	2 (0.21%)
Total	1023	443	207	373	75	948

Table 3 reports the analysis of the significant difference for outside directorships and the percentage of directors' attendance of meetings based on the type of directors. For the outside directorships the difference in means between independent directors and others (NINE and executive directors) is statistically significant at 1% level. This means that independent directors have more outside directorships compared to others. The difference in means between executive directors and outside directors is also statistically significant at 1% level. The results show that executive directors have less outside directorships compared to others. For the director meetings' attendance, NINE and executive directors are significantly different at 1% level. NINE attended less meetings compared to others while executive directors attended more meetings compared to others. However, the difference in means for meetings' attendance between independent directors and others is not statistically significant at 5% level.

TABLE 3. Analysis of outside directorships and percentage of director meetings' attendance based on type of directors

Type of directors	N	Outside directorships		Director meetings' attendance (%)	
		Mean	t-statistics	Mean	t-statistics
Independent directors (INDP):			6.710***		-.196
1 for independent directors	443	1.19		93.62	
0 for otherwise	580	0.56		93.78	
Non-independent non-executive directors (NINE):			1.006		-3.143***
1 for NINE directors	207	0.92		90.97	
0 for otherwise	816	0.81		94.40	
Executive directors (EXEC):			-9.511***		3.192***
1 for executive directors	373	0.36		95.33	
0 for otherwise	650	1.10		92.77	

Note: *** $p < .01$, ** $p < .05$, †$p < .10$

Table 4 summarises the statistics of the relevant variables. Based on the final sample of 1023 directors, the average outside directorships in public listed companies is 0.83 with a minimum of 0 and maximum of 9 (i.e. 10 directorships). On average, the directors' age for the sample is 56 years with a minimum of 26 years and maximum of 88 years. The average length of tenure serving the board is 9 years with the maximum being 46 years. The average shareholdings of all directors are 8.26%. The distribution for age, tenure, director shareholdings and board size is larger with standard deviations of 10.681, 7.399, 16.919, and 2.099, respectively. The average board size is about 8, with a minimum of 4 members and a maximum of 15 members. The average fraction of independent directors is 0.43. The average fractions of NINE and executive directors are 0.36 and 0.21, respectively. The average number of board meetings is 5 with a minimum of 2 and maximum of 17. The average size of the sample companies, as measured by total assets in 2008, is RM2,020,000,000 and the average firm performance, as measured by ROA in 2007, is 0.081.

TABLE 4. Descriptive statistics

	Mean	Median	Min	Max	SD
OUTMD	0.83	0.00	0	9	1.431
AGE	56.41	56	26	88	10.681
TENURE	9.32	7.50	1	46	7.399
GENDER	0.92	1.00	0	1	0.273
DIROWN (%)	8.26	0.01	0.00	82.76	16.919
BSIZE	8.15	8	4	15	2.099
FRINDP	0.43	0.43	0.25	0.80	0.111
FRNINE	0.36	0.38	0.00	0.67	0.174
FREXEC	0.21	0.20	0.00	0.57	0.154
BMEET	5.39	5	2	17	1.995
FSIZE	2,020,000,000	463,576,000	32,252,896	35,972,700,000	5,196,000,000
FP	0.081	0.071	-0.48	1.24	1.161

Table 5 shows that there are significant differences in the mean for the attendance of meetings by the directors between the two groups (i.e. DIRATD = 0, DIRATD = 1) for age, tenure, directors' ownership, fraction of executive directors, an0.d frequency of board meetings. Directors who attended at least 75% of board meetings (0) are older, have longer tenure, and have more shareholdings. However, directors who attended less than 75% (1) have a higher fraction of executive directors and a higher number of board meetings.

