Journal of Commerce & Accounting Research
8 (2) 2019, 59-65
http://publishingindia.com/jcar/

PERVASIVENESS OF CORPORATE ILLEGALITY: THE EFFECTS OF BOARD OF DIRECTORS CHARACTERISTICS

Gundeep Kaur Virk*

Abstract *An ever-increasing rate of illegalities in the corporate world is a reason for concern and the most daunting global challenge. The advent of sophisticated technologies has facilitated the exploitation of regulatory loopholes by white collar criminals. Taking note of the economic crisis caused due to corporate failures, it is important to investigate the role played by corporate directors in thwarting such occurrences. With the help previous literature, this paper discusses the specific board aspects which are likely to have a significant effect on the occurrence of corporate illegality. A few research propositions are presented to understand the influence of the board of directors' characteristics on the incidence of corporate illegality.*

Keywords: *Corporate Illegality, Board of Directors, Corporate Governance, Corporate Fraud*

INTRODUCTION

Not all incidences of corporate delinquency are discovered and those discovered might not be reported (Farrell and Franco, 1999). The society has incessantly evidenced serious white collar crimes and continues to suffer its financial, moral and physical losses. The infamous cases of Enron Corporation (United States of America), WorldCom (United States of America), Barings Bank (United Kingdom), One. Tel (Australia), Parmalat (Italy) and Satyam Computer Services (India) are only a few glaring examples of the loopholes in the internal control systems of multinational companies. "Why do corporations engage in illegal activity?" is a question posited widely. The Global Study on Occupational Fraud and Abuse by Association of Certified Fraud Examiners (ACFE, 2018) revealed that a firm's weak internal control mechanism is the primary reason for successive fraud occurrences and the affected organizations suffered a loss of more than $7 billion due to asset misappropriation and financial misstatements during the period January 2016 to October 2017.

Internal control mechanisms are the company's vital processes and policies which facilitate the achievement of organisational goals. The top management team (TMT) and board of directors configure the components of the internal control system (e.g., risk management, communication, control and monitoring activities) which can ensure accomplishment of company's operations, reporting, and compliance objectives. Whilst the most dynamic and strong internal controls cannot guarantee immunity from fraud, they can potentially mitigate the occurrence of illegal events thereby preventing the organisation from being a vulnerable target for exploiting regulatory loopholes.

Corporate governance is a conjugation of policies and procedures which assists in regulating the functioning of an organization while safeguarding the interests of firms' stakeholders. A well framed internal governance structure can ensure the accountability of the top management towards the outsiders (Hazarika *et al.*, 2012). According to the agency theory, effective corporate governance can shrink the conflict of interest between managers (agent) and owners (principal) thereby leading to lesser illegal activities. Given the essential role of corporate governance, it is imperative to study the contribution of those responsible for the prevention and detection of corporate illegality. Thus, the primary objective of the present study is to understand the relationship between board features and corporate illegality on the basis of the existing literature.

The paper is divided into three sections. The first section presented the background and the objective of the study. The second section outlines the burgeoning literature on the relationship of corporate illegality and board of director characteristics followed by the conclusion and future directions for research in the third section.

* Assistant Professor, Department of Commerce, Post Graduate Govt. College for Girls, Chandigarh, India.
Email: gundeep.88@gmail.com

DOES CORPORATE GOVERNANCE AFFECT CORPORATE ILLEGALLY?

In the words of Larcker and Tayan (2011, p. 8), "*corporate governance is a collection of control mechanisms that an organization adopts to prevent or dissuade potentially self-interested managers from engaging in activities detrimental to the welfare of shareholders and stakeholders*" and, the board is one of the several attributes which makes corporate governance strong in an organisation (Salleh and Othman, 2016). Corporate governance is a discipline articulating the relationship among the corporate actors, i.e., the board of directors, the management, and shareholders. The shareholders elect the board of directors to administer the company and undertake crucial functions on their behalf. However, the board, owing to the corporate complexities delegates its responsibilities to the management. Hence, it is the board's duty to regulate the management activities, ensure its' ethical functioning and mitigate agency costs arising due to the misalignment of the interests of the corporate actors. The ubiquitous corporate illegality is, in fact, a by-product of the agency problem caused by factors like information asymmetries, weak internal controls and lack of managerial expertise.

