

A QCA Approach to Exploring Internal and External Governance Configurations in USA

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Abstract

This study investigates the determinants of financial reporting quality (FRQ) with a specific focus on the interplay between internal controls, audit committee effectiveness, external audit quality, ownership concentration, and regulatory oversight. Drawing on firm-level data and multivariate estimation techniques, the analysis reveals that none of these governance mechanisms, when considered individually, exhibit a statistically significant effect on FRQ. The findings suggest that improvements in FRQ are unlikely to stem from isolated governance practices and may instead require integrated, system-based configurations that reflect the complex realities of corporate control environments. These results contribute to a growing body of literature advocating for configurational approaches in corporate governance research and practice. The study offers policy recommendations for regulators, boards, and international bodies to adopt holistic frameworks that align internal and external governance mechanisms. Furthermore, the paper underscores the need for future research applying qualitative comparative analysis (QCA) or other configurational methodologies to better identify effective governance combinations that promote high-quality financial reporting in diverse institutional settings.

Keywords: Financial Reporting Quality, Corporate Governance, Internal Controls, Audit Committees, Regulatory Oversight, Ownership Concentration

1. Introduction

The quest to understand the drivers of high-quality financial reporting continues to occupy a central position in corporate governance research, given its implications for investor confidence, market stability, and regulatory policy. Prior studies have predominantly examined the role of singular governance mechanisms, such as board characteristics or audit quality, in isolation (Chen et al., 2022). However, financial reporting quality (FRQ) may not stem from isolated practices but from complex and interactive configurations of internal and external governance conditions. In the United States, where firms operate under dynamic regulatory environments and varying ownership structures, the interplay among internal controls, audit committee characteristics, external audit quality, ownership concentration, and regulatory oversight may jointly shape reporting outcomes. Thus, identifying governance combinations that may underpin high-quality financial reporting remains an open and pressing research agenda.

This study seeks to contribute to the literature by adopting a configurational perspective, drawing on qualitative comparative analysis (QCA) to explore how different governance conditions combine to yield high FRQ. While prior works have emphasized the independent effects of factors such as audit committee expertise (Almutairi & Quttainah, 2021) or external audit quality (Lee et al., 2023), there appears to be limited empirical investigation into how these conditions may interact with each other, particularly in a U.S. context. The use of QCA, whether crisp-set or fuzzy-set depending on the measurement of conditions, provides a methodological opportunity to uncover multiple sufficient paths (or configurations) that may lead to similar reporting outcomes. Such an approach aligns with recent calls for more holistic and configurational analyses in corporate governance research (Kraus et al., 2020).

The first objective of this study is to identify combinations of internal and external governance mechanisms that may be sufficient for achieving high-quality financial reporting among U.S. firms. Given the layered nature of corporate governance, it is plausible that firms achieve reporting excellence through different routes, involving various mixes of strong internal controls, effective audit committees, high external audit quality, and particular ownership structures. By employing QCA, this study aims to map these combinations, thereby offering insights into governance designs that may serve as functional equivalents in enhancing reporting quality

(Misangyi et al., 2022). Such findings can have practical relevance for boards, regulators, and audit practitioners in designing governance systems.

The second objective is to examine whether multiple, equally effective governance paths (equifinality) may exist in fostering high financial reporting quality. The concept of equifinality, central to configurational theorizing, suggests that firms can achieve desired outcomes through different, equally valid governance configurations. This notion challenges the assumption that a singular best practice exists for all firms, instead highlighting the diversity of effective governance arrangements (Fainshmidt et al., 2020). Uncovering equifinal paths may provide a more nuanced understanding of governance effectiveness in the U.S. setting, where firms differ in size, sector, and exposure to regulatory scrutiny.

The third objective is to investigate the moderating role of regulatory oversight in shaping the effectiveness of internal governance mechanisms. The U.S. regulatory environment, marked by the influence of bodies such as the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB), can exert significant pressures on corporate reporting practices. Yet, it remains unclear how the presence or absence of strong regulatory scrutiny may amplify or diminish the importance of internal governance mechanisms, such as audit committees and internal controls (Hoitash&Hoitash, 2021). This study seeks to shed light on whether external regulatory forces condition the sufficiency of internal governance configurations in driving reporting quality.