TABLE 5. Analysis of director meetings' attendance for all independent variables

	Mean (DIRATD = 0)	Mean (DIRATD = 1)	t-statistics
OUTMD	0.83	0.81	0.103
AGE	56.67	53.03	2.554**
TENURE	9.55	6.37	4.183***
GENDER	0.92	0.89	0.746
BSIZE	8.12	8.53	-1.469
DIROWN	8.64	3.37	3.833***
FRINDP	0.43	0.42	0.789
FRNINE	0.37	0.33	1.595
FREXEC	0.20	0.24	-1.789†
BMEET	5.34	6.05	-2.438**
FSIZE	2,040,000,000	1,760,000,000	0.043
FP	0.08	0.07	0.235

Note: *** p < .01, ** p < .05, †p < .10

CORRELATION BETWEEN VARIABLES

Further analysis on the correlation between multiple directorships with other director characteristics, board characteristics and firm characteristics is reported in Table 6. The analysis indicates that directors with multiple directorships are older directors and have less shareholdings in the company. In terms of board characteristics, directors with multiple directorships are found on the board with a high fraction of independent directors. Directors with longer tenure have more shareholdings. Independent directors are found to be positively correlated with the number of board meetings. Age, tenure and director shareholdings are found to be negatively correlated with directors' attendance of meetings, however, frequency of board meetings is positively related.

TABLE 6. Correlation between variables

	OUTMD	AGE	TENURE	GENDER	DIROWN	BSIZE	FRINDP	BMEET	FSIZE	FP	DIRATD
OUTMD	1										
AGE	.203**	1									
TENURE	.032	.318**	1								
GENDER	.057	.124**	-.007	1							
DIROWN	-.115**	-.061*	.290**	-.078*	1						
BSIZE	-.056	-.001	.007	.016	-.061	1					
FRINDP	.103**	.094**	-.036	-.003	-.089**	-.273**	1				
BMEET	-.016	.085**	-.204**	-.008	-.122**	.094**	.186**	1			
FSIZE	.172**	.176**	.058	.010	-.099**	.260**	.228**	.367**	1		
FP	-.009	.087**	.040	.022	-.014	.142**	-.049	.119**	.095**	1	
DIRATD	-.003	-.088**	-.112**	-.026	-.081**	.052	-.021	.094**	-.009	-.008	1

Note: * $p < .05$, ** $p < .01$

LOGISTIC REGRESSION RESULTS

Table 7 reports the results of the logistic regression. For this analysis, two outlier directors are excluded because the Z residuals are higher than 3.0. The dependent variable is directors' attendance of meetings (DIRATD) as a dichotomous value, 1 for attending less than 75%, and 0 for attending 75% and above. The McFadden R^2 and the Nagelkerke R^2 are 8.90% and 11.20%, respectively, and the Chi-square is significant at 1%. The percentage of correct classification is 92.8%. The results show that the estimated coefficient of outside directorships is positive but not statistically significant. This means that directors with a high number of outside directorships are not likely to be absent from the meetings. The results do not support the hypothesis (H_1).

Age, tenure and director shareholdings have negative estimated coefficients and are significant at 5%, 1% and 5%, respectively. This means that older directors and longer tenure directors are more likely to attend meetings. Directors with large shareholdings are more likely to attend meetings. The results support the hypotheses (H_2, H_3 & H_5). However, directors are likely to attend fewer meetings for boards with an increasing number of board meetings (H_8). The results also show that gender (either male or female), board size, fraction of independent directors, firm size and firm performance are not related to the tendency of directors to attend less board meetings.

Considering the high mean for meeting attendance in the sample, an analysis using the 80% cut-off for the categorisation of percentage of meetings attendance into DIRATD (1 for less than 80%, 0 otherwise) is also conducted. The results show that the same significant variables (AGE, TENURE, DIROWN & BMEET) remain.

TABLE 7. Logistic regression analysis

	β (Wald statistics)
OUTMD	0.082 (0.850)
AGE	-0.033 (6.056)**
TENURE	-0.087 (8.181)***
GENDER	-0.332 (0.649)
DIROWN	-0.028 (4.479)**
BSIZE	0.104 (2.669)
FRINDP	-1.230 (0.848)
BMEET	0.136 (5.708)**
FSIZE	-0.125 (1.492)
FP	-0.214 (0.082)
Constant	1.646 (0.841)
N	1021
Chi-Square	47.087 (df = 10) ***
Cox & Snell R^2	4.50%
Nagelkerke R^2	11.20%
Mc Fadden R^2	8.90%
Hosmer & Lemeshow	8.71 (df = 8)
Percentage correct	92.8%

Note: *** $p < .01$, ** $p < .05$

ROBUST REGRESSION RESULTS

Three regression methods are used to evaluate the robustness of previous analysis, which are forward (Wald) step-wise logistic regression, logit regression using robust standard error and Tobit regression with robust standard error. A control variable, debt ratio (DEBT) is also introduced in the robust analysis. Debt ratio is the value of total debt scaled by total assets in 2008. Table 8 compares the results of the three methods of regressions.

