Underlying Theory: Agency Theory

According to Welker (1995) and (Taliyang and Jusop, 2011), the concept of the agency theory has a linkage between disclosure behaviors and corporate governance. It was used to reduce the agency problems arising from the separation between ownership and management. Additionally, excessive intellectual capital disclosure should offer an extensive tracking package; for a company to reduce opportunistic behavior and information asymmetry (Li et al., 2008; Taliyang & and Jusop, 2011). This is consistent with the studies where the agency problem variable, including which includes audit committee and independent board of directors, may potentially enhance the inner control of each of the businesses, and in turn immediately reduce the problems of a company troubles by adopting corporate governance.

Besides that, Ho and Wang (2001) in their research stated that there exists a framework linking between agency theory and corporate governance. When viewed from the perspective of disclosure behavior, a corporate governance mechanism is designed to prevent the occurrence of control agency problems from occurring and to ensure that the management of the each and every company performs its duties diligently to maintain with trustworthiness. The element of which is able to trust by its shareholders. Based on the agency theory, it can be seen how that the internal governance mechanism provides corporate disclosure, as the corporate mechanism and disclosure mutually support and require each other. The purpose of corporate mechanism includes, including the quality of financial accounting and control systems (Collier, 1993; Ho & and Wang, 2001). This includes an audit committee. The theory predicts that the formation of an audit committee can reduce the means of reducing agency costs. According to Forker (1992); disclosure quality can be improved with the presence of an audit committees by improving the effectiveness of internal control and in respect of with regard to the effective monitoring devices. Consequently, it is expected that intellectual capital disclosure in annual reports could be improved.

Resource dependency

The Resource-dependent theory is also used to examine the relevancy of resources of a company to corporate governance. How the organization and resource relationships need to be used (Study.com, 2003). “Resources” referred to in this theory includes referring to including material, worker, and funding. The focus will be on the role of board resources, as since this study is related to about intellectual capital disclosure, so we will focus more on the role of board resources. According to Afza and Nazir (2014) state that another theory of corporate governance which highlights the need of different resources for the success of a business is known referred to as the resource dependency theory. This theory has argued claims that the mastery of a resource is able to make an organization’s resources successful and able to carry out its operations with lancer (Pfeffer, 1972; Afza & and Nazir, 2014).

Typically, the resources emphasized in this theory are the role of the board. This is because the role of the board is the most crucial clearest and most important resource.
in helping the organization to secure and attain the other crucial resources of the organization by utilizing their external connections relating to the environment. With the advantages of available on the board, a company will gain other resources that are also available for the organization. Access to key constituents like such as supplies of raw materials, buyers of outputs, public policy makers, social groups, as well as legitimacy (Hillman and Dalziel, 2003; Afza and Nazir, 2014). As such, the board of directors is act as the key source of various resources that helps to aid in different resources provision enhancing organization operations, firm’s performance, intellectual capital disclosure, as well as the organizational life (Dally, et al., 2003; Afza and Nazir, 2014). Both Ulrich and Barney (1984) and Afza and Nazir (2014) stated that similar description on organizational performance which is “organizational is highly reliant on the power of a company to avail the required and scarce resources”. Therefore, it is suggested that the increase of intellectual capital disclosure is also due to the mastery of the organization against the existing resources of the board of directors of a company, who are the one who is managing the organization, and making critical decisions, making and indicated expanding on the corporate governance structure.

**Frequency of Board of Director Meeting (FBODM)**

The law requires an organization or corporation to have a board of directors to represent the shareholders. The board is also responsible for the overall and organizational management. As for the Board meeting, a description of the meeting varies according to the laws of the respective countries. However, it is required to have at least most will meet minimum once once a year, but if there is an important issue arises, board meetings can be held on the spot from time to time. For small organizations, most of the board meetings will proceed according to parliamentary procedures. According to Vafeas, (1999), Carcello et al., (2002), Laksmana, (2008) and Greco (2010), the number of meetings can be taken into consideration as a proxy for the time that the directors have to perform their responsibilities and deliver monitoring activities, and for what the extent of monitoring activities are delivered.