

## Directors' Multiple Directorships and their Appointment to Board Committees: Evidence From France

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### *Abstract*

*This paper investigated the relationship between multiple directorships of directors and their appointment to various board committees. Precisely, using a Poisson model, we empirically examined the effect of the accumulation of outside directorships by a director on the number of board committees he served on. Our study has achieved on a sample of 1044 observations from 89 non-financial French listed companies, for the financial year 2009. The results suggested that directors who hold too many outside directorships serve on more internal board committees. So, our findings indicated that, due to their reputation and expertise, directors holding multiple directorships are more likely to serve on a larger number of internal board committees.*

**Key Words:** *Multiple Directorships, Committees Membership, Agency Theory, Busyness Hypothesis, Expertise Hypothesis.*

### **Introduction**

The boards of directors and its monitoring role have received increasing attention from researchers and policymakers (Fama and Jensen, 1983; Jensen, 1993; Johnson et al., 1996; Lin et al., 2014). But following recent financial scandals, the attention of researchers has turned also to board committees given that the functioning and the composition of these committees have influence on firm performance (Kesner, 1988; Bronson et al, 2009; Goh, 2009). In fact, board monitoring committees (audit committee, nominating committee, and compensation committee) can improve firm performance by reducing agency costs and facilitating the execution of monitoring tasks by the board of directors (Davidson et al, 1998; Linck et al., 2008; Reeb and Upadhyay, 2010).

The establishment of board monitoring committees has been strongly recommended to enhance corporate governance by delegating some specific monitoring tasks from the board of directors to these specialized committees (Kesner, 1988; Laux and Laux, 2009; Jiraporn et al., 2009 b). Indeed, while the boards of directors frequently meet as a whole to monitor management and to discuss key issues, the majority of board decisions are taken by committees (Jiraporn et al., 2009 b). In that sense, the Sarbanes-Oxley Act (SOX) (2002) and the Vienot French reports (1995,1999) incited corporations to create specialized committees responsible for monitoring , compensation and appointment to reinforce the supervision of managers by the board of directors, and to reduce conflicts of interest (Linck et al, 2008; Laux and Laux, 2009; Jiraporn et al, 2009 b). Furthermore, they recommended the appointment of competent and effective directors in these committees in order to enhance the effectiveness of these supervisory bodies and to assist the board of directors in carrying out its oversight tasks. So, the board members must have specific characteristics that allow them to perform specific tasks easily and effectively, and consequently be able and required to serve on several board committees.

The choice of a director to serve on several board monitoring committees among a pool of candidates is assumed to have an important influence on committees' actions and effectiveness. In that vein, prior studies examined some characteristics of directors such as independence, tenure, accounting and financial expertise, gender, human capital (Kesner, 1988; Bilimoria and Piderit, 1994; Dunn, 2012) to identify which types of directors are more effective monitors and able to improve firm performance by serving on many board monitoring committees. To this line of studies, we propose to investigate the effect of another directors' characteristic on their appointment to several board committees, namely directors' multiple-directorships.

The topic of multiple directorships has attracted a great deal of attention both from researchers and policymakers. In that vein, many researchers have studied the phenomenon of multiple directorships held by directors with emphasis on its impact on firms' characteristics and some directors' attributes (Ahn et al., 2010; Cook and Wang, 2011; Liao and Hsu, 2013; Field et al., 2013). Within this framework, several theoretical and empirical researches (Sarkar and Sarkar, 2009; Ahn et al., 2010; Frye and Wang, 2010; Cook and Wang, 2011; Pathak and Sun, 2013) proved that the accumulation of many outside directorships by directors increases their compensation, enhances their experience and reputation and develop the firm's legitimacy. On the other hand, some researchers such as Ferris et al. (2003), Devos et al. (2009) and Jiraporn et al. (2009b) and Falato et al. (2014) showed that holding multiple directorships can reduce the time and the efforts of directors to execute their oversight tasks and it can increase the level of earning management and reduce firm performance. That's why, they asked regulators to impose restrictions on the number of outside board seats that a director can hold simultaneously to make him more effective. Accordingly, studies on the advantages and disadvantages of holding several directorships by directors are inconclusive so far. In addition, these researches do not focus on the relationship between holding multiple outside directorships and the degree of the director's participation in internal board committees. Our research contributes to this debate by examining the effect of directors' multiple directorships on their participation in several board committees.

