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Perceived Social Power and Audit Committee Effectiveness in Malaysia: The Conceptual Model

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Abstract

Decision is best implemented using the social power. Social power exists in everywhere and needs for every organization actor. As an independent governance mechanism, Audit Committee (AC) needs social power to achieve the desired governance outcome. However, study of the social power which contributes to AC effectiveness is limited, especially in Malaysia. Majority of the past researches only focused on the formal characteristic as the contributor for AC effectiveness. A comprehensive view on AC studies is needed. With ongoing frauds, public confidence towards AC effectiveness has been impaired. Factors which will enhance AC effectiveness have become the major concern. Thus, this research attempts to propose a conceptual framework to investigate the influence of perceived social powers: independence, expert, legitimate, institutional support, diligence and sanctionary power towards AC effectiveness. This paper seeks to close the literature gap by investigating the AC effectiveness in different dimension and leads to deeper understanding of AC dynamic powers. It provides guidance to AC members on which social power is important and how these powers affect their effectiveness. It also sheds some light for the regulators to identify the AC social power which contributes to the effectiveness that cannot easily be codified in the governance code.

Keywords: Audit Committee, Audit Committee Effectiveness, Social Power, Malaysia

Introduction

Audit Committee (AC) is an independent sub-committee in an organization which plays a pivotal role to promote effective governance, monitor management's financial reporting process, audit and internal control. Today, AC development is seemed to be a globalization trend (Turley and Zaman, 2007), and it is almost an obligatory element in the global corporate governance practice. In the last decade, series of well-publicized fraud and financial restatement such as the collapses of Enron, WorldCom in US, Satyam accounting scandal in India, Transmile, Megan Media Holding fraud cases in Malaysia have alerted the regulators to reemphasize the AC vanguard role to safeguard the financial reporting quality and corporate governance. All these frauds brought to the foreground of

weak governance practice and ineffective AC. As a result, a number of proposals, guidelines and regulations regarding AC responsibilities and duties have been created.

Audit Committee (AC) in Malaysia

In Malaysia, AC formation is a compulsory procedure for all listed companies under Paragraph 15 of the Malaysia Main Market Listing Requirement (MMLR) since August 1994. In March 2000, Malaysia first code of Corporate Governance (MCCG) was published. MCCG aims to provide guidelines to strengthen the AC effectiveness and importance in the organization (Khuo, 2003). Notwithstanding the AC formation is a common global governance mechanism; the ultimate effectiveness of AC is still in doubt. Plenty of questions were raised by shareholders to the extent on AC ability to perform up to expectation. In the example of Enron case, “even the AC followed the entire requirement and the regulation, but they let the shareholders down” (Lavelle, 2002, p.28). As commented by Spira (1998; 2003), the increasing trend in AC’s popularity does not guarantee its effectiveness. A survey conducted by Shamsul (2002) revealed the AC formation in Malaysia is seen as an appearance matter just for MMLR compliance. The formal guidelines and regulations on the AC characteristic seem to have a little impact on enhancing AC effectiveness.

Problem Statement

Financial statement fraud has continuously become a major threat in Malaysia’s capital market (KPMG Malaysia Fraud Survey Report, 2009). With the increasing number of corporate collapses and fraud, it will constantly erode the investors and shareholders’ trust towards Malaysia’s capital market. As Lee and Azham (2008) stated, all these reported frauds might only be the tip of iceberg and there might be much more similar cases occur in the future. All these reported frauds reflected the weak corporate governance and ineffective AC. Therefore, the effort to enhance the effectiveness of AC would be the major interest and pressure for academicians, investors and regulators. An effective AC is needed to serve as a governance mechanism in order to strengthen the governance practices, act as the watchdog to restore investors’ confidence and to promote a healthy capital market.