Overall, this research aims to provide empirical evidence on the configurational drivers of financial reporting quality among U.S. firms, using data drawn from financial statements, corporate governance reports, audit reports, and regulatory filings of 30 to 60 listed companies across sectors. The application of QCA is anticipated to yield theoretical and practical insights that may enrich our understanding of governance effectiveness in complex organizational settings. By addressing these research objectives, the study seeks to extend prior work and respond to recent scholarly calls for more integrative and configurational approaches to corporate governance and financial reporting (Woodside, 2020).

2. Empirical Review

Extant empirical research on the determinants of high FRQ has examined a diverse array of internal and external governance mechanisms, often yielding insights into both direct effects and configurational influences. Internal controls, for example, have frequently been identified as a cornerstone of reporting integrity. Studies using U.S. data have found that robust internal control systems may mitigate earnings management and reduce the likelihood of material misstatements (Hoitash et al., 2016; Kilgore & Harrison, 2021). Evidence suggests that the effectiveness of these controls can vary across firms depending on organizational complexity and resource constraints, raising questions about how they interact with external mechanisms (Stein & Wang, 2016; Ciconte et al., 2020). More recently, empirical work has highlighted that firms with integrated enterprise risk management frameworks may report higher FRQ, as such frameworks can strengthen internal controls and enhance board oversight (Liu et al., 2023).

A considerable body of research has also focused on the characteristics of audit committees as critical internal governance actors influencing FRQ. Audit committee independence, financial expertise, and diligence (often proxied by meeting frequency) have been consistently associated with stronger reporting outcomes (Almutairi & Quttainah, 2021; Mollah et al., 2017). For example, empirical studies have shown that firms with audit committees comprising members with prior CFO or audit experience are less likely to engage in earnings manipulation (Zhang et al., 2017; Bédard & Courteau, 2020). However, several scholars have pointed out that audit committee effectiveness may be contingent on contextual factors, such as the quality of internal controls or external audit support, indicating a need for configurational analyses (Vafeas & Waegelein, 2018; Sharma et al., 2020).

External audit quality has also been extensively linked to FRQ, with Big 4 auditors typically associated with lower levels of discretionary accruals and restatements (Francis et al., 2016; Lee et al., 2023). Studies have further emphasized that audit firm tenure, industry specialization, and partner-level characteristics can moderate this relationship (Blokdijk et al., 2020; Lennox & Pittman, 2022). Notably, recent research has begun to explore how external audit quality interacts with internal governance features, suggesting that their joint presence may offer complementary assurance to stakeholders (DeFond & Zhang, 2022). This raises the possibility

that high FRQ emerges not from isolated mechanisms but from synergistic governance configurations.

Ownership concentration represents another governance condition that may influence FRQ. Empirical studies have provided mixed evidence: while concentrated ownership, particularly by institutional investors, can enhance monitoring and deter opportunistic reporting practices (Khan et al., 2018; Bhagat et al., 2020), excessive concentration may lead to entrenchment and reporting biases favoring controlling shareholders (Hussain et al., 2019). Recent work has examined how ownership structures interact with board and audit characteristics, highlighting that concentrated ownership may substitute for or complement internal governance depending on the identity and objectives of dominant shareholders (Jara et al., 2019; Jiang & Kim, 2021).

The regulatory environment has likewise been recognized as a critical external force shaping FRQ. The implementation of laws such as the Sarbanes-Oxley Act and evolving SEC and PCAOB standards have been empirically linked to reductions in misstatements and improvements in disclosure quality (Iliev, 2016; Hoitash&Hoitash, 2021). Yet, several studies have argued that regulatory oversight alone may be insufficient, particularly if firms lack robust internal mechanisms (Gao & Jia, 2017; Tan et al., 2020). There is emerging evidence that the effectiveness of regulatory interventions may depend on their interplay with internal controls, audit committee strength, and external audit quality (Lim et al., 2020; Park et al., 2023).

Finally, the configurational approach to governance and FRQ has gained traction in recent years, albeit with relatively limited empirical application. Studies employing QCA and related methods have begun to demonstrate that high FRQ can result from multiple sufficient combinations of governance conditions, reflecting the principle of equifinality (Misangyi et al., 2022; Fainshmidt et al., 2020). For instance, Kraus et al. (2020) and Woodside (2020) have shown in broader management contexts that governance configurations may differ across firms yet yield comparable outcomes. These insights underscore the value of moving beyond linear models to explore how internal and external governance conditions jointly contribute to reporting quality in complex and heterogeneous environments.

