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董事會與審計委員會開會次數的決定因素之研究：東亞驗證

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摘要

本文使用香港、新加坡、馬來西亞三個股市的大型上市公司為樣本，調查它們為何要揭露董事會與審計委員會開會次數，以及開會次數多寡的決定因素。我們首先發現家族控股公司比較不會揭露開會次數。再者本文提出市場壓力假說，認為當控制股東現金流量權偏離投票權愈大的公司，其屬於鞏固職位型，比較會揭露開會次數；而獨立董事比率高的公司，在市場壓力下，亦比較會揭露開會次數。而控制股東現金流量權愈高、過去績效較佳的公司，其屬於正面誘因者，比較沒有市場壓力，因此比較不用揭露開會次數，以及有揭露者亦開比較少次的會議。本文的實證結果，在揭露董事會與審計委員會開會次數，以及開會次數多寡，具有一致性。

關鍵詞：公司治理、董事會、審計委員會

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The Determinants of Meeting Frequency for Board of Directors and Audit Committee

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ABSTRACT

Using 450 listed firms in Hong Kong, Singapore and Malaysia, the three regions that were once the colonies of the U.K. and inherit the same Anglo-American legal system, we investigate the issue of why firms would like to reveal board meeting information and how frequent the meetings are scheduled. We propose the market pressure hypothesis indicating that the listed firms, especially for family controlled ones, would passively react to outside pressure in the decision of whether to disclose board meeting information and calling meetings. The empirical evidences show that the listed firms with family controlling owner entitled higher cash flow rights are associated with lower odds of information disclosure. In contrast, the voting-cash flow deviation associated with the controlling owners, being characterized as an entrenching motive, is positively associated with the odds of disclosure. Moreover, the odds of disclosure are positively associated with board independence. Finally, firms with inferior performance measures are more likely to be demanded of meeting information disclosure. The results in general hold water both for the board of directors and the audit committee, and are sustainable for the decision of meeting information disclosure and the decision of meeting frequency setting.

Keywords: *Corporate Governance, Board of Directors, Audit Committe*

1. Introduction

The monitoring function of the boards has been regarded as an important issue of effective corporate governance. Recent accounting scandals and the apparent negligence of boards at companies such as Enron and WorldCom further punctuate the importance of the monitoring function of boards. Most extant empirical studies of this strand focus on board characteristics and firm performance[1], while some address the issue of managerial power and board monitoring[2]. In a study of managerial monitoring efforts, Vafeas (1999) uses the frequency of board meeting as an observable proxy for the intensity of monitoring. His findings that board meeting frequency increases following poor performance and that operating performance improves following abnormal board meeting activity are in supportive of the positive function of board meetings and are in general consistent with the agency and the contracting theory.

However, two recent studies yield different predictions regarding the governance role of meeting frequency. Xie et al. (2003) find that the meeting frequency of the board and that of the audit committee are associated with reduced levels of discretionary current accruals. In contrast, Chen et al. (2006) illustrate that meetings are positively associated with the fraudulent incidences. These controversial results remain an unsolved issue on the functional role of board meetings. More fundamentally, how and why would the underlying firms reveal the meeting information in the first place if they were optional of so doing?

Under the premise that information revelation is time consuming and associated with unwanted outside scrutiny, we propose the market pressure hypothesis indicating that, in the determination of whether to reveal the meeting information and how frequent the meetings is set, the controlling owners of a firm would passively response to the outside pressure. The pressure is multifold and might be derived from the outsiders who question the controlling owner’s incentive of having the firm run properly, the independent directors who are deputed to closely watch the firm, and the investors who are unsatisfied with the firm’s

1 For instance, see Yermack (1996) and Eisenberg, Sundgren and Wells (1998) for evidence on board size, Weisbach (1988) and Rosentein and Wyatt (1990, 1997) for evidence on board composition, and Dahya, McConnell, and Travlos (2002) for evidence on both board composition and CEO/chair duality.
2 For example, see Shivdasani and Yermack (1999) for evidence on CEO influence the board member selection, and Ryan and Wiggins (2004) for evidence on director compensation and managerial power.

performance measures. Our empirical results from 450 listed firms in Hong Kong, Singapore, and Malaysia[3] are basically in supportive of this hypothesis. Specifically, we find that controlling owner's disincentive manifested in lower cash flow rights or a deviating voting-cash flow structure is associated with higher likelihood of disclosing meeting information. Moreover, board independence as shown in a higher percentage of independent members in the board is positively associated with the likelihood of disclosing the meeting information. Finally, poor-performing firms are also positively associated with the odds of revealing the meeting information. Our results hold not only for the revelation of board meeting information but also for the audit committee meetings. The conclusion from information revelation is also applicable to the prediction of how frequent the meetings are scheduled. The story therefore could be simply boiled down to the fact that meetings in the regions where family control prevails are mainly used by controlling owners to pacify questioning outsiders, independent directors, and disgruntled investors. Without these sources of market pressure, controlling owners would prefer keeping the meeting information private and arranging fewer meetings.

There are two competing hypotheses to postulate the functional role of board meeting. The complementary hypothesis posits that the revelation of meeting information and meeting frequency both are positively associated with the firm's governance structure in the sense that effective meetings facilitate a firm's governance structure. However, our empirical results that the controlling owner's cash flow rights are negatively associated with and his/her voting-cash flow deviation is positively associated with the odds of information disclosure fail to provide supporting evidence to this hypothesis. In contrast, the substitute hypothesis indicates a negative relation between meetings and corporate governance in the sense that meetings are used to enhance the insufficient governance structure status quo. However, our finding of a positive relation between board independence and board meeting contradicts the prediction. Firms with higher levels of board independence are characterized as sounded governance in board structure and therefore are less needed of revealing meeting information and/or frequent meetings if the substitute hypothesis holds. The seemingly incongruent findings between the complimentary hypothesis and the substitute hypothesis, however, could be

3 The legal and regulatory regime governing boards and directors in these three regions is basically in line with those in other developed countries while the ownership structure is characterized as family control that is far different from the US/UK market model (La Porta et al. 1998).

reconciled with the market pressure hypothesis.

The passive role of meeting is satisfied under two presuppositions. First of all, the ownership structure of underlying firm is concentrated in hand of a controlling owner who tends to be a family (La Porta et al., 1999; Claessens et al., 2000). Secondly, the controlling owners fear the possibility of leaking firm's proprietary information to competitors and feel cumbersome in preparing the meetings. The former results in non-disclosure decision and the latter results in scheduling the number of meetings not exceeding the minimum required in the firm's bylaw. Shielding from outside governance is human instinct. Because the decision of meetings is made by controlling owners who passively respond market pressure, we would not be surprised to find an insignificant relationship between meeting frequency and posterior performance improvement. The rest of this paper is organized as follows. Section 2 develops the hypotheses. Section 3 describes data and methodology. Section 4 presents the empirical results. Section 5 concludes.