The French 'New Economic Regulations' law (2001) has given an especial attention to the problem of multiple directorships in France. Within this law, it was recommended to improve the effectiveness of directors by limiting the number of directorships they can hold simultaneously. More recently, the section (L225-21) of the French Commercial Code (2008) insisted that 'No natural person shall concurrently hold more than five directorships of limited companies having their registered office on French soil...' (Commercial code, 2008, p. 60). Hence, this French law gives possibility and opportunity to the director to accumulate many directorships in non-limited firms or in those having their head office outside the French territory. Directors of French companies can then sit on more than five outside boards' seats simultaneously. So, it seems interesting to comprehend whether the accumulation of several outside directorships by French directors affects their ability and their invitation to sit on several internal committees. This can be much more helpful for French firms, especially when selecting and appointing new directors to the internal committees (e.g. Audit, Nominating, and Compensation), especially if they look for improving the capacity of these committees and their effectiveness. Our findings may then give some guidance to French firms that are seeking to strength the effectiveness of their committees and consequently improving their performance. Using a cross-sectional data set of 89 non-financial French listed companies belonging to the SBF 120 index (sample of 1044 observations = 1044 directors), for the financial year 2009, we find that there is a positive relationship between directors multiple-directorships and the number of board committees they sit on. The results suggest, therefore, that directors accumulating many outside directorships are those who sit on more board committees.

This paper contributes to the existing literature in many ways. Firstly, we study the effect of directors' characteristics on the degree of their participation in several board committees from a new perspective: directors' multiple-directorships. We provide considerable evidence, from French firms, on the relationship between directors' multiple directorships and their committees' membership. Secondly, to our knowledge, there are limited studies available on the determinants of membership in monitoring committees, in the

French context. So, by investigating a sample of French-listed companies, our study adds to the current literature by providing empirical evidence on the determinants of membership in board committees of French companies, with special emphasis on the effect of holding many directorships by directors on the number of board committees they served on. Moreover, our study can provide policy recommendation for other francophone contexts by showing that limiting the number of outside board seats held by a director can be detrimental for firms seeking to improve the effectiveness of their board committees.

The remainder of the article is organized as follows. The section II reviews the related literature and establishes research hypothesis. Section III presents the methodology (including sampling design, data sources, empirical model and definition of variables). Section IV provides empirical findings. The conclusions and suggestions of the research are given in Section V.

### **Director's Multiple Directorships and Committees Membership: Literature Review and Hypotheses Development**

The literature on board of directors and its characteristics revolves principally around the agency theory. According to this theory, the agency conflict problems between managers (agent) and shareholders (principal) are arising due to the separation between ownership and control (Jensen and Meckling, 1976). In fact, the incentives of managers do not align all the time with those of shareholders. The agency theory suggests that the cost of agency conflicts will be reduced and the managers' interests will not diverge from those of shareholders if the managers are supervised effectively (Dalton et al., 2007; Belkhir, 2009). According to this theory, the principal body in companies responsible for the supervision of managers' actions is the board of directors (Jensen, 1993; Dalton et al., 2007; Finkelstein et al., 2009). This monitoring function of the board of directors has been the topic of many corporate governance studies (Johnson et al., 1996; Lin et al., 2014). In fact, the board of directors represents the main governance mechanism that needs to be effective in order to reduce agency problems and to protect shareholders' interests. In that vein, the existing literature points out that the board effectiveness is driven through board internal committees (Davidson et al., 1998; Jiraporn et al., 2009 b). In order to facilitate their oversight activities, boards of directors can delegate specific responsibilities and important tasks to their monitoring committees, especially the audit, compensation and nomination committees (Laux and Laux, 2009; Reeb and Upadhyay, 2010). Indeed, Laux and Laux (2009) proved that pay-performance sensitivity will be higher when the compensation committee determines CEO pay and when the audit committee oversees the financial reporting process, rather than when the board of directors as a whole handles both.

Vafeas (2005) and Faleye et al. (2011) showed that the specialized board committees are partly responsible for monitoring managers and for assisting the board of directors in executing its roles effectively. To do so, they affirmed that it is important to appoint competent members to these committees in order to support the board directors in performing its monitoring tasks. Indeed, with extensive experience and knowledge, directors who are involved in the monitoring committees may provide more information and solutions to the board of directors and help it in reducing the various agency costs (Vafeas, 2005). Given their important role in reducing agency problems, board committees' members should have specific qualities and skills to monitor management and to participate in committees' discussions effectively. However, these skills and qualities can be called into question when the time and the attention of these individuals are shared between several outside boards' seats (Carpenter and Westphal, 2001). So, the selection of directors for monitoring committees must take into account some directors' characteristics (Vafeas, 2005). In this article, we are interested in a new director's characteristic that may have influence on his appointment to several board committees. In particular, we focus on director's multiple directorships. In that framework, the findings of previous researches on the relationship between the director's multiple directorships and the degree of his participation on several board committees are controversial. In fact, based on the busyness hypothesis, some researchers proved that directors who hold several directorships have less time and efforts to run their activities and to make effective decisions (Ferris et al., 2003; Laksmana, 2008). Directors are often motivated to accumulate many outside directorships to reinforce their external relations and to be better