In the prior AC literatures, gaps have been identified. Most of the AC studies primarily focused on the economic perspective, which underpin the Agency theory and AC governance characteristic in the study of AC effectiveness (Menon and William, 1994; Klein, 2002; Chau and Leung, 2006; Rahmat, Iskandar and Saleh, 2009; Rupley, Almer and Philbrick, 2011). According to Carcello, Hermanson and Ye (2011), Agency theory and formal AC characteristics is not the sole factor or theory to capture the AC dynamic effectiveness. Bedard and Gendron (2010) brought to the attention that past studies neglected multiple governance theories such as Social Power theory which might help to explain the AC effectiveness. In order to survive and stay ahead in the sophisticated business environment, social powers are needed. It is a necessary device used to influence and control in order to achieve desired organization outcome. As a crucial governance mechanism, AC needs powers to change, function, and influence the organization component to enhance the corporate governance practice effectively (Kalbers and Fogarty, 1993). As stated by Pfeffer (1992), if an effective AC is to be realized, the perceived powers would be deemed as the most important, appropriate and are likely to be productive in strengthen their oversight functions. As a result, in order to enhance the AC effectiveness in oversight duties, it is essential for the members to understand, develop and exercise the social power bases surrounding them.

Research on social power bases or AC effectiveness is not a new phenomenon. However, limited consensus of power bases have been found in the prior studies under Malaysia's context. Most of the social power and AC studies were conducted in Western context. The study of Lo and Ramayah (2011) revealed that influence of social power differs between western and eastern context. It is due to the different cultures and environment. Nevertheless, limited studies discover this gap. Furthermore, in spite of large literature in AC studies in Malaysia, there are still limited researches attempting to combine the two dimensions by applying the sociology theory to gauge the influence of Social Power theory towards the AC effectiveness. Whether perceive social powers influence the AC effectiveness and which social power is important to AC's effectiveness are still unknown.

Research Objective

Hence, to fill the gap in the existing literature and to provide practical implication for AC effectiveness, this paper attempts to propose a conceptual model by investigating the influence of perceived social power: independence, expert, legitimate, institutional support, diligence and sanctionary power towards AC effectiveness.

Literature Review

Social Power

Over the past sixty years, social power theory has been widely discussed. As stated by Russell (1938), social power is the fundamental component in all social science studies (as cited in Lucas and Baxter, 2012). Regardless the organization type, social power is necessary for every corporate. Thus, understanding one's social power influence is the main element for effective strategic action (Hardy, 1996). Albeit, social power is a common element in the society and literature, defining it is not easy. Kim and Guan (2010) commented that the various definitions of social power depend on the research needs, functions and objectives. The past literature often used the term of "social power" and "influence" interchangeably. However, the two terms of "social power" and "influence" are different. Koslowsky and Stashevsky (2005) pointed out the word "social power" refers to the potential ability but "influence" means the actual exercise of power. According to Word (1979), the main reason for these two terms "social power" and "influence" used interchangeably is due to the term "social power" is absent from verb form (as cited in Lucas and Baxter, 2012). Hence, to clarify the terminology, the authors recognized social power in this study as the potential ability and capability to influence and defend against all resistance and control outcomes to achieve the objective successfully (Robbins, DeCenzo and Coulter, 2011). In the prior literatures, perceived powers were generally regarded as the determinant for desired outcome rather than the actual power. According to Farmer and Aguinis (2005), the perceived powers significantly represent the actual power and even more significant than it. This is because when ones perceive an individual holds powers; it creates the reality of the power in one's belief. Thus, social powers discussed in this study referred to perceived power of AC rather than the actual power itself.

French and Raven (1955) Perceived Social Power Taxonomy

In the past decade, several conceptualizations for social power have been proposed in the different context (French and Raven, 1959; Morgan, 1990; Handy, 1993; Merlo, Whitwell and Lukas, 2004). Undoubtedly, the fivefold social power theory proposed by French and Raven's (1959) is the

most dominant, widely used, accepted and influential concept among the studies (Standifird, Pons and Moshavi; 2008; Jayasingam, Ansari, Jantan, 2009; Jain, Giga and Cooper, 2011). In year 1959, the social psychologist French and Raven developed the first social power taxonomy with the title named "The Bases of Social Power". It consists of five bases of perceived social powers which included coercive, reward, legitimate, expert and referent power showed Figure 1. The bases of perceived social power defined as follows:

(1) Reward Power is defined as the potential capability to reward others.

(2) Coercive Power is derived when one has the potential ability to input negative outcome towards others.