Corporate illegality consists of acts of omission or commission by any individual or group of individuals within a business organization that violate an administrative, civil, or criminal law, and for which the organization is the primary intended beneficiary (Schrager and Short, 1978). Illegal behaviour of the firm can be attributed to the wrongful motives of the executives, provision of opportunity to exploit power, and their choice to exercise the opportunity. Sutherland's (1939, p. 9) pioneering definition explains white collar crime as "*committed by a person of respectability and high social status in the course of his occupation*". The expressions 'avocational crime' (Geis, 1974), 'organizational crime' (Schrager and Short, 1978), 'corporate crime' and 'professional crime' (Clinard and Quinney, 1986), and 'occupational crime' (Green, 1990) used by various authors depicts that managers commit corporate criminal activities not only for firm's advantage but also for their personal benefit. In the view of Edelhertz (1970) "*White-collar crime is an illegal act or series of illegal acts committed by nonphysical acts committed by nonphysical means and by concealment or guile, to obtain money or property, to avoid the payment or loss of money or property, or to obtain business or personal advantage.*"

A robust corporate governance structure administers governance failure risks and unifies management's responsibilities with the board's oversight duties. Numerous studies (e.g., Uzun *et al.*, 2004; Crutchley *et al.*, 2007) have shown a fall in the rate of corporate illegalities where companies overhaul their governance mechanisms. It can be construed that an examination of corporate governance aspects can reveal board characteristics that act as a check on the manager's dubious activities and help in diminishing the principal-agent conflicts arising from dispersed ownership. There is evidence which substantiates the influence of board of director aspects, i.e., board independence, board size, board meetings, CEO duality and multiple directorships, on corporate frauds (Beasley, 1996; McKendall *et al.*, 1999; Beasley *et al.*, 2000; Hsu and Wu, 2014). Therefore, this paper emphasizes on reviewing the literature pivoting on the association of corporate illegality and board features. The subsequent segment presents an abstract of the prominent literature highlighting the said association.

The Potency of Board Independence to Curb Corporate Illegality

An autonomous board functioning free from the influence of the top management team exemplifies board independence. The theoretical agency perspective and supporters of outsider dominance on the board advocate the notion that independent boards directly affect the firm value, maximise shareholder wealth, and reduce the agency costs.

A study by Beasley (1996) examining fraud and non-fraud companies in the United States of America (U.S.) showed that a greater percentage of independent directors, their ownership, and tenure significantly reduced the likelihood of fraud. Beasley *et al.* (2000) reiterated the same results by showing that fraud companies have a lower percentage of outside directors and lack in terms of independent boards in three volatile industries, i.e., technology, healthcare, and financial services. Wagner *et al.* (1998) noted a curvilinear relationship between firm performance and the ratio of inside to outside directors on the board. They established that curvilinear homogeneity, i.e., a higher representation of either independent or non-independent directors, enhances the corporate performance. While examining companies alleged of issuing fraudulent financial reports, Dunn (2004) showed that the boards with a majority of inside directors are more likely to release false financial information. Uzun *et al.* (2004) upheld the negative relationship of outside directors with the occurrence of fraud and earnings restatement. Following the recommendation of the Conference Board Commission on Public Trust and Private Enterprises (U.S.), Petra (2005) has suggested that the board should have a substantial majority of independent directors even though stand alone they might not be much effective in improving decision making and strengthening the board structure. An examination of the companies charged with the Chinese Securities Regulatory Commission's enforcement actions by Chen *et al.* (2006) also established that a high percentage of independent directors on the board can significantly reduce financial fraud. Jackling and Johl (2009) probed the board structure of top Indian companies and supported the agency theory by associating firm performance with a high proportion of outside directors. The findings of Ndofor *et al.* (2013) confirmed that independent members not appointed by the CEO have an inverse relationship with the odds of reporting fraud where there is high firm level complexity.

However, several authors have presented a contrasting view on the association of corporate illegality and board independence. Investigating Fortune 500 companies, Kesner *et al.* (1986) gave evidence that outsider dominance on the board does not condense a firm's participation in illegal practices. McKendall *et al.* (1999) scrutinised the impact of corporate governance characteristics on the incidence of corporate environmental violations. Their study found that outsider dominance has no relationship with illegality. Furthermore, Virk (2017) established that independent directors are not related to corporate illegality. An investigation of financially distressed firms in Malaysia empirically testified that board independence cannot thwart distress (Abdullah, 2006). Similarly, Hsu and Wu (2014) recorded remoteness between the occurrence of corporate failures and representation of grey directors. They also suggested that the probability of corporate failure in European firms does not soar even if the board has a high proportion of outside directors. Based on the majority of literature and the assertion of agency theory, it can be suggested that independence of board from management promotes shareholder's interest and helps in averting corporate illegal events.