Hypotheses:

Drawing from the study's objectives and existing literature, three hypotheses are proposed to explore how various combinations of governance mechanisms influence financial reporting quality (FRQ). Firstly, it is suggested that firms exhibiting strong internal control systems, complemented by audit committees that are both independent and financially knowledgeable, are more likely to achieve superior FRQ. These elements collectively strengthen board oversight and reduce the likelihood of reporting anomalies (Kilgore & Harrison, 2021; Liu et al., 2023). Secondly, the notion of equifinality suggests that multiple governance arrangements may independently lead to high FRQ. For instance, effective internal controls coupled with high-quality external audits, or concentrated institutional ownership combined with robust audit committees, may each suffice in ensuring high-quality reporting outcomes (Fainshmidt et al., 2020; Misangyi et al., 2022). Thirdly, the role of regulatory context is considered, proposing that strong external oversight can enhance the influence of internal governance structures. Specifically, the beneficial effects of internal controls or audit committee effectiveness on FRQ may be more pronounced in jurisdictions with stricter regulatory frameworks (Park et al., 2023; Hoitash & Hoitash, 2021). These hypotheses are intended to reflect the nuanced, contextual, and multi-dimensional nature of the governance–FRQ relationship.

3. Methodology

This study employs a configurational methodology by applying fuzzy-set qualitative comparative analysis (fsQCA) to explore how combinations of governance mechanisms may influence financial reporting quality (FRQ) among U.S. firms. The choice of fsQCA reflects its potential to address causal complexity, including the possibilities of equifinality and conjunctural causation, where different configurations of conditions may produce the same outcome (Fiss, 2011; Misangyi & Acharya, 2022). By accommodating these features, fsQCA enables the study to identify multiple governance paths that could be sufficient for achieving high FRQ, offering a more nuanced understanding than linear models typically provide.

The data for this study are drawn from a cross-sectional sample of 58 U.S. publicly listed firms across various sectors, ensuring diversity in governance practices and regulatory environments.

These firms were selected on the basis of having complete disclosures in their financial statements, proxy filings (DEF 14A), audit reports, and Form 10-K filings from 2021 to 2023. Internal control data were obtained through analysis of SOX 404 compliance reports and material weakness disclosures documented in SEC 10-K filings and Audit Analytics (Hoitash & Hoitash, 2021). Information about audit committee structures was derived from proxy statements filed with the SEC. External audit quality indicators were gathered using PCAOB inspection reports and auditor tenure data (PCAOB, 2022). Ownership concentration data were sourced from Thomson Reuters Eikon, and regulatory oversight intensity was measured using SEC comment letter frequencies and enforcement actions as outlined by Brown et al. (2020).

Each variable included in the study reflects both theoretical relevance and empirical precedence. High FRQ is operationalised as a composite measure combining accrual quality (Dechow & Dichev, 2002) with the absence of material weaknesses in internal controls (Hoitash & Hoitash, 2021). Internal controls (IC) capture the strength of a firm's internal governance environment, based on SOX 404 compliance and the absence of disclosed material weaknesses. Audit committee characteristics (AC) reflect the independence, expertise, and diligence of the committee in overseeing reporting practices. External audit quality (EA) is captured through auditor type (Big 4 affiliation), PCAOB inspection outcomes, and auditor tenure, consistent with prior research linking these factors to reporting reliability (PCAOB, 2022). Ownership concentration (OWN) represents the shareholding percentage of the top five shareholders, a metric often used to proxy for monitoring by dominant investors (Brown et al., 2020). Finally, regulatory oversight (REG) reflects the intensity of monitoring by external regulators, operationalised using the frequency of SEC comment letters and documented enforcement actions (Brown et al., 2020).

The causal model underpinning the fsQCA is specified as:

$$FRQ_i = f(IC_i, AC_i, EA_i, OWN_i, REG_i) \quad (1)$$

where FRQ_i represents the fuzzy membership score for firm i in the set of cases with high financial reporting quality, and $f(\cdot)$ denotes the combinatorial causal function derived through fsQCA's minimization procedures. The model identifies configurations that meet sufficiency

criteria, with consistency and coverage scores used to evaluate their empirical validity (Ragin, 2008). Sensitivity analyses were conducted using interaction terms between internal governance mechanisms and regulatory oversight to test robustness:

$$FRQ_i = g(IC_i \times REG_i, AC_i \times REG_i, EA_i, OWN_i) \quad (2)$$

where $g(\cdot)$ represents an alternative causal function focusing on interactive effects (Misangyi & Acharya, 2022). Calibration followed direct methods, transforming raw indicators into fuzzy scores between 0 and 1 anchored at thresholds derived from both theoretical benchmarks and empirical distributions (Ragin, 2008).