(3) Legitimate Power is captured through one's ability to act based on his or her legal authority, formal position or right within the organization. The term "Legitimate" and "Positional" can be used interchangeably.

(4) Expert Power relies on his or her expertise, knowledge and experience.

(5) Referent Power mainly depends on one's personality, charisma and reputation.

Subsequently, Raven amended and added in the Information power to the original fivefold social power bases in year 1965 in order to strengthen the social power effect (Raven, 1965). Information power refers to the ability to control over the information which is important to the decision-making process in every organization. Williams and Moore (2007) commented that the information power is important for every organization as it provides the desired outcome for the organization. By including the information power, the six power bases taxonomy had been widely accepted, applied, further developed and modified into diverse social science studies in nearly sixty years (Saam, 2007).

The Application of French and Raven Social Power Taxonomy in Diverse Studies

French and Raven social power theory has been widely accepted as the framework to understand one's power in diverse studies, especially in the organization and management literatures (Koslowsky and Stashevsky, 2005; Nygaard and Biong, 2010; Kim and Guan, 2008, 2010). Researchers believed that an effective and efficient organization is mainly based on four fundamental concepts: goal accomplishment, utilization of power, organization structure and culture. Thus, it is believed that with better understanding of power and effective use of power, it will lead to a greater degree of managerial and organizational effectiveness (Tjosvold and Sun, 2010). Beyond the management literature, many studies found to apply the French and Raven's social power taxonomy to enhance the organization and individual job performance in various settings (Table 1). Beyond the different settings' application, French and Raven social power taxonomy was associated to examine its influence in different factors such as the supervisor and subordinate relationship and satisfaction (Kim, 2008; Lo and Ramayah, 2011), supply chain satisfaction (Benton and Maloni, 2005; Williams and Moore, 2007), organizational and personal effectiveness (Jain et. al., 2011), organizational ethical values, commitment and employee performance (Nygaard and Biong, 2010). It appears; however, limited studies have been done in examining the social power influence towards the corporate governance setting such as AC. AC is recognized globally as one of the important tools in organization to enhance the corporate governance. They need perceived social power to enhance the oversight functions (Turley and Zaman, 2007). Without an understanding of perceived social power, the AC might not be aware of the confounding effects of the perceived social power that lead them to strengthen the effectiveness.

Table 1. The Application of French and Raven Social Power Taxonomy in Diverse Studies

Setting	Study	Objectives
Educational	Wilkes and Raven (2002)	The study proposed the six power bases by French and Raven to examine the usage and influence of social power towards the school psychologist consultants in school learning setting.
	Standifird, Pons and Moshavi (2008)	Tested the French and Raven (1959) five social powers bases and empathy effect towards the student satisfaction in education setting. The survey targeted 559 undergraduate business students in private university.
Accounting	Hian and Chan (1997)	Quantitative survey conducted to examine the influence of French and Raven (1959) five power bases towards the subordinate compliance and satisfaction with superior in Singapore's accountants.
Auditing – Audit Review	Fedor and Ramsay (2007)	The study tested the influence of reviewers' coercive, referent and expert powers towards preparers' responses to audit review (performance improvement effort, feedback seeking and impression management). This study targeted the 156 auditors from the Big-six accounting firms.
Supply chain	Benton and Maloni (2005)	Investigated the influence of French and Raven (1959) five powers effect driven by the buyer and seller relationship towards supplier satisfaction. This study targeted the five main automobile manufacturers with total 195 respondents participated.
	Williams and Moore (2007)	Determined the effect of powers (coercive and non-coercive powers) on the supply-chain relationships and information capabilities.
Marketing – teen purchase decision	Goodrich and Mangleburg (2010)	Examined the parental and peer influence of social powers in the teen purchase decision by applying the five bases social power taxonomy proposed by French and Raven (1959).