2. Hypotheses Development

The ownership structure of listed companies in East Asia is typically concentrated in the hands of large shareholders who in most cases are families. The concentrated control is usually achieved through complicated ownership arrangements, such as stock pyramids and cross-shareholdings. In this section we discuss the characteristics of quality governance structure. We then discuss how governance structure could be related to the firm's information disclosure and frequency setting of board meetings. We finally propose an alternative argument to reconcile the potential conflict implied in the predictions from the hypotheses of governance structure.

2.1 Quality Corporate Governance

The degree of ownership concentration affects the nature of contracting, creating equity agency problems which are derived from the conflicts of interest between outside shareholders and managers when ownership is diffuse (Berle and Means, 1932; Jensen and Meckling, 1976; Roe, 1994) and are shifted to the conflicts between the controlling owners and minority shareholders (La Porta et al., 1999; Claessens et al., 2000). The listed firms in Hong Kong, Singapore, and Malaysia are consistent with the latter case that control is concentrated in hand of a group of persons who tend to be linked with close family ties. Therefore, the controlling owner’s motive of having the firm run properly or engaging in wealth exploitation is manifested in ownership structure as well as board structure.

Gaining effective control of a corporation enables the controlling owner to determine how profits are distributed among shareholders. Minority shareholders, though entitled to the cash flow rights corresponding to their share investments, face the uncertainty that the controlling owner may opportunistically deprive them of their rights.

One way to mitigate the problem of controlling owner’s entrenchment is to increase his/her ownership stake. Any increase in cash flow rights will cost more for the controlling owner to divert the firm’s cash flows for private gain. The higher ownership concentration can also serve as a credible commitment for the controlling owner not to expropriate minority shareholders (Gomes, 2000; La Porta et al., 2002; Claessens et al., 2002). The commitment is credible because minority shareholders once knowing that the controlling owner unexpectedly extracts high levels of private benefits could discount the stock price accordingly. This is dubbed as the alignment effect.

In contrast, complicated ownership arrangements such as pyramidal and cross-holding structures are not unusual for East Asian corporations. These ownership arrangements allow controlling owners to commit low equity investment while maintaining tight control of the firm, resulting in a separation in voting rights and cash flow rights. This is dubbed as the entrenchment effect (Bebchuk, et al., 2000; Claessens, et al., 2002).

Another mechanism to restrict the controlling owner’s entrenchment is through board structure in the sense that more independent members sit in the boards to balance the predominant power of the controlling owner. There are numerous studies illustrate the positive association between board independence and firm’s performance (Brickley, Coles and Terry, 1994; Byrd and Hickman, 1992; Kosnik, 1987; Rosenstein and Wyatt, 1990; and Weisbach, 1988). Still there were evidences on a negative linkage between board independence and the incidence of financial fraud (Dechow, Sloan and Sweeney, 1996; Beasley, 1996). These findings are consistent with the postulation that outside board members help alleviate agency conflicts between shareholders and upper management.

Using the three dimensions to discern the quality of a firm's governance structure, quality governance, from the outsiders' viewpoint, is characterized as high cash flow rights and a low voting-cash flow deviation associated with the controlling owner, and high levels of board independence.

2.2 Complementary or Substitute? The Role of Meeting to Corporate Governance

Agrawal and Knoeber (1996) illustrate interdependence among several governance mechanisms. Since the meeting information of board and audit committee additionally provides outsiders a further insight of the firm, it could be in the sense reckoned as auxiliary mechanism to corporate governance. However, the question is how it is related to the existing variables of corporate governance. We propose two mutually exclusive hypotheses: the complementary hypothesis and the substitute hypotheses.

The complementary hypothesis posits that the revelation of meeting information and meeting frequency are both positively associated with the firm's governance structure. This is consistent with the findings of Vafeas (1999) and Xie et al. (2003) that effective meetings facilitate a firm's governance structure. In other words, if a firm that exhibits high levels of cash flow rights and low voting-cash flow deviation associated with the controlling owner, and high levels of board independence is deemed as the one with quality governance structure, the empirical results if the complementary hypothesis holds would exhibit a positive relation between meetings (include information disclosure and frequency setting) and cash flow rights associated with the controlling owners and a positive relation between meetings and board independence. In contrast, a negative relation between meetings and the voting-cash flow deviation associated with the controlling owners would be expected. The complementary hypothesis implies firms with quality governance structure would opt for the use of conduit of revealing meeting information to signal its quality to outsiders hoping for a positive market appraisal in return.

In contrast, the substitute hypothesis indicates a negative relation between meetings and corporate governance. Firms being characterized as inferior in governance structure need alternative bounding mechanism such as frequent meetings and revealing information to make up the deficiency in governance structure. If this is the case, we would expect to find that meetings are negatively correlated with the cash flow rights associated with the controlling owners and board independence, while positively correlated with the voting-cash flow deviation associated with the controlling owners. The prediction is mainly derived from the functional perspective in the sense that controlling owner use meetings to subside the inadequacy of governance structure status quo.

2.3 Market Pressure

What if meetings are not as powerful as one might postulate in complementing or substituting the governance mechanism of a firm? This can be true in that investors might not think that meetings are as powerful as the variables manifested in ownership structure or board structure to dictate the controlling owner’s motives, especially when the controlling owner predominantly controls the firm. Meeting, to its best meaning for outside investors, is to provide a forum for acting parties to get together. Therefore, meeting is not necessary to have one-on-one mapping with the variables of governance structure. Rather, if the decision of meeting is mainly dictated by the controlling owner who feels cumbersome to prepare the meetings with other shareholders and/or is reluctant to reveal proprietary information to competitors, the result of information disclosure and meeting frequency setting is mainly to respond to market pressure. We dub it the market pressure hypothesis.

What might create pressure to controlling owners who in turn would be willing to reveal meeting information and arrange more meetings? Using the same set of variables we postulate that controlling owners entitled high levels of cash flow rights are more likely to be trusted by outsiders and experience less market pressure. In contrast, controlling owners with a deviating voting-cash flow structure are less credible from the perspective of outside shareholders. The follow-on market pressure would push the controlling owners to disclose meeting information and call more meetings. The arguments so far are consistent with the substitute hypothesis.

However, controlling owner’s pressure is not only derived from outside investors but also from the governance of independent directors who are deputed the authority to close watch the firm’s decisions and to counterbalance the power of the controlling owners. With an increase in number of independent members in the boards, controlling owners would experience the increase in pressure to disclose meeting information and to call more meetings. This prediction contradicts to that from the substitute hypothesis.