valued by the market of directors (Fama and Jensen, 1983). Nevertheless, they will have an increasingly limited time to meet their monitoring duties (Mayhew and Levinger, 1976). In fact, the main problem facing the directors is the lack of sufficient time to fulfill their responsibilities (Li and Ang, 2000). In that sense, Core et al. (1999) affirmed that the directors will be less effective in their oversight role when they become older and when they hold simultaneously many outside directorships. Similarly, Loderer and Peyer (2002) showed that the accumulation of directorships may diminish the capacity and the effectiveness of the director since it reduces the time he devoted to his monitoring tasks. Fich and Shivdasani (2006) argued also that directors sitting on too many boards seats have limited time to meet their commitments in terms of governance.

To ensure effective monitoring, specialized board committees require some level of availability and skills of their members (Laksmana, 2008). By holding many directorships simultaneously, directors will be forced to share their time and efforts between the different directorships served and, thus, they will be less able to perform their duties effectively (Jiraporn et al., 2009a). Hence, companies may be discouraged to appoint busy directors (holding too many outside directorships) on several monitoring committees given that they have not sufficient time to spend serving on these committees and, thus, they are not expected to be able to carry out their tasks and to meet their duties (Jiraporn et al., 2009b; Liao and Hsu, 2013). Moreover, although they are considered competent (Pombo and Gutiérrez, 2011), the directors holding multiple directorships may have less time to monitor management effectively and can be unable to attend some committees meetings (Ferris et al., 2003; Jiraporn et al., 2009a). So, in order to avoid the absence of directors from committees meetings and to ensure the effectiveness of members served on committees, the board of directors may be discouraged to appoint directors with multiple directorships on several board committees. Besides, directors are often less motivated and interested to participate on many board committees. For them, the gains from holding too many outside directorships outweigh the gains from serving on specialized board committees (Jiraporn et al., 2009b). In fact, the directors prefer serving on more outside boards than serving on their board committees in order to reinforce their reputation, their prestige, their experience and their external relations.

Nevertheless, based on the reputation and the expertise hypotheses advanced by Fama and Jensen (1983) and Li and Ang (2000), some studies showed that there is a positive relationship between holding too many outside directorships by a director and his participation in several monitoring committees. Indeed, Fama (1980) and Fama and Jensen (1983) argued that outside directors are looking to build a reputation as good monitors through their accumulation of several outside boards' seats. So, according to reputation hypothesis, multiple outside directorships are advantageous because they develop the directors' reputation (Knyazeva et al., 2009; Lei and Deng, 2014). In that sense, Harris and Shimizu (2004) and Sarkar and Sarkar (2009) showed that directors who hold more than three outside directorships simultaneously are more motivated to attend committee meetings in order to preserve their reputation. Hence, because they are more active, competent and effective in monitoring, directors holding too many outside directorships are more likely to serve on several board committees than other directors.

Furthermore, according to the expertise hypothesis, some researches proved that the accumulation of several outside directorships may strength the knowledge of directors and reinforce their experience and expertise (Li and Ang, 2000; Cook and Wang, 2011; Field et al., 2013; Lei and Deng, 2014). In fact, Li and Ang (2000) showed that directors holding many directorships are more required on the market for directors due to their experience and their expertise gathered from the outside boards' seats. Harris and Shimizu (2004) demonstrated also that multiple directorships are considered as a source of knowledge and expertise to the board of directors and to various specialized committees. For that reason, due to their skills, experience and competence, directors accumulating many outside boards' seats are more likely to sit on a large number of internal monitoring committees than those not holding another directorship (Jiraporn et al., 2009 b). In that sense, Jiraporn et al. (2009b) affirmed that companies are often motivated to appoint directors holding multiple directorships in their internal committees to benefit from the expertise and the effectiveness of these persons, in order to enhance the management monitoring function of the board and,



thus, to reduce agency costs. More recently, Ahn et al. (2010) and Field et al. (2013) argued also that there is a positive relationship between director's multiple directorships and the number of specialized board committees he sits on. Indeed, these researchers proved that directors holding many outside directorships are competent, skilled and experienced person and, consequently, they are more able to monitor management effectively and more asked to participate in several board committees.

In the French context, we notice that more than 65% of French board directors accumulate more than three outside boards' seats. Hence, despite their busyness, directors who hold many outside directorships simultaneously are more asked to serve on boards of French companies than directors not holding other directorships. The extensive experience, the skills and knowledge of these persons can then justify their large presence on the boards of the French firms. So, to benefit from the knowledge and the extensive experience of directors with too many directorships, French board of directors may be motivated to appoint this type of directors in several board committees. Accordingly, we propose to verify the following hypothesis:

H1: There is a positive relationship between the director's multiple directorships and the number of board committees he sits on.