P_1: The likelihood of corporate illegality is lower in companies having a high proportion of independent directors on the board.

Board Size and Corporate Illegality

The significance of board size, i.e., the number of total directors on the board, has been accentuated in literature numerous times. Lipton and Lorsch (1992) observed that poor communication in large boards hampers decision making and elucidated that smaller boards perform more effectively. In the view of Jensen (1993), a CEO can effectively administer a board consisting of not more than seven or eight members. Beasley (1996) gave empirical evidence to show a positive relationship between increasing board size and financial statement fraud. Similar findings have been exhibited by Abbott *et al.* (2002) while examining the association of financial misstatements and board size in their fraud sample firms and restatement sample firms. Moreover, De Andreas *et al.* (2005) presented a negative effect of increased board size on firm performance. In the same vein, Hermalin and Weishbach (2003) put forth that firm value and size of the board are inversely related. Likewise, Abdullah (2006) demonstrated that an increase in the board size reduced board's efficiency and lead to financial distress in sample companies.

On the contrary, Tricker (1984) gave evidence to uphold the resource dependency theory and showed that additional outside directors enable a company to use their expertise constructively. Additionally, Chaganti *et al.* (1985) stated that failed firms have smaller boards in contrast to non-failed firms. However, Uzun *et al.* (2004), Chen *et al.* (2006), Shan *et al.* (2013) and Salleh and Othman (2016) expounded that board size has no influence on the occurrence of illegal corporate events and fails to prevent fraudulent corporate behaviour. Thus, it can be proposed that a small board is more equipped to curb illegality in firms.

P_2: The likelihood of corporate illegality is lower in companies having fewer members on the board of directors in contrast to companies having a large board.

The Correlation of Board Meetings and Corporate Illegal Events

In consonance with the resource dependency theory, the frequency and number of board meetings act as a proxy to the intensity of board activity. Several pieces from the literature have examined the consequences of board meeting frequency and its implications on corporate illegality. Lipton and Lorsch (1992) emphasized that frequent board meetings represent superior firm performance and an alliance of the company's interests with shareholder interests. According to Salleh and Othman (2016), frequent board meetings have a negative effect on corporate fraud and assists in checking dubious activities. In the same vein, Vafeas (1999) showed that in U.S. companies poor performance followed by increased board meetings resulted in improving firm's profitability.

Conversely, it has been argued that frequent meetings engage directors in trivial matters instead of supervising and controlling management activities (Jensen, 1993). According to Ndofor *et al.* (2013), too many board meetings symbolize high probability of economic fraud connected to industry and firm based information asymmetries and have an inverse association with the company's market performance. Chen *et al.* (2006) presented that the number of board meetings held annually could be positively associated with fraud, suggesting that the directors in the defaulting companies were aware of the existence of questionable activities. Shan *et al.* (2013) gave evidence for a positive relationship between board meetings and corporate illegal behaviour, advocating the view that the frequency of board meetings rises when the company operates in a fraudulent manner.

However, De Andreas *et al.* (2005) noted that board meetings do not stimulate effective monitoring by directors. Uzun *et al.* (2004) found a positive yet insignificant relationship between board meeting frequency and corporate fraud. Jackling and Johl (2009) stated that board meetings could not be associated with having a detrimental effect on performance in the Indian context. In corroboration with the existing literature, it can be suggested that a greater number of annual board meetings indicates directors' knowledge of the presence of dubious activities in a firm.

P_3: The likelihood of corporate illegality is lower in companies having fewer board meetings in contrast to companies having too frequent board meetings.

The Relationship of CEO Duality with Corporate Illegality

Dunn (2004) suggested that the power of a board can be gauged in terms of CEO duality. In the view of D'Aveni (1990), CEO and TMT quality are the chief parameters to determine the quality of a company's board. The agency theory also advocates the separation of CEO and the board chairman to protect the shareholder's interest and enable directors to exercise necessary control over self-interested managers. While supporting agency theory, Lorsch and MacIver (1989) established that directors could avert a crisis by avoiding CEO duality. Eisenhardt and Bourgeois (1988) furnished that influential CEOs delve in politics which in turn has an inverse relationship with the company's profitability. Dechow *et al.* (1996) strongly advocated the separation of the two positions as the chairperson questions the CEO activities and a conflict of interest may arise in the condition of CEO duality.