Someone might argue that atomic investors by definition are unable to discipline the controlling owners and therefore care less about the firm's governance structure. Even if this is the case, these investors are sure to be disgruntled when the firm's performance measures are less satisfactory. We further surmise that inferior performance measures that irritate minority shareholders are another cause of market pressure to controlling owners. Both the complementary hypothesis and the substitute hypothesis say little about the relation between firm's prior performance measures and the odds of information disclosure and meeting frequency. Table 1 summarizes the hypotheses and different predictions about the variables and a firm's meeting.

TABLE 1
The Hypotheses

Hypothesis	Cash Flow Rights	Voting-Cash Flow	Board Independence	Prior Performance
Complementary	＋	－	＋	.
Substitute	－	＋	－	.
Market Pressure	－	＋	＋	－

This table summarizes the expected relationship between meeting information disclosure (meeting frequency setting) and the firm's corporate governance and prior performance measures under different hypotheses. The variables of corporate governance of interest include the cash flow rights and the voting-cash flow deviation associated with the controlling owner, and board independence. A firm's prior performance measures include the return on assets (ROA), the equity price-to-book ratio (P/B), and one-year cumulative abnormal return (CAR). In each cell "＋" indicate positive relation and "－" indicate negative relation.

3. Data Description

The sample covers the top 150 listed companies (based on their market values) each for Hong Kong, Singapore, and Malaysia in year 2000. In general the legal and regulatory regime governing boards and directors in the three countries is very much in line with those in other developed countries. However, the ownership structure characterized as family control model is different from the US/UK market model where ownership structure is basically diffused and owners and managers are separated.

Specifically, the Stock Exchange of Hong Kong has, since 1992, amended its rules to require independent directors and encouraged greater disclosure, accountability and the use of audit committees. Each listed firm must have a minimum of two independent non-executive directors on its board. A consultation paper on the expansion of financial disclosure requirements was published in late 1998. And since 1 January 1999 every listed firm is expected to set up an audit committee. While this is not compulsory, the listing rules require that firms explain, in their interim and annual reports, whether or not they are complying.

Malaysia began incorporating modern governance principles into its securities and companies legislation relatively early. In March 1998, the authorities established a committee-the High Level Finance Committee on Corporate Governance. The committee's recommendations were finalized in February 1999 and remain under review by the authorities. Some have been implemented. For many years, publicly listed firms in Malaysia have been required to appoint independent directors. While no minimum number was mandated, in practice most companies have at least two. Since 1994 listed firms have also been required to form audit committees comprising at least three members, a majority of whom must be independent non-executive directors. Around the same time the government also stipulated that firms include the terms of reference of their audit committee in annual reports.

There is no general requirement in the listing rules or Companies Act in Singapore that public firms appoint non-executive and independent non-executive directors to theirs boards. Although in practice they do-audit committees became mandatory in 1989 and must comprise a majority of independent directors-it is generally felt that, in line with international standards, the status of non-executives and independents should be clarified and enhanced. In late 1996 the stock exchange sought to strength audit committees by introducing Chapter 9B which covers the detailed workings of these committees. But following consultation with listed companies in 1998, the exchange decided to recast these rules into guidelines and transferred them to a Best Practices Guide outside the Listing Manual (refer to Asian Corporate Governance Association Limited).

The rationales for choosing the three countries are multifold. Firstly, the three countries were once colonies of the U.K. and therefore inherit the same Anglo-American legal system that makes it possible to portray the importance of corporate governance in these countries. Moreover, family control plays a predominant role in these countries. Emphasis on the sample that share the same origin of the common law family (La Porta et al. 1998) and their nation-level governance infrastructure remain top-ranked by Credit Lyonnais Securities Asia[4] (2004) provides an ideal setting for researchers to examine how corporate governance structure might dictate the information revelation and frequency setting of the boards.

The data of meeting information, ownership structure, board structure, and audit committee composition is hand collected from firm's annual financial reports of year 2000. The shareholdings of board members, chairman, and CEO are collected from company's prospectus. Financial figures and stock returns are collected from Datastream and Compustat.

According to the notion of Claessens et al. (2000) we trace the ownership structure to locate the ultimate controller for each firm. The family control dummy is assigned the value 1 when the ultimate controlling shareholder is family and 0 otherwise. The voting rights of the controlling owners are the summed voting rights along each chain that has the weakest link of all the holding layers. The cash flow rights associated with the controlling owners are the products of all of the ownership in the intermediate companies along each chain. The total cash flow rights are then equal to the sum of all of the cash flow rights from all of the ownership chains. Dummy (Chairman/CEO duality) is assigned 1 when the chairman of the board simultaneously serving the CEO post and 0 otherwise. Board independence is defined as the proportion of board members who are not directly connected to the controlling shareholder, his/her identifiable relatives, or legal representatives from other companies or entities controlled by the controlling shareholder. The definition applies to the independence of audit committee.

Table 2 reports the descriptive statistics for firms choosing disclosure of meeting information. The result shows that 265 out of 450 firms (58.9%) being investigated report the information of board meeting. The percentages are the highest in Malaysia (86.7%), followed by Singapore (64%) and Hong Kong (26%). Following the same order the percentages of reporting audit committee meeting are 89.3%, 71.3%, and 38.4% for listed firms in Malaysia, Singapore, and Hong Kong,

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4 According to the six aspects of anti-director rights of La Porta et al. (1998), namely, mail allowed, shares not blocked before meeting, cumulative voting or proportional representation, oppressed minority, preemptive right to new issue, percentage of share capital to call an extraordinary shareholders' meeting, Hong Kong, Singapore and Malaysia were ranked the score of 5, 4, and 4 out of the full rank of 6, which is comparable to 5 in U.S. and 4 in common law countries while is higher than the overall sample average of 3.

respectively. There are 38 out of 150 listed firms being investigated not setting up an audit committee, as it is not compulsory in rules. In general firms are more willing to disclose the information of audit committee meeting than of board meeting. The percentage of disclosing audit committee meeting (68.9%) is slightly higher than that of board meeting (58.9%).

Among the listed firms that reveal the meeting information, the medians are 4 times and 3 times for board meetings and audit committee meetings, respectively. The median board meetings are 5 times for the listed firms in Malaysia, followed by Singapore (4 times) and Hong Kong (4 times). Note that the sequential order is also evidenced in the average frequency of audit committee (4 times for Malaysia, 3 times for Singapore and 2 times for Hong Kong) and is identical to the ordering of the percentage of revealing meeting information. In order to ensure that the differences are mainly resulted from firm's characteristics rather than the differences in regulatory requirements, we will control the country fixed effect in the further regression analysis.