The results remain significantly the same using forward step-wise logistic regression (column one) where only four variables are significant in explaining directors' attendance. TENURE and AGE are negatively and significantly associated with directors' attendance at 1% level. DIROWN has a significant negative relationship with directors' attendance at 5% level. On the other hand, BMEET is significantly and positively associated with director attendance.

There are few differences in the magnitude or significance of the variables when logit with robust standard error is used as shown in Table 8 (column two). AGE, TENURE and DIROWN remain significantly important but at lower significant levels. However, BMEET becomes very significant at 1% level. Other variables are insignificant in explaining directors' attendance.

TABLE 8. Comparison of robust analysis using step-wise, logit with robust standard error and Tobit regression with robust standard error

	Step-wise logistic β (Wald statistics)	Logit with robust standard error β (p-value)	Tobit regression with robust standard error β (p-value)
OUTMD		0.0589 (0.509)	-0.0016 (0.656)
AGE	-0.035 (7.433)***	-0.2074 (0.034)**	-0.0009 (0.045)**
TENURE	-0.084 (7.674)***	-0.0548 (0.041)**	-0.0012 (0.016)**
GENDER		-0.0226 (0.472)	-0.01779 (0.254)
DIROWN	-0.028 (4.318)**	-0.0226 (0.054) †	-0.0021 (0.007)***
BSIZE		0.1003 (0.109)	0.0058 (0.030)**
FRINDP		-1.0236 (0.433)	0.0043 (0.914)
BMEET	0.099 (3.085) †	0.1464 (0.008)***	0.0054 (0.016)**
FSIZE		-0.1273 (0.206)	-0.0060 (0.106)
FP	-0.2992 (0.683	-0.0439 (0.113)	
DEBT	-(0.037)	-0.1318 (0.543)	-0.0008 (0.886)
Constant	-(0.478)	1.0849 (0.541)	1.0820 (0.000)
Percentage correct	92.9%	92.9%	

Note: *** p < .01, ** p < .05, †p < .10

One criticism of using logit regression is that the value of dummy variable for board attendance, i.e. 0 or 1, is set subjectively. To overcome that concern, the above model is re-estimated using tobit regression (column three). In tobit regression, the dependent variable is transformed into a continuous variable named as percentage of director's attendance (PERDIRATT) and is calculated as number of directors' *non-attendance* to the board meetings scaled by the total number of board meetings. By doing this, there is no need to find any cut off point for percentage of meeting attendance. The results of tobit regression produces more significant relationships between the variables and they reflect the results of logit regression except for board size (BSIZE), where it is now significant. AGE and TENURE are statistically significant in explaining directors' attendance with older directors and longer tenure directors would attend more meetings. DIROWN is very significant at 1% level. The greater is the director ownership in a company, the greater is his willingness to attend board meetings. BSIZE and BMEET are significantly important in explaining the dependent variable. Larger board and frequent board meetings would lead to lower attendance.

Overall, it can be concluded that directors' characteristics, such as AGE and TENURE, as well as governance structure, such as DIROWN and BMEET, are significantly important in explaining director's attendance. Board size is also significant to explain the dependent variable when tobit regression is used. DEBT ratio, the control variable, remains statistically insignificant in all robust analyses.