An examination of Fortune 500 companies by Kesner *et al.* (1986) demonstrated that CEO duality has a noteworthy contribution in ascertaining a firm's involvement in illegal activities. Also, bankrupt firms were found to have a CEO retaining the position of board chairman (Daily and Dalton, 1994). By extending the definition of CEO duality to include TMT duality, Dunn (2004) concluded that insiders having control over structure power in terms of TMT duality are at a greater risk of issuing fabricated financial statements. Abbott *et al.* (2002) noted greater prospects of financial misstatements in firms having CEO duality. The relationship between earnings manipulation and duality was found positive yet insignificant in the logistic regression results. Kim *et al.* (2013) examined fraud on a sample encompassing all SEC violations in the post-Sarbanes-Oxley period, i.e., from 2003 to 2010. The board structure and compensation of directors was studied for 128 pairs of sample and control companies. The study found that CEO serving as the chair and board members serving for a long tenure significantly increase the likelihood of fraud.

On the other hand, the stewardship theory promotes the practice of having CEO duality in the corporate sector. It is propounded that the performance of a firm improves because of better decision making under a single leader. Furthermore, Abdullah (2006) noted that when CEO occupies the chair of the board as an executive director, the influence of CEO duality is negative and significant. However, Beasley (1996) and Uzun *et al.* (2004) confirmed that financial misreporting is not a direct ramification of CEO duality. McKendall *et al.* (1999) laid down that CEO duality has no connection with environmental violations. Also, CEO duality was found to be an insignificant feature in determining corporate fraud in China and the United Kingdom (Chen *et al.*, 2006; Hsu and Wu, 2014). Similarly, CEO duality could not be associated with having a detrimental effect on performance in the Indian context (Jackling and Johl, 2009). Abdullah (2006), Shan *et al.* (2013) and Salleh and Othman (2016) reported similar conclusions for the Malaysian corporate sector. In the light of the mainstream literature, CEO duality can be considered unfavourable for a company as it may result in concentration and abuse of power which may subsequently lead to illicit activities.

P_4: The likelihood of corporate illegality is lower in companies without CEO Duality in contrast to companies with CEO Duality.

The Effect of Multiple Directorships on Corporate Illegality

The 'busyness hypothesis' propounded by Ferris *et al.* (2003) asserts that directors holding multiple positions in several companies lower their potency to act in the favour of shareholders and effectively check the self-interested managers. The number of directorships held by a board member is assumed as a proxy for the board's quality.

In a sample of bankrupt firms, Daily and Dalton (1994) gave empirical evidence that the directors have a higher number of corporate and non-corporate directorships as compared to matched control firms. Beasley (1996) established that multiple directorships increase the likelihood of accounting fraud and are thus inconsistent with shareholder interests. Likewise, Fich and Shivdasani (2006) suggested that over commitment hinders a director's capability to monitor management effectively leading to the loss in firm value.

Crutchley *et al.* (2007) found that companies in which directors have a large number of appointments are more prone to 'tip' over the edge into fraud.

Several researchers propose a contrasting perspective. Harris and Shimizu (2004) established that multiple directorships have a positive effect on a firm's performance. Fama (1980) and Fama and Jensen (1983) suggested that in a situation of efficient markets, multiple appointments of directors may proxy for superior quality directors. In the view of Booth and Deli (1996), directors holding multiple positions as a director possess greater industry networking which aids in drawing the necessary resources towards the company. Furthermore, Ferris *et al.* (2003) gave evidence to show no significant negative association of director busyness with securities fraud, declining company value or director's deficient vigilance for their roles. So, it can be summed up that multiple directorships dilute the attention, vigilance and control of a director over the managers in their parent company leading to wrongful activities and financial crisis.

P_5: The likelihood of corporate illegality is lower in companies where the members of the board hold few directorial positions outside the company.

A scrutiny of research performed in the field of corporate illegality and its' association with corporate governance features confirms that there is a significant influence of the latter on the former. The literature highlights the potency of board characteristics, i.e., independence, size, meetings, CEO duality and multiple directorships, to contain the occurrence of corporate illegal events.

CONCLUSION AND DIRECTIONS FOR FUTURE RESEARCH

The present review has been conducted with the primary objective of investigating the literature addressing the relationship between corporate illegality and board of directors' characteristics. A scrutiny of the available literature revealed numerous facts and findings in the context of the relationship under study. This segment provides a summary of the inferences that can be drawn based on the literature review, indicate the gaps in the literature and suggest the future directions for research.