Audit Committee Effectiveness (ACE)

Effective refers to producing the decided, decisive and desired effect (Merriam-Webster Online Dictionary as cited in Bedard and Gendron, 2010). As such, the prior literatures defined the ACE as the members' ability to accomplish the decided, decisive and desired outcome. The 3D outcomes for AC are mainly referred to their oversight objectives and functions to enhance the financial reporting process, oversight the internal control and external auditing (Kalbers and Fogarty, 1993; DeZoort, 1998; Bedard and Gendron, 2010). With the increasing number of fraud cases, maintaining the investor and shareholder confidence has become essential in the current capital markets. High expectations are placed on AC to be the pivotal contributor to improve corporate governance and restore investor confidence. Thus, ACE has become the major concern for all practitioners, academicians and regulators. In the prior literatures, many studies focused on the economic perspectives by using the governance characteristics like members' composition- independence and expertise, authority and resources as the determinants for ACE (Table 2). In order to broaden the

understanding of ACE, this study proposed to apply social power theory under sociology perspective to examine the perceived social powers influence towards ACE.

Table 2. Past Literatures on ACE

Composition: Independence	Abbott and Parker (2000); Bedard, Chtourou and Couteau, (2004); Persons (2005); Archambeault, DeZoort and Hermanson (2008).	With the increase number of independent AC members existed, it will more likely to reduce earning restatement and minimized financial fraud. Thus, it strengthens the ACE to provide better quality of financial reporting.
	Chen, Moroney and Houghton (2005); Bronson, Carcello, Hollignsworth and Neal (2009)	The independence will ensure the AC members free from biases and thus to enhance the audit quality and cause AC performed effectively in the overall.
Composition: Competencies	DeZoort (1998), Raghunandan, Read and Raman (2001)	AC with more finance and accounting knowledge will lead to enhance the ACE in better access towards the financial reporting, internal and external audit work.
Authority	Bedard, Chtourou and Couteau (2004), Abbott, Parker, Peter and Rama (2007);	AC authority and responsibilities have a significant relationship with the ACE in term on their oversight function to enhance financial reporting and external auditing process.
Resources	DeZoort, Hermanson, Archambeault, Reed (2002), Mohd Saad, Evans, Zulkarnain and Mohamad Ali (2006)	Resource with unlimited access to reliable and update information and institutional support relationship with internal and external auditors found to have significant relationship to aid the ACE.

Perceived Social Powers for Audit Committee Effectiveness (ACE)

According to Kalbers and Fogarty (1993), social power is needed for every organization member especially the AC members. It is a necessary item to be possessed by AC to discharge their oversight function effectively. However, understanding of social power influence in the context ACE is limited. Kalbers and Fogarty (1993) conducted the first study to underpin the perceived social power theory to examine its influence towards ACE in ninety U.S corporations. However, due to the different terminology and setting, Kalbers and Fogarty (1993) advised the original social power bases from French and Raven (1959) should be modified and reassessed in order to capture better in the ACE context. The study modified the six social power bases originated by French and Raven into:

1. Legitimate Power refers to AC potential ability to act based on their mandated authority, position and delegation responsibilities from the board of director.
2. Sanctionary Power is the combination of Coercive and Reward power proposed by French and Raven (1959).

3. Institutional Support Power is originated from Information power. Kalbers and Fogarty (1993, 1998) modified the Information power by adding in the support relationship between related parties like auditors to enhance the ACE to obtain reliable and updated information.

4. Expert Power is mainly derived from the AC competencies. Due to the expertise, skills and knowledge, AC has the potential ability to oversight the corporate governance effectively.

5. Referent Power derived from the AC personal qualities, leadership skills. With the charisma of AC members, they have the potential ability to influences other to minimize the corporate fraud and thus, enhance the governance practice.

6. Diligence Power is a new variable included by Kalbers and Fogarty (1993). It develops from the willingness of AC to act. The author believed without the willingness of AC to act, AC would act only for appearance purpose. Thus, it impairs the AC oversight functions and effectiveness.