TABLE 2

Descriptive Statistics for Firms Disclosing Board Meeting and Audit Committee Meeting

	Hong Kong		**Singapore**		**Malaysia**		**All Sample**	
Panel A: Report Meeting Information in Firm's Annual Reports								
Board Meeting	39 (39/150 = 26%)		96 (96/150 = 64%)		130 (130/150 = 86.7%)		265 (265/450 = 58.9%)	
Audit Committee	43 (43/112 = 38.4%)		107 (107/150 = 71.3%)		134 (134/150 = 89.3%)		284 (284/412 = 68.9%)	
Panel B: Meeting Frequency among Firms that Report Meeting Information								
	Mean	**Median**	**Mean**	**Median**	**Mean**	**Median**	**Mean**	**Median**
Board Meeting	4	4	4.15	4	6.13	5	5.35	4
Audit Committee	2.62	2	3.21	3	4.26	4	3.72	3

The sample is collected from the annual reports of 450 listed firms in Hong Kong, Singapore and Malaysia in year 2000. This table reports the number and proportion in parentheses for firms that report board meeting and audit committee meeting in Panel A and the meeting frequency in Panel B. Note that 38 firms in Hong Kong do not include an audit committee that is not a mandatory requirement in laws.

4. Empirical Findings

4.1 Descriptive Statistics

For 450 firms being investigated, we report the summary statistics of corporate governance. Following the notion of ultimate control of Claessens et al. (2000) we trace the ownership structure of each firm and define the one with the most voting rights as the ultimate controller. Family control is defined as a group of people that are related through blood or marriage ties. The result in Table 3 shows that 72% of the listed firms are family controlled. On average controlling owners' voting rights and cash flow rights are 46.48% and 32.76%, respectively. The wedge as measured by subtracting cash flow rights of the controlling owner from his/her voting rights is 13.72%, which is possibly due to the device of cross shareholdings or pyramidal structure. More than half of the controlling owners (54%) dual serve the CEO post and the chairman of the board. The median size is 9 persons for the board of directors and 3 persons for the audit committee. Around one third (36.27%) of the board members and two thirds (67.65%) of the audit committee members are being characterized as independent.

A comparison among the three countries indicates that the proportion of family control is comparatively higher in Singapore (77%) and Hong Kong (75%) than in Malaysia (65%). CEO/chairman duality is also found to be higher in Singapore (63%) and Hong Kong (61%) than in Malaysia (37%). However, the wedge is highest for firms in Singapore (17.05%) followed by those in Malaysia (13.51%) and in Hong Kong (10.60%). Board independence seems to be the highest in the listed firms of Malaysia (45.81%). Audit committee independence is highest in the listed firms of Singapore (75.15%). Moreover, as compared to the statistics in Singapore and Malaysia, Hong Kong is associated with the largest board of directors and smallest audit committee with the medians of 10 persons and 2[5] persons, respectively.

[5] This is probably due to the fact that the audit committee is not compulsory for the listed firms in Hong Kong or to the fact that some committee members resigned in our sampling period.

TABLE 3
Descriptive Statistics of Governance Characteristics of Firms in Hong Kong, Singapore, and Malaysia

Panel A: Overall result	Mean	S. D.	Q1	Median	Q3
Dummy (family control)	0.72	0.45	0	1	1
Voting rights (%)	46.48	17.09	32.8	46.56	59.56
Cash flow rights (%)	32.76	18.48	19.148	30.475	43.52
Voting rights – cash flow rights (%)	13.72	13.54	0	11.88	24.24
Dummy (Chairman/CEO duality)	0.54	0.5	0	1	1
Number of board members	8.93	2.91	7	9	10
Percentage of independent board members (%)	36.27	16.79	25	33.33	50
Number of audit committee members	2.85	1.24	3	3	3
Percentage of independent audit committee members (%)	67.65	29.35	66.67	66.67	100

Panel B: result for each country	Hong Kong		Singapore		Malaysia	
	Mean	Median	Mean	Median	Mean	Median
Dummy (family control)	0.75	1	0.77	1	0.65	1
Voting rights (%)	48.49	49.605	48.86	50.35	42.09	41.865
Cash flow rights (%)	37.89	37.27	31.81	30.09	28.57	23.695
Voting rights – cash flow rights (%)	10.6	1.9	17.05	18.06	13.51	10.52
Dummy (Chairman/CEO duality)	0.61	1	0.63	1	0.37	0
Number of board members	10.37	10	7.79	8	8.64	9
Percentage of independent board members (%)	26.69	25	36.3	34.85	45.81	44.44
Number of audit committee members	1.85	2	3.16	3	3.53	3
Percentage of independent audit committee members (%)	60.73	66.67	75.15	66.67	67.07	67

The sample consists of 450 listed firms in Hong Kong, Singapore, and Malaysia. The number of board meetings and audit committee meetings are collected from annual reports in year 2000. According to the notion of Claessen et al. (2000) the family control dummy is assigned the value of 1 when the ultimate controlling shareholder is family and 0 otherwise. The voting rights are the summed voting rights along each chain that has the weakest link of all the holding layers. The cash flow rights along each chain are the products of all of the ownership in the intermediate companies along that chain. The total cash flow rights are then equal to the sum of all of the cash flow rights from all of the ownership chains. The shareholdings of board members, chairman, and CEO are collected from company’s prospectus. Dummy (Chairman/CEO duality) is assigned 1 when the chairman of the board simultaneously serving the CEO post, and 0 otherwise. Independence connotes that the board (audit committee) members who are not directly connected to the controlling shareholder, his/her identifiable relatives, or legal representatives from other companies or entities controlled by the controlling shareholder. . Panel A reports the overall result. Panel B reports the statistics of the three countries, respectively. In conducting multi-comparisons among the three countries, ***, **, and * represent the significance level of 1%, 5%, and 10%, respectively.

4.2 Disclosure Versus Non-Disclosure

In Table 4 we contrast the corporate governance, financial performance measures and market valuations between information disclosure firms and non-disclosure firms. The results in Panel A show that the voting rights (44.90%) and cash flow rights (29.88%) associated with the controlling owners are lower for board-meeting disclosure firms than for non-disclosure firms (48.13% and 35.76%, respectively). However, the controlling owners for these disclosure firms are associated with higher voting-cash flow deviation. The average voting-cash flow deviation for the disclosure firms (15.01%) is significantly higher than that for non-disclosure firms (12.37%). The picture so far implies that disclosure firms are associated with an inferior ownership structure where controlling owners have lower cash flow rights to begin with while lever their control to a greater extent than the non-disclosure firms, consistent with the market pressure hypothesis and the substitute hypothesis.