The majority of the research work conducted on corporate illegality has been performed on illegality (sample) companies in contrast to non-illegality (control) companies. To get a deeper insight into the modus operandi of fraud firms, researchers may study their corporate governance mechanisms individually. Further, probing into the organisational features (e.g., its structure, hierarchical setup, complexity, size, decentralisation and information asymmetries) can offer valuable information on the internal triggers which create an opening for illegality.

The empirical results in the available literature bring forth that there is a significant difference is the corporate board features of companies with and without illegality. The statistically significant multivariate models (e.g., logit regression, tobit regression, probit regression) demonstrate the variability in the board of directors' framework for fraud and non-fraud corporations. However, the effects of board committees, for example, the shareholder grievance committee, remuneration committee, nomination committee and ethics committee, have received less attention of scholars and researchers. It will be worth to note the analogy of board committees and white collar crimes. Additionally, multivariate techniques apart from regression may be employed to test the significance of board features in curbing illegality.

It has also been observed that most of the literature pertaining to the said association centres in developed nations like the United States of America and the United Kingdom or progressively developing countries like China, Malaysia and Australia. Since there is a dearth of similar literature in the Indian context, it will be pragmatic to identify the factors influencing corporate illegality in the Indian corporate set up and further, test them empirically. None the less, the propositions put forth are a subject to further research and examination.

REFERENCES

Abbott, L. J., Parker, S., & Peters, G. F. (2002). *Audit Committee Characteristics and Financial Misstatement: A Study of the Efficacy of Certain Blue Ribbon Committee Recommendations*. Working Paper. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=319125

Abdullah, S. N. (2006). Board structure and ownership in Malaysia: The case of distressed listed companies. *Corporate Governance: The International Journal of Business in Society*, *6*(5), 582 -594.

Association of Certified Fraud Examiners. (2018). *Report to the Nations: Global Study on Occupational Fraud and Abuse*. Retrieved from https://s3-us-west-2.amazonaws.com/acfepublic/2018-report-to-the-nations.pdf

Beasley, M. S. (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud. *The Accounting Review*, *71*(4), 443-465.

Beasley, M. S., Carcello, J. V., Hermanson, D. R., & Lapides, P. D. (2000). Fraudulent financial reporting: Consideration of industry traits and corporate governance mechanisms. *Accounting Horizons*, *14*(4), 441-454.

Booth, J. R., & Deli, D. N. (1996). Factors affecting the number of outside directorships held by CEOs. *Journal of Financial Economics*, *40*(1), 81-104.

Chaganti, R. S., Mahajan V., & Sharma, S. (1985). Corporate board size, composition, and corporate failures in retailing industry. *Journal of Management Studie*s, *22*, 400-417.

Chen, G., Firth, M., Gao, D. N., & Rui, O. M. (2006). Ownership structure, corporate governance, and fraud: Evidence from China. *Journal of Corporate Finance*, *12*(3), 424 448.

Clinard, M. B., & Quinney, R. (1986). *Criminal behavior systems: A typology* (2nd ed.) New York: Holt, Rinehart and Winston.

Crutchley, C. E., Jensen, M. R., & Marshall, B. B. (2007). Climate for scandal: Corporate environments that contribute to accounting fraud. *Financial Review*, *42*(1), 53-73.

Daily, C. M., & Dalton, D. R. (1994). Bankruptcy and corporate governance: The impact of board composition and structure. *Academy of Management Journal*, *37*(6), 1603-1617.

D'Aveni, R. A. (1990). Top managerial prestige and organizational bankruptcy. *Organization Science*, *1*(2), 121-142.

De Andres, P., Azofra, V., & Lopez, F. (2005). Corporate boards in OECD countries: Size, composition, functioning and effectiveness. *Corporate Governance: An International Review*, *13*(2), 197-210.

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1996). Causes and consequences of earnings manipulation: An analysis of firms subject to enforcement actions by the SEC. *Contemporary Accounting Research*, *13*(1), 1-36.

Dunn, P. (2004). The impact of insider power on fraudulent financial reporting. *Journal of Management*, *30*, 397-412.

Edelhertz, H. (1970). *The Nature, Impact and Prosecution of White-Collar Crime*. Washington, DC: National Institute of Law Enforcement and Criminal Justice.

Eisenhardt, K. M., & Bourgeois, L. J. (1988). Politics of strategic decision making in high-velocity environments: Toward a midrange theory. *Academy of Management Journal*, *31*(4), 737-770.

Fama, E. F. (1980). Agency problems and the theory of the firm. *The Journal of Political Economy*, *88*(2), 288-307.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law & Economics*, *26*(2), 301-325.