Among the six proposed perceived powers' variables, only the legitimate, institutional support and diligence power have the most profound relationship with the ACE. There is no evidence that the referent power has any significant relationship with ACE. The concept of social power theory proposed by Kalbers and Fogarty (1993) was enhance and then extended in Ibrahim (2006) study. The study re-modified the proposed model by Kalbers and Fogarty (1993) in order to adapt Australia and Saudi Arabia business environment. Ibrahim (2006) proposed the following variables: Independence, Legitimate, Institutional Support, Diligence, Expertise and Literate power to examine the influence of power towards the ACE in Australia and Saudi Arabia context. However, the result revealed only the independence power was significantly influence to ACE in terms of audit selection process and non-audit service. The prior literatures suggested that due to different business environment setting and culture among the western countries and non-western countries like Malaysia, it was important to reassess the social power bases in order to capture the most profound magnitude effect of power.

The Conceptual Model and Proposition Development

The proposed conceptual model is developed to examine the influence of perceived social power towards the ACE in Malaysia's context. The proposed conceptual model, which shows the relationship between perceived social powers and ACE are demonstrated in Figure 1. The five bases of perceived social powers: Independence, Expert, Legitimate, Institutional Support, Diligence and Sanctionary Power are the proposed independent variables, and the ACE is treated as the dependent variables for the study.

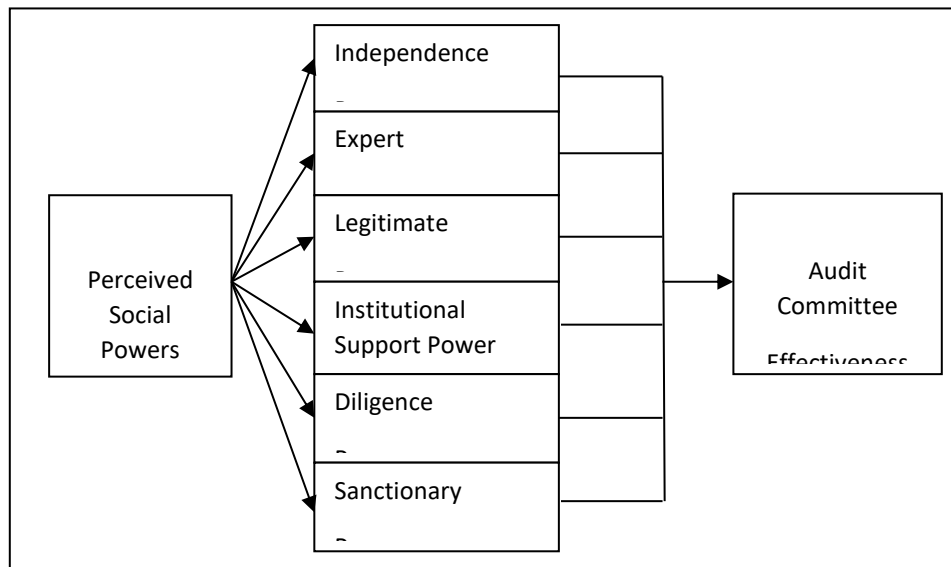


Figure 1. Proposed Conceptual Model

**Proposition between Perceived Social Power and ACE
Perceived Independence Power**

Perceived independence power is derived on others’ perception on whether AC holds an independent stance in organization. Generally, independence can be categorized into independence in fact and independence in appearance. Independence in fact is defined as one’s actual unbiased mindset and action. However, it is difficult to observe (Fearnley and Beattie, 2004). The independence in appearance is defined as others’ perception towards an individual’s independent stance (Messier, Glover, Prawitt and Margaret Boh, 2007). The prior studies conducted in western or non-western countries (Persons, 2005; Saleh, Iskandar and Rahmat, 2007; Archambeault, DeZoort and Hermanson, 2008; Bronson, Carcello, Hollignsworth and Neal, 2009) mainly focused on the independence in fact towards ACE. However, independence in appearance has been neglected. To fill up the literature gap, this study focus on the independence in appearance as perceived independence power. According to Fearnley and Beattie (2004), the independence in appearance is essential for organizational outcome. Failure to maintain the independence of appearance is enough to cause the predicament of trust and confidence towards ACE. It is important to have a high level of perceived power as it gives an impression that AC has the ability to maintain a proper balance within the management and auditor network. It will lead AC to have greater potential ability to influence others and enforce its ACE (Carcello and Neal, 2003). For example, whistle blower will only report the corporate fraud when they perceived AC members holds free from bias position (independence power) in organization because AC helps to alleviate any fear of retaliation from management and let the whistle blowers feel “safe” (Turley and Zaman, 2007; Magrane and Malthus, 2010). As a result, the perceived independence power will lead to the encouragement for whistle-blowing action to minimize the corporate fraud and thus enhance the ACE.