## Research Design

### Data and Sample

This current research involves a cross-sectional survey of 89 non-financial French listed companies belonging to the SBF 120 index, for the financial year 2009. From the initial sample of 120 companies of the SBF 120 index, we dropped 21 financial and foreign companies due to their distinctive features and their specific regulations; we dropped also 10 companies from this initial sample due to the lack of a number of specific information about their directors and their board of directors. The final sample size, composed by the directors of French firms, is about 1044 observations. Information pertaining to directors' characteristics and financial information were obtained from annual reports published by the studied companies. All data are hand-collected from these reports and website of companies. We retain the financial year 2009 as the study year because the French commercial code that limited the number of directorships that a director can hold to five is brought into force in 2008. In addition, from the financial year 2008, we can provide clear and homogeneous information because all French firms have been asked to publish their financial statements under International Financial Reporting Standards (IFRS).

### Regression Model

To examine the relationship between the director's multiple directorships (director busyness) and the level of his appointment on board committees, we specify a model that relates these two variables and controls for some other variables that may affect this relationship. Therefore, we use the number of board committees served by the director as the dependent variable of the regression model, while the independent variable used is the multiple directorships of the director (director busyness). We included the independent variable (DBusy) as lagged variable because the choice of a director to hold several board committees among a pool of candidates is determined by their ability and qualities during the previous year. The director independence, the director age and gender, the director's ownership, the board size and independence, the company size, the liabilities and the financial performance are included as control variables in the regression model. This model was inspired from the model used by Jiraporn et al. (2009b) on which we make some change in the French context. Hence, to test our hypotheses, we use the following regression model:

$$\text{NCOM} = \beta_1 + \beta_2 \text{DBUSY}_{t-1} + \beta_3 \text{AGE} + \beta_4 \text{GENDER} + \beta_5 \text{INDEP} + \beta_6 \text{DOWN} + \beta_7 \text{BSIZE} + \beta_8 \text{BIND} \\ + \beta_9 \text{LEV} + \beta_{10} \text{ROA} + \beta_{11} \text{SIZE} + \mu$$

NCOM : Number of board committees served by each director (three committees are included in the analysis; audit, compensation, and nominating committee) ; DBUSY : Director busyness ( a director holding more than four outside directorship is regarded as busy director); AGE= the age of the director; GENDER : the director's gender; INDEP: the director independence; DOWN : the director's ownership; BIND: percentage of independent directors on the board of directors; BSIZE : board size; LEV: Leverage level of the firm; ROA : Return on assets ratio of the firm; SIZE: Size of the firm ;  $\mu$  : error term.

### Variables Measurement

**Board Committees Held by Each Director:** To investigate the relationship between the accumulation of many directorships by director and his appointment to several board committees, we followed Jiraporn et al. (2009 b) and we measured the level of participation of each director on specialized committees by the number of board committees he served on. This measure is obtained by counting the number of specialized board committees in which the director sits. Three board committees are included in the analysis: audit, compensation, and nominating committee. Hence, the director may sit on all these three monitoring committees or on none. In other words, each director may participate on one, two or three specialized committees simultaneously, or on none. So, to assess the level of participation of each director on monitoring committees, we used a count variable (NCOM) as a dependent variable in our regression model.

**Director Busyness (Director's Multiple Directorships):** Many previous studies evaluated the director's multiple directorships using various measures of director busyness. For example, Ferris et al. (2003) used the number of directorships per director, as calculated by the number of all boards' seats on which each director sits, to assess the director busyness. Furthermore, Ferris et al. (2003), Harris and Shimizu (2004) and Fich and Shivdasani (2006) used the average number of outside directorships held by the board member, as calculated by the total number of directorships held by all the members of the board divided by the board size, to evaluate the director busyness. Several researchers, such as Perry and Peyer (2005), Ahn et al. (2010) and Cashman et al. (2012) appreciated the director busyness using the number of outside directorships held simultaneously. Some other researchers assessed the director busyness through a dummy variable equal to 1 if the director is busy and 0 otherwise (Perry and Peyer, 2005; Fich and Shivdasani, 2006; Jiraporn et al. 2009 b).

This measure is based on the number of outside directorships held by the director. Nevertheless, the difficulty of this measurement is to determine the number of directorships from which the director may be qualified as busy director. According to the definition of busy director provided by the "Council of Institutional Investor" and the "National Association of Director'Blue Ribbon Commission on Director Professionalism" (NACD, 1996) in the United States, Fich and Shivdasani (2006) define the busy director (multi-directorships) as the one who holds three directorships and more simultaneously. Based on this definition, Jiraporn et al. (2009 b) constructed a dummy variable indicating that the busy director is one who exercises simultaneously more than two outside directorships.