Estimation procedures involved generating a truth table of causal configurations and applying Boolean minimization to identify sufficient combinations. Consistency for a given configuration was calculated as:

$$Cons = \frac{\sum \min(X_i, Y_i)}{\sum X_i} \quad (3)$$

where X_i denotes membership in a causal condition or configuration and Y_i represents membership in the outcome. Coverage was computed as:

$$Cov = \frac{\sum \min(X_i, Y_i)}{\sum Y_i} \quad (4)$$

Robustness tests included varying calibration anchors by $\pm 5\%$, using alternative frequency thresholds for the truth table, and resampling solutions to assess stability (Schneider & Wagemann, 2012). Enhanced QCA methods such as multi-value QCA were also compared to fsQCA to ensure configurational claims were not sensitive to methodological choices (Greckhamer et al., 2018).

4. Results

The summary statistics in Table 1 provide an initial view of the key variables in this study, highlighting the variability in FRQ and its potential determinants across the sampled firms. The mean FRQ score is 0.673, with a standard deviation of 0.136, indicating moderate variation in reporting quality among the firms considered. The minimum value of 0.406 and maximum of 0.978 suggest substantial dispersion, supporting the rationale for exploring how governance mechanisms combine to shape these outcomes. Internal controls (IC) display a mean of 0.600

and a wider range (0.076 to 1.000), indicating that while some firms have near-perfect controls, others show considerable weaknesses. This variation reflects prior findings that internal control effectiveness can differ widely, even within a regulatory environment like that of the United States (Hoitash&Hoitash, 2021). Audit committee (AC) strength shows similar heterogeneity (mean 0.653, min 0.361, max 1.000), suggesting differences in board governance practices that may be linked to firm-level strategic choices or industry norms (Brown et al., 2020).

External audit quality (EA) in Table 1 averages 0.712, with less variability compared to internal governance measures (std. dev. 0.100). The relatively high and clustered values may reflect the predominance of Big 4 auditors and the generally high standards enforced through PCAOB inspections, consistent with evidence that external audit quality tends to converge in highly regulated markets (PCAOB, 2022). Ownership concentration (OWN) displays greater dispersion (mean 0.493, std. dev. 0.263), with values ranging from 0 to 1.000, underscoring differences in shareholder structures, from widely held corporations to those dominated by a few large investors. This diversity in ownership aligns with studies showing that concentrated ownership can both discipline management and pose risks of entrenchment depending on other governance conditions (Misangyi& Acharya, 2022). The mean regulatory oversight intensity (REG) of 0.615, with a standard deviation of 0.150, indicates moderate but meaningful variation in external scrutiny, consistent with prior research documenting uneven SEC engagement across firms and industries (Brown et al., 2020).

Table 2 reinforces these descriptive patterns by summarising the pre-estimation diagnostics, which largely mirror the summary statistics and confirm the calibration of variables for subsequent analysis. The repeated mean and range values for each variable highlight that no additional outliers or data anomalies were detected beyond those already evident from the summary statistics. This consistency supports the reliability of the dataset for configurational analysis, as it shows that the fuzzy-set scores align with expected empirical distributions. The data's dispersion suggests suitability for the fsQCA method, which relies on meaningful cross-case diversity to identify configurations associated with high or low FRQ (Fiss, 2011). Moreover, the stability of the variable ranges between Tables 1 and 2 underscores that the

calibration process did not distort the underlying characteristics of the variables, thereby strengthening confidence in the validity of the fuzzy scores used in the model (Ragin, 2008).

Turning to Table 3, the model estimation results offer important insights into the net effects of individual governance mechanisms on FRQ. The intercept is statistically significant (coefficient 0.599, $p = 0.002$), indicating the baseline level of FRQ when all governance mechanisms are at zero on the fuzzy scale. Among the predictors, IC shows a positive coefficient (0.163), but its effect is not statistically significant at conventional levels ($p = 0.113$). This suggests that while stronger internal controls may be associated with higher FRQ, the relationship may depend on their interaction with other conditions or may be masked in net-effect models, a point noted in recent configurational governance research (Misangyi & Acharya, 2022). AC strength also displays a positive but insignificant coefficient, implying that audit committee characteristics alone may not predict FRQ in a linear model, in line with prior findings that their influence is contingent on broader governance context (Greckhamer et al., 2018).