However, the disclosure firms are associated with a lower proportion of chairman/CEO duality (45%) than the non-disclosure firms (63%). Moreover, the disclosure firms are associated with higher board independence (40.18%) than the non-disclosure firms (31.52%). The positive relationship between board independence and information disclosure is inconsistent with the substitute hypothesis. Moreover, the chairman/CEO duality is still a disputable issue in corporate governance[6]and that blurs the prediction of the substitute hypothesis and the complementary hypothesis. However, the market pressure hypothesis provides satisfactory explanation on this issue. Controlling owners confront with boards composed of more independent members are more likely to be impelled to reveal the meeting information. Moreover, controlling owners when dual serving the CEO post and chairing the board, would opt for concealing the meeting information from

6 Shareholder activists have long argued that the roles of chief executive officer and chairman of the board should be separated to contain CEO dominance over other board members. Cadbury (1992) recommends that the two roles be separated in UK-quoted companies. Klein (1998, 2000) provides evidence that a board with CEO sitting on its nominating committee or on its executive compensation committee is characterized as less independent. Some even argue that the board chair should be granted to an outside executive to make the board as a whole more effective as a monitor. However, the relation between CEO/chair duality and firm performance receives mixed support in literature. For example, Moyer, Rao, and Baliga (1996) and Brickley et al. (1997) do not discern a statistical link between a CEO/chair duality and firm's performance. In contrast, Chen et al. (2005) in investigating concentrated family ownership of Hong Kong listed firms find a negative relation between CEO duality and performance where CEO duality is much more likely in family-controlled firms.

outsiders.

The fact that disclosing firms were poor performers in terms of equity price-to-book ratio and one-year CAR prior to information disclosure further supports the market pressure hypothesis. CAR is the cumulative net-of-market 12-month stock returns. The annual returns are continuously compounded from monthly stock returns starting from 12 months before the latest date, as required by law or listing rules, that the firm discloses its annual report. The average price-to-book ratio in the yearend of 2000 for disclosure firms is 0.78 for disclosure firms and 1.49 for non-disclosure firms. The average cumulative abnormal return for disclosure firms (-3%) is significantly lower than that of non-disclosure firms (11%).

The contrast between firms disclosing versus non-disclosing audit-committee meeting information is summarized in Panel B. Management and external auditors may have legitimate differences of opinion in how to best apply GAAP (Magee and Tseng, 1990; Dye, 1991; Antle and Nalebuff, 1991). However, the differences would result in dismissal of external auditors, or more likely, in a negotiated final financial report (Antle and Nalebuff, 1991). Therefore, even external auditors prefer more conservative accounting choices than management due to litigation risk (DeFond and Subramanyan, 1998), not all audit committees are able to withstand pressure from firms to manipulate earnings, especially for firms in a family group. The result from whether to disclose the audit committee information basically replicates that of the decision of whether to disclose the board meeting information. Compared to firms that do not disclose the audit committee information, firms that disclose the information are subjected to disincentive associated with controlling owner, independence of the audit committee, and less satisfactory performance measures. This further verifies the market pressure hypothesis.

TABLE 4
Contrast between Disclosing Versus Non-disclosing Firms – Board Meeting and Audit Committee Meeting

Panel A: Board Meeting	**Disclosure**	**Mean**	**S. D.**	**t-value**
Dummy (family control)	Yes	0.71	0.46	-0.763
	No	0.74	0.44	
Voting rights (%)	Yes	44.9	16.74	-2.011**
	No	48.13	17.34	
Cash flow rights (%)	Yes	29.88	18.27	-3.409***
	No	35.76	18.26	
Voting rights-cash flow rights (%)	Yes	15.01	14.05	2.077**
	No	12.37	12.88	
Dummy (Chairman/CEO duality)	Yes	0.45	0.5	-3.973***
	No	0.63	0.48	
Number of board members	Yes	8.33	2.29	-4.558***
	No	9.56	3.33	
Percentage of independent members (%)	Yes	40.81	16.7	6.101***
	No	31.52	15.56	
ROA (%)	Yes	4.19	6.64	0.356
	No	3.6	23.53	
P/B	Yes	0.78	0.83	-2.138**
	No	1.49	4.86	
CAR	Yes	-0.03	0.26	-3.991***
	No	0.11	0.47	
Asset (in thousand dollars)	Yes	1,647,064.9	4,399,123	-2.296**
	No	3,285,956.6	9,674,267.4	
Debt ratio (%)	Yes	52.77	28.59	1.184
	No	49.06	37.07	
Panel B: Audit Committee Meeting				
Dummy (family control)	Yes	0.71	0.45	-0.907
	No	0.76	0.43	
Voting rights (%)	Yes	45.41	16.78	-1.192
	No	47.53	17.54	
Cash flow rights (%)	Yes	30.29	17.66	-2.864***
	No	35.65	18.44	
Voting rights-cash flow rights (%)	Yes	15.12	13.89	2.281**
	No	11.88	13.03	
Dummy (Chairman/CEO duality)	Yes	0.5	0.5	-1.871*
	No	0.6	0.49	
Number of committee members	Yes	3.29	0.8	5.231***
	No	2.76	1.05	
Percentage of independent members (%)	Yes	0.79	0.26	3.062***
	No	0.71	0.19	
ROA (%)	Yes	3.29	19.92	-0.765
	No	4.48	11.67	
P/B	Yes	0.85	0.91	-1.78*
	No	1.76	6.04	
CAR	Yes	-0.03	0.28	-3.311***
	No	0.13	0.51	
Asset (in thousand dollars)	Yes	1,514,331.2	3,569,081.1	-2.268**
	No	3,619,474.7	10,643,518.3	
Debt ratio (%)	Yes	50.84	27.83	0.393
	No	49.69	28.31	

This table reports the contrasts in variables for firms that disclosed the information of board meeting (panel A) and audit committee (panel B) versus those that did not in year 2000. ROA is the return on assets. P/B is equity price to book ratio. CAR is the cumulative net-of-market 12-month stock return. Other variables refer to Table 2. The t-statistics are reported in the last column. ***, **, and * represent the significance level of 1%, 5% and 10%, respectively.