DISCUSSION AND IMPLICATIONS

The main objective of the study is to provide evidence concerning the effect of multiple directorships on the monitoring role. The results of the study indicate that multiple directorships in Malaysia are low in that most of the directors have additional outside directorships of between 0 and 3, with independent directors having more outside directorships and executive directors having fewer directorships. Logistic regression analysis shows that directors with multiple directorships are more likely to be absent from the board meetings. Even though the results do not support that a high number of multiple directorships affect the monitoring role as proxied by the attendance of meetings, they indicate that the number of multiple directorships does matter (i.e. with a positive relationship to attend less board meetings). The positive relationship of multiple directorships in our study supports the current governance practices to reduce the number of directorships. The concern about multiple directorships is not necessarily about the number of multiple directorships but about the characteristics of the directors having multiple directorships. The correlation analysis indicates the potential problems relating to multiple directorships in terms of the less direct incentive for directors to act in line with shareholders' interests and the busyness of independent directors reducing the effectiveness in their monitoring role.

In addition, the insignificant relationship between independent directors and meeting attendance is somewhat similar to previous studies in relation to firm performance. Thus, the effectiveness of independent directors in relation to the monitoring role is an issue that is in line with the concern of the MSWG and other regulative bodies. The result is also different from Jiraporn et al. (2009) who report that a high fraction of independent directors is likely to attend more meetings.

The positive significant relationship between director shareholding and percentage of meeting attendance supports the role of director shareholdings aligning the interests of directors with the interests of other shareholders. This result is different from Jiraporn et al. (2009) who report an insignificant relationship. The concentrated ownership in Malaysia may lead to this result as shown by the sample of the study that has higher director shareholdings.

The results also show that older directors and directors with longer tenure are more likely to attend meetings. The significant relationship of age and tenure suggests that experience may influence the monitoring roles. However, the sample of the study also indicates that older directors have more outside directorships. Further analysis shows that older directors are correlated with independent directors. From the busyness perspective, this result shows that older directors may be busy and may not play their role effectively. However, one possible reason why older directors may have more multiple directorships is that older directors are potentially outside directors who may have reached retirement age and can provide more commitment to attending board meetings. In addition, their experience in tasks pertaining to the board would assist them in executing their monitoring roles more effectively.

It is argued that resource dependency theory would have implication on gender diversity of directors' attendance to board meeting. Regardless of the gender, it is expected that those directors with resources, expertise and networking would have profound influence on company interorganisational relationship and thus would be more likely needed to attend meetings. Given the prevalent of male directors sitting on Malaysian companies' boardroom, it is predicted that the result would be biased toward male directors. However, the result of the study fails to provide evidence on the importance of gender diversity possibly because of the under-representation of female directors on boardroom. As pointed out by Fitzsimmons (2012), female directors commonly face four types of obstacles to climb up the corporate ladder which are: (i) stereotypes, where male dominated boards prefer male candidate as their new member; (ii) networking, which remains an important hurdle to female directors; (iii) less qualified, where female directors are seen to be less qualified in many areas; and finally (iv) lacking of role models.

LIMITATIONS AND FUTURE RESEARCH

This study has several limitations. First, this study is cross-sectional in nature; therefore, it cannot present the changes in the director and board characteristics over the years and whether the findings are significant for the other years. Future research should use a longitudinal study to address this issue. Second, this study does not consider the endogeneity effect between the outside directorships and attendance of meetings because of the difficulty in determining the exogenous variables. Considering this issue would provide assurance that the results of the study are not affected by simultaneity. Third, this study only considers outside directorships from the public listed companies. As disclosure of outside directorships in private companies is on a voluntary basis, not all companies disclose the information. Future research should consider the outside directorships of directors in private companies to obtain robust results.

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Hasnah Kamardin (corresponding author)
College of Business
Universiti Utara Malaysia
06010 UUM Sintok, Kedah, MALAYSIA.
E-Mail: hasnahk@uum.edu.my

Rohaida Abdul Latif
College of Business
Universiti Utara Malaysia
06010 UUM Sintok, Kedah, MALAYSIA.
E-Mail: rohaida@uum.edu.my

Kamarun Nisham Taufil Mohd
College of Business
Universiti Utara Malaysia
06010 UUM Sintok, Kedah, MALAYSIA.
E-Mail: kamarun@uum.edu.my

Noriah Che Adam
College of Business
Universiti Utara Malaysia
06010 UUM Sintok, Kedah, MALAYSIA.
E-Mail: noriah@uum.edu.my