In the French context, and according to Article L225-21 of the Commercial Code, the maximum number of directorships that a director can hold simultaneously (without affecting its abilities) is five. Hence, in accordance with the French regulatory authorities, the accumulation of more than five directorships by the director makes him a busy one. So, for the French context, we can say that the busy director is the one who holds four outside directorships at the same time, in addition to his initial directorship. This definition used also by Perry and Peyer (2005) and Liao and Hsu (2013). Accordingly, in our study, we appreciate the busyness of a director (multi-directorships) by constructing a dummy variable denoted DBUSY. This independent variable is equal to "1" if the director is busy (holding more than four outside directorships simultaneously) and "0" otherwise (Perry and Peyer, 2005; Jiraporn et al. 2009b). It is to be noticed that when we calculate the number of outside directorships held by each director, we do not take into account directorships he hold in the firm, in which he is already director, or in companies controlled by the firm.

**Control Variables:** Independent directors are often the executives and the representatives of financial institutions. Due to his experience, expertise and capacities, the independent director are seen as the most competent and powerful member in the board of directors and the best monitor of management. For that reason, he is increasingly asked to serve on the various specialized committees of the board of directors (Jiraporn et al., 2009 b). Hence, we expect that the independence of the director is positively related to the number of board committees he served on. In our study, based on the French Vienot report (1999), we construct a dummy variable INDEP, which is equal to "1" if the director is independent and "0" otherwise. In addition, many researchers proved that the age of board members can be an indicator of their experience and maturity (Jiraporn et al., 2009 b; Tuggle et al., 2010). The age of the directors can also inform about their knowledge of new trends and ideas (Tuggle et al., 2010). So, in order to take advantage of their diverse knowledge and experiences, older directors are expected to be more asked to participate in many monitoring committees (Jiraporn et al. 2009 b). In our study, we control for the effect of the age of the director on the number of specialized committees he served on by including the variable (AGE) as measured by the logarithm of the age of each director (Jiraporn et al. 2009 b). Moreover, director's ownership is expected to have a positive influence on the number of board committees he sits on. In fact, the increase in the director's ownership can encourage him to work harder by serving on more specialized committees in order to monitor management effectively and thus to protect his interests and those of the shareholders (Jiraporn et al., 2009 b). So, in the regression model, we control for director's ownership (OWN) as measured by the total number of shares owned by each director divided by the total number of outstanding shares (Jiraporn et al., 2009 b ; Tuggle et al, 2010). Furthermore, several studies highlighted the importance of women in the expansion of business networks (Hawarden and Marsland, 2011), in the monitoring of management and in the improvement of firm performance (Carter et al, 2010; Dunn, 2012). The presence of women in the board of directors and in the committees may also influence the perception of investors and shareholders about the effectiveness of these monitoring bodies. Adams and Ferreira (2008) showed that women' directors have a better reputation and can stimulate men' directors to be actively involved in the board of directors. Also, women are more likely to earn advanced degrees and knowledge. Thus, women can improve the effectiveness of the board of directors and its committees by providing skills and knowledge and by improving their work processes and meetings (Adams and Ferreira, 2008; Dunn, 2012). Jiraporn et al. (2009 b) and Dunn (2012) affirmed that the women' directors are appointed to several specialized committees due to the pressure from regulators regarding the establishment of equality between men and women. To control for the effect of gender diversity on the number of monitoring committees held by a director, we construct a dummy variable GENDER, which is equal to "1" if the director is a woman and "0" if the director is a man.

It is also important to control for the independence of the board of directors in our model. In fact, the independent board members serve as superior monitors and are supposed to be effective in monitoring management (Jaggi et al., 2009; Jiraporn et al., 2009b). So, when the majority of the board members are independent, the board of directors didn't needs to include these directors in the board committees to reinforce the monitoring of management. Hence, we include the percentage of independent directors on the board of directors "BIND" to control for the effect of the board independence (Tuggle et al., 2010; Jeanjean and Stolowy, 2010; Chen and Nowland, 2010), as that is supposed to be negatively related to the degree of participation of each director on several board committees. Several researchers such as Jiraporn et al., (2009b) showed also that members of small boards are often more vigilant and encouraged to work more in the firm by serving on various board committees (Jiraporn et al., 2009b). Accordingly, we expect that board size negatively associated with the number of monitoring committees the director sits on. Hence, we include the number of director on the board (BSIZE) to control for the effect of board size (Jiraporn et al., 2009b; Tuggle et al., 2010). Due to their complexity, large firms require more skills and more sources of information in order to monitor the comportment of managers effectively (Fama and Jensen, 1983). The participation of these directors on several specialized committees may help them to access and understand internal information and to facilitate the complex tasks performed by the board of directors of large firms (Jiraporn et al., 2009b). So, the number of board committees on which a director sits is expected to increase with firm size. In our model, we control for firm size (SIZE) as measured by the logarithm of total assets