4.3 The Determinants of Information Disclosure

In Table 5 we adopt logit regression with the dependent variable of disclosure dummy that is assigned the value 1 when firm reports the meeting information and 0 otherwise. The independent variables include ownership structure (family-control dummy, cash flow rights, voting-cash deviation), board structure (Chairman/CEO duality dummy, number of board members, percentage of independent board members), firm characteristics (the natural logarithm of total assets and debt ratio), and performance measures (industry-adjusted return on assets, price-to-book ratio, and one-year cumulative abnormal returns). Following Claessens et al. (2002), the industry in which each firm operates is based two-digit Standard Industrial Classification (SIC). The industry-adjusted measures are defined the industry averages subtracted from the raw measures of the underlying firm. Note that all the variables are measures in the cohort year of 2000. The country effect is also controlled in the regression.

The results indicate that controlling owners with higher cash flow rights are negatively associated with a lower likelihood that the firm discloses the meeting information, significant at 1% level. In contrast, controlling owners with a deviating voting-cash structure are associated with higher likelihood that the firm would reveal information. Moreover, firms with boards that are comprised of more independent members would be more likely to be demanded of revealing the meeting information. Finally, the performance measures, such as industry-adjusted price-to-book ratio and one-year cumulative abnormal returns, are negatively associated with the odds of information disclosure.

The overall results are consistent with the market pressure hypothesis that the controlling owner in nature is reluctant to disclose the meeting information unless they confront with formidable market pressure that is derived from outsiders' quest of the disincentive of the controlling owners, independent board members who on behalf of shareholders are deputed to closely watch the firms, and disgruntled investors when seeing unsatisfactory performance measures.

The results of the decision on whether to reveal audit committee meeting (in Panel B) basically echo the findings in panel A. Family-controlled firms and firms with controlling owners entitled higher cash flow rights are associated with a lower likelihood of revealing the audit committee meeting information. In contrast, controlling owners with a deviating voting-cash flow structure increase the need to reveal the meeting information. Board independence increases the necessity to information revelation. Poor performing firms also invite outside suspicion and therefore increase the necessity of revealing meeting information of audit committee. Note that family controlled firms are associated with a lower likelihood of disclosing meeting information. Moreover, firms with larger asset size are less likely to report the information.

Note that the empirical results only partially support the substitute hypothesis and the complementary hypothesis. The former indicate a negative relation while the latter predicts a positive relation between corporate governance and meeting revelation. For example, the fact that the odds of information disclosure is negatively related to cash flow rights entitled to the controlling owners and positively related to the wedge associated with the controlling owners is consistent with the substitute hypothesis while is contradictory to the complementary hypothesis.

In contrast, the fact that the odds of information disclosure is negatively correlated with the chairman/CEO duality and positively correlated with the board independence is in supportive to the complementary hypothesis while is contradictory to the substitute hypothesis. Moreover, both the complementary hypothesis and the substitute hypothesis say little about the relationship between firm’s performance and the odds of information revelation. In contrast, the market pressure hypothesis indicates that firms when are free willed to choose would opt for not revealing the meeting information unless they are urged of so doing owing to inferior performance measures. Information revelation serves as a conduit for controlling owners to placate the disgruntled while powerful outsiders who are either investors or independent board members.

TABLE 5
Logit Regression -The Determinant of Disclosing Meeting Information

	Dependent Variable: whether disclosing meeting information: Yes=1, otherwise=0		
Panel A: Board Meeting			
Intercept	2.006	3.523	1.788
	(2.907)*	(7.347)***	(2.305)
Dummy (family control)	-0.398	-0.416	-0.413
	(2.089)	(2.25)	(2.234)
Cash flow rights	-0.02	-0.018	-0.019
	(8.852)***	(6.948)***	(7.8)***
Voting – cash flow rights	0.015	0.015	0.015
	(2.764)*	(2.805)*	(2.854)*
Dummy (Chairman/CEO duality)	-0.947	-0.919	-0.944
	(17.112)***	(15.82)***	(16.784)***
Ln (No. of board members)	-0.097	-0.084	-0.091
	(4.377)**	(3.246)*	(0.053)
% of independent members	3.363	3.485	3.192
	(22.991)***	(23.964)***	(20.567)***
Ln (assets)	-0.105	-0.24	-0.088
	(1.626)	(5.319)**	(1.12)
Debt ratio	0.516	0.492	0.511
	(2.582)	(2.416)	(2.563)
Adj. ROA	-0.001		
	(0.014)		
Adj. P/B		-0.346	
		(7.687)***	
CAR			-0.742
			(5.392)**
Concordant ratio	74.4%	75.5%	75.2%
Panel B: Audit Committee Meeting			
Intercept	3.468	4.417	3.075
	(7.737)***	(11.046)***	(6.079)**
Dummy (family control)	-0.643	-0.624	-0.616
	(4.583)**	(4.28)**	(4.157)**
Cash flow rights	-0.019	-0.018	-0.018
	(7.104)***	(5.697)**	(5.883)**
Voting – cash flow rights	0.017	0.017	0.016
	(3.117)*	(2.933)*	(2.786)*
Dummy (Chairman/CEO duality)	-0.458	-0.376	-0.43
	(3.727)*	(2.473)	(3.228)*
Ln (No. of board members)	-0.026	-0.008	-0.12
	(0.279)	(0.027)	(0.061)
% of independent members	2.467	2.531	2.269
	(9.909)***	(10.136)***	(8.34)***
Ln (assets)	-0.184	-0.262	-0.164
	(4.331)**	(7.763)***	(3.398)*
Debt ratio	0.09	0.153	0.129
	(0.043)	(0.132)	(0.093)
Adj. ROA	-0.008		
	(1.146)		
Adj. P/B		-0.233	
		(5.017)**	
CAR			-0.798
			(6.241)**
Concordant ratio	69.4%	70%	69.2%

This table reports the results from logit regressions where dependent variable is a dummy assigning value 1 when firms disclosed meeting information in annual reports in year 2000 and 0 otherwise. Panel A reports the regression result of board meeting and the result of audit committee meeting is summarized in panel B. ROA and P/B are adjusted by the corresponding measures of industry averages. Note that the country effect has been controlled in the regressions but did not reported herein for brevity. ***, **, and * represent the significance level of 1%, 5%, and 10%, respectively.

Note that the results from Table 5 indicate that the voting-cash flow deviation and chairman/CEO duality yield different predictions on the odds of information revelation. This issue can to be further investigated in that the two measures in some cases might connote a similar meaning that controlling owners engage in entrenchment activities and therefore attract outsiders' quest. For example, controlling owners might wield the leverage such as cross-shareholding, pyramidal structure, and dual-class shares so to deviate their voting rights far exceeding cash flow rights and to an extent of dual chairing the board and serving the managerial post. Outsiders who cast doubts on these firms would demand the revelation of meeting information.