Perceived Expert Power

Cohen, Krishnamoorthy and Wright (2004) stated, expertise is an important quality for effective AC. Due to the monitor roles in financial reporting as well as audit and internal control function holds by AC, it requires the member to be “well-equip” with sufficient expertise and knowledge (Wan Nordin and Noor Marini, 2009). In Malaysia, MMLR stipulated that at least one AC member must be Malaysian Institute of Accountant member or at least three years working experience and all AC members shall be deemed as financial literate. This showed the importance of expertise in enhancing the ACE. With the expertise, skill and knowledge, it develops the perceived expert power for AC. According to Braynion (2004), the perceived expert power helps to enhance the ability of a power holder to influence as people are confident with the power holder who possesses skills and believe they know better. In the prior literatures, AC expertise found a significant contribution towards their oversight duties no matter on the financial reporting quality control or resolving the dispute between the management and auditor who aims to enhance the governance practice (Kalbers and Fogarty, 1993; Song and Windram, 2000; Raghunandan et al., 2001; McDaniel, Martin and Maines, 2002; Ruzaidah and Takiah, 2004 and Defond, Hann and Hu, 2005). Undoubtedly, the perceived expert power is an essential element to enhance the ACE.

Perceived Legitimate Power

All leaders need perceived legitimate power (Braynion, 2004). Same goes to AC. The perceived legitimate power stems from AC’s mandated authorities within an organization. French and Raven (1959) stated the perceived legitimate power exists when ones have the legitimate right to influence and others have the responsibilities to accept and obey. Kim and Guan (2010) further emphasized the perceived legitimate power depends is on ones perceived legitimate position rather than the personal qualities. In governance setting, thus the formal authority of AC delegated from the regulatory and written mandates in the charter provides a source of perceived legitimate power for AC. It creates perceptions for other parties to enhance the sense of responsibility and obligations for AC. In the prior literature, legitimate power was often found to have the strongest effect towards employee compliance and thus lead to organization effectiveness (Jain et. al., 2011). Legitimate power creates the synergy within the organization and thus leads to organization’s goal accomplishment. Similarly, in the AC setting, Kalbers and Fogarty (1993) also found the perceived legitimate power has the most profound effect towards the ACE. This might due to others perceived this is the responsibility for them to obey the AC instruction and create a sense of synergy to enhance governance outcome for AC (Rajan and Krishnan, 2002).

Perceived Institutional Support Power

A survey done by National Relationship of Corporate Directors (NACD) in United State showed, with sufficient of information and relationships, it aids the AC member in performing their oversight function effectively (as cited in Mohd Saad, Evans, Zulkarnain and Mohamad Ali, 2006). The term “perceived institutional support power” is proposed by Kalbers and Fogarty (1993), which originated from the perceived information power bases. Information is power. The quality and quantity of information highly affect the ACE (Bedard and Gendron, 2010). However, with the listing requirement restriction, all AC members shall be non-executive directors; the information access will mainly depends on the reliable reporting supports from related parties like auditors. With such a rational, Kalbers and Fogarty (1993, 1998) modified the information power into institutional support power.

To eliminate information asymmetry issue, AC needs to promote proactive communication channel to share the information with the internal and external auditors (Beasley, Carcello, Hermanson and Neal, 2009). When the AC perceived to have a proactive informal network with the governance parties, it serves to maximize the ACE (Turley and Zaman, 2007; Magrane and Malthus, 2010) However, the perceived institutional support power is largely ignored by the prior AC studies in Malaysia.