(Jiraporn et al, 2009 b; Jeanjean and Stolowy 2010). Moreover, Young et al. (2008) recommended the reinforcement of monitoring activities in order to reduce the debt agency problems. In that sense, Jiraporn et al. (2009 b) showed that the directors of firm with high leverage can exercise better oversight by participating in the various board committees. Indeed, highly leveraged firms are often looking to give a good signal to their lenders about the level of monitoring provided. For that, the directors of highly leverage companies are required to be more active and present in the various board committees to show a higher level of oversight (Jiraporn et al. 2009 b). Thereby, we use the debt-to-total assets ratio (LEV) to control for leverage as it is expected to be positively related to the number of board committees held by a director. The performance of the firm may have also an influence on the participation of a director on many board committees. In fact, the low performance of the firm can be associated with the inability of directors to monitor the management effectively (Fich and Shivdasani, 2006). For that reason, the company will be encouraged to include competent directors in many board committees to increase the capacities of these oversight bodies, and hence reinforce the monitoring capacities of the board of directors. Thus, to control for the effect of the firm performance on the number of specialized committees a director served on, we follow Jiraporn et al. (2009b) by including the variable (ROA) as measured by the net income-to-total assets.

## Results and Discussion

### Descriptive Statistics

Table 1 gives the distribution of the dependant variable, the independent variable and some other categorical variables of our research. According to this table, we perceive that the majority of directors of French companies (46.3%) do not sit on any monitoring committees, while almost 53.7% of the directors of French firms are appointed, at least, on one of the specialized committees of their board of directors.

Table 1. Distribution of categorical variables

	Frequency	Percentage	Cumulative (%)
<b>NCOM : (Dependant variable)</b>			
0	468	44.8	44.8
1	295	28.2	73.1
2	234	22.4	95.5
3	47	4.5	100.0
<b>DBUSY : (Independent variable)</b>			
0	566	54.2	54.2
1	478	45.8	100.0
<b>GENDER</b>			
0	953	91.3	91.3
1	91	8.7	100.0
<b>INDEP</b>			
0	545	52.2	52.2
1	499	47.8	100.0

According to the table 1, we find also that our sample is composed of 566 directors that can be classified as busy members (holding more than four outside directorships simultaneously), representing 52.4% of directors of French companies; while 478 of the directors can be considered non-busy directors (45.8% of the directors studied ). In addition, we perceive that the presence of women in the board of directors of French companies is very low. Indeed, on average, 8.7% of directors of French companies are women while 91.3% of the directors are men. This can then inform about the inequalities between men and women in the participation in board of directors and in board committees of French firms. In addition, in Table 1, we find that 47.8% of directors in our sample are qualified as independent members. These independent directors could be asked to serve on the various monitoring committees in order to benefit from their power and their skills.



Table 2. Descriptive statistics of continuous variables

	Mean	SD	Min	Max
<b>AGE</b>	59,9	10,35	29	94
<b>DOWN</b>	0,006	0,114	0,000	3,578
<b>BSIZE</b>	12,28	1,317	4	18
<b>BIND</b>	0,478	0,197	0,111	1
<b>LEV</b>	0,266	0,150	0,004	0,714
<b>ROA</b>	0,073	0,063	-0,233	0,336
<b>SIZE</b>	8,294	2,426	3,018	10,380

The table 2 indicates that the directors in our sample are on average 60 years old, with the youngest is 28 years old and the oldest is 94 years old. This average age of the directors may inform about their professional experience and their skills. So, they will be more asked to participate in many monitoring committees to take advantage of their diverse knowledge and experiences. In addition, the results reported in Table 2 show that directors own, on average, about 0.6% of the shares of their companies. This level of stock ownership thus seems to be low to motivate directors to provide more effort by serving on many board committees in order to monitor management more effectively.

The results in Table 2 show also that the average size of the board of directors in French companies is about 12 members, with a minimum size of 4 members and a maximum of 18 directors. This average size of the board of directors is relatively high compared with the optimal board size argued by Jensen (1993). Indeed, Jensen (1993) proved that the optimum board size should be about seven and eight members. Nevertheless, the average size of 12 members is nearly similar to that found by Godard and Schatt (2005) in French firms. Besides, the average percentage of independent directors on the board of studied companies is around 48%. Hence, the boards of directors of French companies are composed by a small number of independent members. This result meets the recommendations of the Vienot (1995, 1999) and the Bouton (2002) French reports. These reports recommended that at least one-third of the board directors are independent. Finally, the results in table 2 indicate that French firms had an average size of 4001 million of euro ( $e^{8.294}$ ), and an average debt to total assets ratio of about 26.6%. The return on assets ratio of these companies is on average about 7.3%. Hence, we can say that the French companies studied are on average profitable.