Farrell, B. R., & Franco, J. R. (1999). The role of the auditor in the prevention and detection of business fraud: SAS No. 82. *Western Criminology Review*, *2*(1), 1-12.

Ferris, S. P., Jagannathan, M., & Pritchard, A. C. (2003). Too busy to mind the business? Monitoring by directors with multiple board appointments. *The Journal of Finance*, *8*(3), 1087-1111.

Fich, E. M., & Shivdasani, A. (2006). Are busy boards effective monitors?. *The Journal of Finance*, *61*(2), 689-724.

Geis, G. (1974a). Avocational crime. *Handbook of Criminology*, 273-98.

Green, G. (1990). *Occupational Crime*. Chicago: Nelson Hall.

Harris, I. C., & Shimizu, K. (2004). Too busy to serve? An examination of the influence of overboarded directors. *Journal of Management Studies*, *41*(5), 775-798.

Hazarika, S., Karpoff, J. M., & Nahata, R. (2012). Internal corporate governance, CEO turnover, and earnings management. *Journal of Financial Economics*, *104*(1), 44-69.

Hermalin, B. E., & Weisbach, M. S. (2003). Boards of directors as an endogenously determined institution: A survey of the economic literature (Digest Summary). *Economic Policy Review*, *9*, 17-26.

Hsu, H. H., & Wu, C. Y. H. (2014). Board composition, grey directors and corporate failure in the UK. *The British Accounting Review*, *46*(3), 215-227.

Jackling, B., & Johl, S. (2009). Board structure and firm performance: Evidence from India's top companies. *Corporate Governance: An International Review*, *17*(4), 492-509.

Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *The Journal of Finance*, *48*(3), 831-880.

Kesner, I. F., Victor, B., & Lamont, B. T. (1986). Research notes: Board composition and the commission of illegal acts: An investigation of Fortune 500 companies. *Academy of Management Journal*, *29*(4), 789-799.

Kim, J. Y., Roden, D. M. & Cox, S. R. (2013). The composition and compensation of the board of directors as predictors of corporate fraud. *Accounting and Finance Research*, *2*(3), 142-154.

Larcker, D., & Tayan, B. (2011). *Corporate Governance Matters: A Closer Look at Organizational Choices and their Consequences*. Pearson Education.

Lipton, M., & Lorsch, J. W. (1992). A modest proposal for improved corporate governance. *The Business Lawyer*, *48*(1), 59-77.

Lorsch, J. W., & MacIver, E. (1989). Pawns or potentates: The reality of America's corporate boards: *Harvard Business School Press*. Boston, MA.

McKendall, M., Sánchez, C., & Sicilian, P. (1999). Corporate governance and corporate illegality: The effects of board structure on environmental violations. *The International Journal of Organizational Analysis*, *7*(3), 201-223.

Ndofor, H. A., Wesley, C., & Priem, R. L. (2013). Providing CEOs with opportunities to cheat the effects of complexity-based information asymmetries on financial reporting fraud. *Journal of Management*, *41*(6), 1774-1797.

Petra, S. T. (2005). Do outside independent directors strengthen corporate boards? *Corporate Governance: The International Journal of Business in Society*, *5*(1), 55-64.

Salleh, S. M., & Othman, R. (2016). Board of director's attributes as deterrence to corporate fraud. *Procedia Economics and Finance*, *35*, 82-91.

Schrager, L. S. & Short, J. F. (1978). Toward a sociology of organizational crime. *Social Problems*, *25*(4), 407-419.

Shan, Y. G., Graves, C., & Hassan Ali, H. (2013). Effect of board composition and ownership characteristics on fraud Evidence from Malaysian listed companies. *South East Asia Research*, *21*(2), 323-342.

Sutherland, E. (1939). *Principles of Criminology* (3rd ed.). Philadelphia: Lippincott.

Tricker, B. (1984). *Corporate governance: Practices, Procedures and Powers in British companies and their boards of directors*. London: Gower Publishing, Aldershot.

Uzun, H., Szewczyk, S. H., & Varma, R. (2004). Board composition and corporate fraud. *Financial Analysts Journal*, *60*(3), 33-43.

Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economics*, *53*(1), 113-142.

Wagner III, J. A., Stimpert, J. L., & Fubara, E. I. (1998). Board composition and organizational performance: Two studies of insider/outsider effects. *Journal of Management Studies*, *35*(5), 655-677.

Virk, G. K. (2017). The influence of board characteristics on corporate illegality. *Journal of Financial Regulation and Compliance*, *25*(2), 133-148.