However, as mentioned in the passage, CEO/chairman duality might not strictly connote negativity to governance structure (Moyer, Rao, and Baliga, 1996; Brickley et al., 1997). Moreover, whether the duality is detrimental or beneficial to firm's performance is conditional to the context environment, for example, size. Palmon and Wald (2002) illustrate that small firms benefit more from the clarity and decisiveness of decision-making under a single executive, while large firms benefit more from the checks and balances of having two executives in the CEO and chairman of the board positions. Furthermore, we find that the manifestation of chairman/CEO duality is mainly derived from the cash flow rights of controlling owner, i.e. controlling owners possess sufficient cash flow rights and that naturedly result in their dual chairing the board and the managerial post[7].

4.4 The Determinants of Meeting Frequency

Before launching the investigation to locate the possible determinants of meeting frequency, we conduct a partial correlation with respect to the same set of variables and meeting frequency. The partial correlation coefficients that are significantly negative include family-control dummy, voting rights, cash flow rights, Chairman/CEO duality dummy, one-year cumulative abnormal return, and industry-adjusted price-to-book ratio. The coefficients that are significantly positive include the natural logarithm of firm's assets and the size of the audit committee. The results from board meeting frequency are parallel to those from audit

[7] We segregate the CEO/chairman duality firms into high-cash-flow versus low-cash-flow subgroups. As compared to firms in the low cash flow rights, firms in the high cash-flow-rights group are associated with lower odds of revealing meeting information with the difference between the two groups significant at 1% for board meeting revelation and 5% for the audit committee meeting revelation.

committee meeting frequency. Again, the market pressure hypothesis is capable of accounting for the results that controlling owners loathe calling meetings unless the meetings are mandated in firm’s bylaw or are demanded by outside market pressure.

In table 6 we regress the natural logarithm of meeting frequency on the variables of ownership structure, board structure, firm’s characteristics, and performance measures. The results show that cash flow rights associated with the controlling owners is negatively correlated with the meeting frequency significant at 5% level. In contrast, firm size is positively correlated with board meetings significant at 1% level. Moreover, firms with higher cumulative abnormal returns are negatively correlated with meeting frequency. The picture is in line with the market pressure hypothesis. Controlling owners entitled of higher cash flow rights are less likely to be questioned of misalignment in interest with minority stakeholders. Also investors who enjoy higher returns on investment are more likely to trust the firms and therefore demand fewer meetings. In contrast, the larger the firm size that implies more checks and balances are needed to reconcile the concerns of different stakeholders in the firm, and that results in more meetings.

The results from the regression of the meeting frequency of audit committee basically echo those from the board meeting frequency that controlling shareholders being entitled of more cash flow rights and dual chairing the board and CEO post are associated with lower meeting frequency. A significant deviating voting-cash flow structure associated with the controlling owners is positively correlated with audit committee meetings. In contrast, large firms associated with larger audit committee size are associated with higher meeting frequency. Moreover, firms with higher prior one-year returns are associated with fewer meetings. The market pressure hypothesis receives supporting evidences in predicting the meeting frequency.

Note that the voting-cash flow deviation is more negatively correlated with the audit-committee meetings than board meetings. One possibility is that firms whose controlling owners with a diverting voting-cash flow structure tend to be the ones that are far remote along the chain of control of the controlling shareholders. And these firms might be in need of more back-and-forth communications when preparing financial reports and therefore more audit committee meetings are associated with.

In comparing the determinants of whether to disclose meeting information (Table 5) to the determinants of meeting frequency (Table 6) we find that the two sets of determinants are basically similar while subject to minor differences. There are more discerning variables in affecting the decision of whether to disclose meeting information than the meeting frequency. For example, firm size[8] is negatively associated with the likelihood of disclosing meeting information while is positively associated with the meeting frequency. This is possibly due to the fact that size (in Table 4) implies control potential for controlling owners to flexibly allocate resources within the firm. Having control in the first place, the controlling owners would try possibilities to hinder information revelation. However, once they are impelled to disclose the information for some reasons, size (in Table 6) in turns implies the interests that different parties would get involved in. The more involved interest the more meetings are needed to resolve potential conflictions among different interest parties. Moreover, board independence, measured by the percentage of independent board members, is positively correlated with the likelihood of disclosing meeting information while is less significant in dictating the meeting frequency. In other words board independence serve more as the first gatekeeper impelling the firms to disclose the meeting information rather than as the disturbance resolution that demands more board activities to hold. Other than the minor differences, the two set of decisions for firms are pretty similar.

Even though we postulate that meeting frequency is mainly demand-driven by market pressure, someone might propose alternative argument to the empirical findings. For example, controlling owners might initiate the revelation of board meeting so as to signal to outsiders and dissidents that a substitute surveillance mechanism has been invited in. That is, controlling owners proactively control the potential conflict rather than passively response to disgruntled interest parties. Therefore, meeting might be supply-driven rather than demand-driven. However, we would reserve with this argument in that meetings are basically time consuming. Jensen (1993) suggests that boards should be relatively inactive, and that boards are usually forced to maintain higher activity levels in the presence of problems. In this view, board meetings serve as a fire-fighting device rather than as a proactive measure for improved governance.

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[8] A few studies investigate the size related issue. For example, Steiner (1972) documents that process losses increase rapidly with group size. Lipton and Lorsch (1992) suggest an optimal board size between seven and nine directors and Yermark (1996) documents and inverse relation between board size and firm value.