Perceived Diligence Power

According to Mintzberg (1983), power needs the desire to act. The perceived diligence power is derived from the willingness of AC members to act and carry out their oversight function. When AC decides to involve actively in the oversight function rather than “rubber stamp”, it will lead to a significant ACE. Levitt (1998) agreed and pointed, a diligent AC enhances the shareholders’ trust and confidence. This is because AC with sufficient perceived diligence power shows a sense of readiness, well-preparation, perseverance to provide reliable guardian to safeguard the shareholder’s interest (DeZoort et. al., 2002). Thus, when the AC perceived diligence power exists, it will affect other parties to actively and seriously participate in the governance practice. In contrast, when the perceived diligence power does not exist, the AC will not have the self-motivation to demand for further information or to challenge the internal control and audit findings. AC lost the ability and interest to influence and restrict to low level involvement in the oversight action. In such case, AC will most likely functions as rubber stamp. Without the diligence power, little evidence showed the AC members play a proactive role in the governance process and thus impair the ACE.

Perceived Sanctionary Power

Perceived sanctionary power is the combination of coercive and reward power originated from French and Raven (1959). According to Kalbers and Fogarty (1993), the perceived sanctionary power is developed from the AC ability to generate positive or negative outcomes towards other parties. In the latest Malaysian Code of Corporate Governance (2007), AC is required to actively engage into the performance evaluation of external and internal auditors. As a result, with the ability to assess and evaluate the auditors’ performance, the perceived sanctionary power exists. With such power, other parties might regard AC as the arbiter who provides significant conditions governance outcome and lead to enhance ACE (Turley and Zaman, 2007). Kalbers and Fogarty (1993) agreed and proposed the perceived sanctionary power is highly related towards the ACE in terms of external and internal auditing effectiveness.

From the above discussions, the following propositions can be empirically verified in further studies:

- Proposition 1a. Perceived independence power will positively influence the ACE.
- Proposition 1b. Perceived expert power will positively influence the ACE.
- Proposition 1c. Perceived legitimate power will positively influence the ACE.
- Proposition 1d. Perceived institutional support power will positively influence the ACE.
- Proposition 1e. Perceived diligence power will positively influence the ACE.
- Proposition 1f. Perceived sanctionary power will positively influence the ACE.

Conclusions and Implications

The ongoing frauds create the emergency call for effective AC. The primary aim in this study is to propose the conceptual framework to examine the influence of perceived social powers to ACE, which have been neglected in the prior studies. Every organization actor needs social powers. Same goes to AC. AC needs to understand the dynamics of powers that play the most effective situational as social power can be one of the tools for AC members to oversight their duties effectively.

Theoretical Implication

ACE is always the major concern for both researchers and regulators. From the theoretical implication, this study is one of the few studies, which intended to examine the ACE in the sociology perspective. Even though many studies were conducted on ACE or social powers, those studies did not examine the ACE under the combination of both dimensions. Furthermore, the majority of ACE studies only examined the formal governance characteristic in western firms. Carcello et al., (2011) pointed out there is a need to explore more factors, which enhance ACE in other non western firm as well. Thus, this study aims to examine ACE in Malaysia with social dimensions by incorporates the Social Power theory. Through the study's finding, authors believe it will provide a comprehensive and different dimension of knowledge to enhance the ACE and new research direction for future study.

Managerial Implication

The study also aims to highlight several key implications in managerial practice. Firstly, as a governance mechanism, AC needs to understand and use the power effectively. Perceived social powers might be used in many ways. In order to minimize the potential of misuse of power, AC members must fully understand the dynamics of powers. According to Turley and Zaman (2007), understanding of powers helps AC to act effectively in their oversight function. With different perceived power utilized, AC might act as "threat, ally or arbiter" in different governance outcome. Thus, it strengthens ACE and enhances corporate governance practice in order to reduce the possibility of accounts manipulation. The proposed conceptual model thus serves as the benchmark for the AC members in Malaysia to aware their social power and utilized them effectively. Secondly, the effects of six AC social powers proposed might lead to different implication in ACE in terms of financial reporting, internal control or external auditing effectiveness. Hence, it guides and alerts the AC members to apply respective social power effectively and appropriately when performing the different oversight function. The proposed conceptual model provides a foundation for AC member to understand their powers in organization and how the powers affect their effectiveness. It also sheds some light for the regulator to identify which AC social powers contribute to the effectiveness that cannot easily be codified in the regulation and governance code.

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