Table 3. Correlation matrix

	AGE	GENDER	INDEP	DOWN	SIZE	LEV	ROA	BSIZE	BIND	DBUSY
<b>AGE</b>	1									
<b>GENDER</b>	-0.131	1								
<b>INDEP</b>	0.191	0.010	1							
<b>DOWN</b>	0.006	0.006	-0.053	1						
<b>SIZE</b>	-0.042	0.015	-0.029	0.076	1					
<b>LEV</b>	-0.060	0.010	0.000	0.021	0.061	1				
<b>ROA</b>	0.049	0.015	0.037	0.003	0.055	-0.228	1			
<b>BSIZE</b>	0.077	0.067	-0.027	-0.045	-0.112	0.021	-0.011	1		
<b>BIND</b>	0.083	0.006	0.396	-0.053	-0.076	-0.005	0.096	-0.064	1	
<b>DBUSY</b>	-0.011	-0.089	0.106	-0.048	-0.114	-0.012	-0.027	-0.010	0.017	1

To verify the multicollinearity problem in our model, we used the correlation matrix for explanatory variables, as presented in Table 3. According to this table, we notice that the correlation coefficients between explanatory variables are very small. In fact, all coefficients are less than 0.5. So, the correlation coefficients between explanatory variables show that our regression model is free from the multicollinearity problem.

## Regression Analysis

In our analysis, we used a generalized linear model (Poisson regression model) to investigate the impact of explanatory variables on the number of board specialized committees held by each director. In fact, the Poisson regression model is used to count variable (random variable with positive integer value) and for count data. The study applies this type of model because the dependent variable in our research (NCOM) is a count variable (the number of board committees served on by each director) that follows a Poisson distribution. In addition, we used this Poisson specification since the expected value of our random dependent variable is equal to its variance. Indeed, we observed that the proprieties of Poisson distribution confirm that  $E(Y) = V(Y) = \lambda = 0.86$ . So, we can test our hypotheses using a Poisson regression model, which is estimated by the maximum likelihood methods.

The results of the regression model are represented in Table 4. According to this table, we notice that the multiple directorships of directors have a significant and positive effect on the degree of their participation in the different board committees. So, the findings confirm our study hypothesis. In fact, our results show that, compared to the non-busy directors, busy members (holding more than four outside directorships) were significantly more present on the different board committees ( $p\text{-value} = 0.016 < 5\%$ ). In that sense, the accumulation of many additional outside directorships by board members affects positively the number of specialized board committees they served on. Although the accumulation of too many directorships may reduce the time and the efforts devoted by directors to their tasks (Laksmana, 2008), we notice that French firms have a tendency to appoint busy directors in their various specialized committees. This result can be explained by the fact that French companies perceive the accumulation of multiple directorships by the directors not as a sign of their busyness but as a sign of their expertise and their competence. In fact, directors holding several multiple directorships are often considered as a source of knowledge, of expertise and of experience for the board committees (Harris and Shimizu, 2004). Hence, French companies may be motivated to appoint directors holding many outside directorships in their different board committees in order to take advantage of their skills, their expertise and their versatility. Our results thus corroborate those of Jiraporn et al. (2009 b), Ahn et al. (2010) and Field et al. (2013) who demonstrated that busy directors are more asked to participate on several board committees since they are more reputable and competent than non-busy directors.

Table.4: Effect of directors' multiple directorships on the number of board committees they served on.

Dependent Variable (NCOM)	Expected sign	Coefficients	p-Value
<i>Constant</i>		1.966	0.000 ***
<b>DBUSY</b>	+	0.117	0.006 ***
<b>AGE</b>	+	0.004	0.042**
<b>GENDER</b>	+	0.069	0.370
<b>INDEP</b>	+	0.445	0.000 ***
<b>DOWM</b>	+	0.054	0.768
<b>BSIZE</b>	—	- 0.384	0.000 ***
<b>BIND</b>	+/-	- 0.377	0.001 ***
<b>SIZE</b>	+	0.0005	0.950
<b>LEV</b>	+	- 0.098	0.494
<b>ROA</b>	—	- 0.129	0.706
<b>Chi-square (Likelihood Ratio) = 138.810</b>			
<b>dll = 10</b>			
<b>Pr &gt; ChiSq = 0.000</b>			

\*\* and \*\*\* test the statistic significance respectively at the 5% and at the 1% level.