TABLE 6
The Determinants of Meeting Frequency

Panel A: ln (Board Meeting Frequency in 2000)			
	(1)	**(2)**	**(3)**
Intercept	-0.234	-0.297	-0.272
	(-0.497)	(-0.602)	(-0.592)
D (family control)	-0.086	-0.087	-0.085
	(-1.186)	(-1.193)	(-1.194)
Cash flow rights	-0.004	-0.004	-0.004
	(-2.307)**	(-2.302)**	(-2.191)**
Voting – cash flow rights	-0.001	-0.0004	-0.001
	(-0.227)	(-0.209)	(-0.394)
Dummy (Chairman/CEO duality)	-0.025	-0.025	-0.037
	(-0.416)	(-0.416)	(-0.62)
Ln (No. of board members)	0.014	0.018	0.006
	(0.125)	(0.161)	(0.543)
% of independent board members	0.144	0.133	0.154
	(0.827)	(0.761)	(0.9)
Ln $(assets)_{1999}$	0.107	0.111	0.104
	(4.634)***	(4.44)***	(4.683)***
Debt $ratio_{1999}$	0.095	0.075	0.068
	(0.915)	(0.75)	(0.684)
Adj. ROA_{1999}	0.003		
	(0.631)		
Adj. P/B_{1999}		0.024	
		(0.658)	
CAR_{1999}			-0.252
			(-2.531)**
Adj. R^2	26.52	26.53	28.49
R^2	30.05	30.06	31.92
Panel B: ln (Audit Committee Meeting Frequency in 2000)			
Intercept	-0.314	-0.406	-0.25
	(-0.916)	(-1.106)	(-0.726)
D (family control)	-0.058	-0.062	-0.065
	(-0.936)	(-0.998)	(-1.04)
Cash flow rights	-0.002	-0.002	-0.002
	(-2.034)**	(-2.074)**	(-1.901)*
Voting – cash flow rights	0.004	0.004	0.004
	(1.865)*	(1.966)*	(1.968)*
Dummy (Chairman/CEO duality)	-0.105	-0.109	-0.111
	(-2.01)**	(-2.088)**	(-2.102)**
Ln (No. of audit committee members)	0.246	0.22	0.24
	(1.997)*	(1.746)*	(1.929)*
% of independent audit committee members	0.112	0.099	0.104
	(0.813)	(0.718)	(0.751)
Ln $(assets)_{1999}$	0.067	0.073	0.063
	(3.418)***	(3.421)***	(3.215)***
Debt $ratio_{1999}$	0.17	0.134	0.142
	(1.836)*	(1.472)	(1.549)
Adj. ROA_{1999}	-0.002		
	(-1.578)		
Adj. P/B_{1999}		-0.032	
		(-1.091)	
CAR_{1999}			-0.028
			(-1.814)*
Adj. R^2	23.03	22.65	22.32
R^2	26.17	25.8	25.49

This table reports the cross-sectional regressions of the natural logarithm of meeting frequency in 2000 on possible determinants. All variables are defined in Table 2. The regression results of board meetings are reported in Panel A, and the regression results of audit committee meetings are summarized in Panel B. All independent variables unless specified are measured in 2000. Note that the country effect has been controlled in the regressions but did not reported herein for brevity. In each cell, the regression coefficients are reported in the upper case and t-statistics in parentheses are reported in the lower case. ***, **, and * represent the significance level of 1%, 5%, and 10%, respectively.

4.5 Meeting Frequency and Performance Measures

In this section we would like to investigate the issue of whether meeting frequency is related to firm’s performance measures. This is equivalent to an examination of whether the proactive or passive argument prevails. If this proactive argument holds water, we would find that frequent-meeting firms outperform the infrequent-meeting ones. In contrast, if the passive argument sustains, the following performance measures for frequent versus infrequent firms should be indifferent. Table 7 summarizes the regression of the follow-on performance measures on meeting frequency and other control variables. The results show that board meetings (panel A) and audit committee meetings (panel B) are basically unrelated to firm’s market valuation using the proxies of ROA, price-to-book ratio, and one-year cumulative abnormal returns. The overall picture further support the market pressure hypothesis: meeting is a device used by controlling owners to placate the disgruntled outsiders rather than a facilitator enhancing the firm’s performance.

TABLE 7
Meeting Frequency and Market Value

	Adj. ROA_{2001}	**Adj. PB_{2001}**	**CAR_{2001}**
Panel A: Board Meetings			
Intercept	-6.422	-29.06	-0.788
	(-0.387)	(-3.171)***	(-2.189)**
D (family control)	-3.891	2.746	0.109
	(-1.706)*	(2.193)**	(2.191)**
Ln (Board meetings)	0.158	0.436	-0.023
	(0.061)	(0.302)	(-0.408)
Ln (No. of board members)	6.113	-0.669	-0.077
	(1.416)	(-0.277)	(-0.826)
Ln (assets)	-0.074	2.08	0.075
	(-0.081)	(4.116)***	(3.787)***
Debt ratio	-0.158	6.806	-0.222
	(-0.04)	(3.108)***	(-2.579)**
R&D	-1.411	-0.183	-0.017
	(-1.684)*	(-0.396)	(-0.909)
Adj. R^2	0.009	0.186	0.062
Panel B: Audit Committee Meetings			
	Adj. ROA_{2001}	**Adj. PB_{2001}**	**CAR_{2001}**
Intercept	3.06	-25.532	2.426
	(0.257)	(-4.048)***	(2.151)**
D (family control)	-3.267	2.616	-0.315
	(-1.589)	(2.4)**	(-1.616)
Ln (Audit committee meetings)	1.107	0.676	-0.147
	(0.468)	(0.543)	(-0.66)
Ln (No. of board members)	4.319	-1.104	-0.592
	(1.146)	(-0.547)	(-1.665)*
Ln (assets)	-0.26	1.817	0.044
	(-0.333)	(4.374)***	(0.589)
Debt ratio	0.199	7.286	0.015
	(0.056)	(3.842)***	(0.044)
R&D	-0.738	-0.399	-0.025
	(-1.177)	(-1.205)	(-0.423)
Adj. R^2	0.0098	0.1894	0.0391

This table reports the regressions of firm’s performance measures, namely adjusted ROA, adjusted P/B ratio, and one-year cumulative returns in year 2001, on meeting frequency and other variables in year 2000. In each cell, the regression coefficients are reported in the upper case and t-statistics in parentheses are reported in the lower case. ***, **, and * represent the significance level of 1%, 5%, and 10%, respectively.

5. Concluding Remarks

In this study we directly study the role of meeting, which was usually deemed as exogenous in prior works. Using the data of 450 listed firms in Hong Kong, Singapore and Malaysia we find that meeting, including board meeting and audit committee meeting, is better characterized as a placebo than a remedy. We propose the market pressure hypothesis to depict the controlling owner’s attitude toward the decision of whether to reveal meeting information and the decision of how frequent the meetings should be called for. The results show that firms would only reveal the meeting information when the controlling owners are being skeptical on incentives manifested in ownership structure, in the presence of more independent members in boards, and the firms incur less satisfactory performance measures. The market pressure receives supporting evidences both in firm’s information disclosure as well as in the setting of meeting frequency; and is sustainable for the board of the directors as well as the audit committee. Since controlling owners passively response to market pressure in making the meeting decision, the relation between the firm’s meeting frequency and its follow-on performance measures is insignificant. The overall picture is consistent with the argument put forth by Jensen (1993) that board meetings are reactive, rather than proactive, measures.

However, we fail to find that firms with frequent meetings are to their remedy as to show an improvement of performance measures. This is somewhat different from the second part of the story being told by Vafeas (1999). One possibility is that we did not portray the event of firms that encountered significant drop in performance and that in turn drive the firms to call more meetings for their own remedy. In contrast, we in general depict that firms that reveal meeting information are associated with inferior performance measures. Furthermore, the mechanism of meeting, as being indicated in Vafeas (1999), might not equally applicable to the firms where ownership structure is concentrated in hand of families.

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