We find also that the director's independence is related positively and significantly (at the 1% level) to the number of specialized board committees he sits on. Our results show that independent directors served on more board committees than the non independent directors. In that sense, the independent members of the board of directors are more asked to participate in many specialized committees than the non-independent

one. This result may be explained, firstly, by the fact that the skills, the competence and the independence of directors from management, and the need to ensure greater independence of the specialized board committees may motivate companies to appoint the independent members within their specialized committees (Jiraporn et al., 2009 b). Secondly, the finding of our research is explained also by the fact that the involvement of independent members in the monitoring committees of French companies is one of the recommendations of the French Vienot reports (1995, 1999).

Furthermore, our results show that the age of the director has a significant positive impact on the number of specialized committees he served on. Indeed, our results indicate that the number of specialized committees in which the director may participate increases with his age. This result can be explained by the fact that the older directors are often considered more experiment and knowledgeable (Tuggle et al., 2010). Consequently, in order to take advantage of their knowledge and experiences, companies may be motivated to appoint older directors in many specialized board committees (Jiraporn et al. 2009 b). Furthermore, the results of the estimation show that board independence and board size affect, significantly at 1% level, the number of board committees served on by each director. Accordingly, the increase of board size reduces the possibility of a member to hold many specialized board committees. In fact, the larger the board size is, the less likely its members have the opportunity to hold several board committees. However, the members of small boards of directors are more likely to sit in the various specialized committees. This result converges with that of Jiraporn et al. (2009 b) who showed that, unlike the members of the larger board of directors, the members of smaller board tend to be more vigilant and to work harder by participating in several board committees and they have more opportunities to accumulate many specialized committees.

We find moreover that the number of board committees served on by each director is negatively related to the board independence. In that sense, the directors are less likely to hold many specialized committees if the board of directors is mostly independent. Inversely, we can say that the members of the non-independent board are more likely to accumulate several board committees. In fact, the non-independent boards are often dominated by the managers and their members find it difficult to directly monitor the management. In addition, they have often difficulties to collect information necessary to perform their tasks effectively (Finkelstein and Hambrick, 1996). Hence, in order to facilitate their access to internal information of the firm and to monitor management easily and effectively, directors of the non independent boards will be encouraged to sit on the various specialized board committees.

The findings of the estimation show, however, that no other variables in our model have any effect on the number of board committees served on by each director. In fact, it was found that the relationship between other control variables (director's gender, director's ownership, leverage level, firm size, and firm performance) and the number of board committees held by each director of French firms is statistically non-significant.

## Conclusion

In light of the recent increase in the number of directors accumulating too many outside directorships, we investigate whether that multiple directorships affects the degree of the director's participation in the different board committees. Using a sample of 1044 observations from 89 non financial French listed companies, during the financial year 2009, we find that directors accumulating several outside directorships are more likely to sit on a large number of internal monitoring committees than those not holding another directorship. In that sense, directors who hold more outside directorships serve on more specialized board committees. Our results thus show that, despite their busyness, directors holding too many outside directorships at the same time are more asked to serve on specialized board committees than directors not holding other directorships. In fact, in order to take advantage of the skills, the expertise and the versatility of these directors holding many outside boards seats, French companies are motivated to appoint these busy directors in their different specialized board committees. Hence, our findings prove that that French firms perceive the accumulation of multiple directorships by the directors not as a sign of their busyness but as a

sign of their expertise and their competence. Our findings suggest, therefore, that the choice of a director to serve on several board committees among a pool of candidates is determined by the number of outside directorships he sits on. Moreover, the results show that the number of specialized board committees served on by each director is positively and significantly affected by the age and the independence of the director, and it is negatively and significantly related to the board independence and the board size of French listed companies.

This paper contributes and complements the existing literature by investigating the impact of directors' characteristics on their committees' memberships from a new perspective: directors' multiple-directorships. In fact, we provide significant evidence, from French firms, on the link between directors' multiple directorships and the number of board committees they served on.

This study suggests some important policy implications for companies looking to enhance the effectiveness of their specialized board committees. Thus, the findings must encourage companies to allow their committees members to hold many outside directorships as it would enhance their experience and knowledge. According to our results, companies are also invited to nominate directors holding multiple directorships in their board committees in order to improve the committees' effectiveness. Furthermore, our findings are useful for investors to understand the impact of the accumulation of directorships by directors on the effectiveness of the specialized board committees. According to our study, investors should look at the accumulation of outside directorships by directors as a mean of improving board committees' effectiveness. The findings and the implications of our study are subject to some limitations that suggest future research. Firstly, due to the difficulties in collecting data, our sample size is relatively small compared with some researches investigating board committees' membership. Future investigation could use larger sample when data become more available. Secondly, our research did not include all factors that may influence the number of specialized board committees served on by each director. Thus, future studies may include and investigate the impact of some other directors' characteristics, such as qualifications, tenure and remuneration, on the level of their participation in the various board committees.

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