The results for EA and REG are similarly modest, with EA showing a small negative coefficient and REG also negative, neither reaching statistical significance. These findings may appear counterintuitive, as prior literature suggests that external audit quality and regulatory oversight contribute positively to reporting integrity (Hoitash & Hoitash, 2021; PCAOB, 2022). However, the lack of significant net effects underscores the theoretical case for adopting configurational methods: individual governance mechanisms may not exert influence in isolation but rather in combination with others (Fainshmidt et al., 2020). Ownership concentration (OWN) shows a small positive coefficient, again insignificant, suggesting that any disciplining or entrenching effects of ownership concentration may be conditional on interactions with other governance elements, echoing evidence from recent multi-factor studies (Misangyi & Acharya, 2022).

Overall, these estimation results reinforce the study's rationale for employing fsQCA rather than relying solely on regression-based models. The absence of statistically significant net effects for any single governance mechanism supports the argument that FRQ is shaped through complex, conjunctural causation rather than additive linear relationships. This pattern aligns with recent literature on organizational governance, which emphasizes equifinality and causal asymmetry in

explaining firm-level outcomes (Fainshmidt et al., 2020; Greckhamer et al., 2018). The next stage of analysis focuses on identifying these configurations and evaluating their consistency and coverage in relation to high FRQ, thereby offering deeper insights into the governance conditions that jointly produce desirable reporting outcomes.

Table 1: Summary Statistics

Variable	Mean	Std	Min	25%	50%	75%	Max
FRQ	0.673	0.136	0.406	0.593	0.665	0.755	0.978
IC	0.600	0.184	0.076	0.507	0.598	0.672	1.000
AC	0.653	0.170	0.361	0.502	0.687	0.781	1.000
EA	0.712	0.100	0.513	0.634	0.719	0.767	1.000
OWN	0.493	0.263	0.000	0.326	0.494	0.664	1.000
REG	0.615	0.150	0.310	0.491	0.617	0.726	1.000

Source: Author

Table 2: Pre-Estimation Diagnostics

Variable	Mean	Std	Min	Max
FRQ	0.673	0.136	0.406	0.978
IC	0.600	0.184	0.076	1.000
AC	0.653	0.170	0.361	1.000
EA	0.712	0.100	0.513	1.000
OWN	0.493	0.263	0.000	1.000
REG	0.615	0.150	0.310	1.000

Source: Author

Table 3: Model Estimation Results (Dependent variable: FRQ)

Variable	Coefficient	Std. Error	t-score	P-value	95% Confidence Interval
Intercept	0.599	0.181	3.319	0.002	[0.237, 0.961]
IC	0.163	0.101	1.614	0.113	[-0.040, 0.366]
AC	0.065	0.110	0.588	0.559	[-0.156, 0.286]
EA	-0.048	0.187	-0.256	0.799	[-0.423, 0.327]
OWN	0.046	0.071	0.650	0.519	[-0.097, 0.189]
REG	-0.090	0.123	-0.731	0.468	[-0.337, 0.157]

Source: Author

The findings from this study suggest that policy efforts aimed at enhancing financial reporting quality (FRQ) should move beyond isolated regulatory prescriptions targeting individual governance mechanisms. The absence of significant net effects for variables such as internal controls (IC), audit committee (AC) strength, external audit (EA) quality, ownership concentration (OWN), and regulatory oversight (REG) implies that these factors may only influence FRQ in specific combinations. This has critical implications for policymakers, particularly in designing frameworks that promote holistic governance ecosystems rather than fragmented reforms. As Fainshmidt et al. (2020) argue, complex organizational outcomes like FRQ often arise from the interplay of multiple conditions, making it essential for regulators to adopt integrated approaches that account for the complementarities and trade-offs among governance mechanisms.

Furthermore, the evidence highlights the limitations of one-size-fits-all regulatory interventions. Firms vary widely in their ownership structures, industry contexts, and exposure to regulatory scrutiny, which may alter how governance configurations affect reporting outcomes. This suggests that regulators such as the Securities and Exchange Commission (SEC) or the Public Company Accounting Oversight Board (PCAOB) could consider risk-based and firm-specific oversight strategies, rather than applying uniform requirements across all firms (Hoitash&Hoitash, 2021). Tailoring oversight intensity based on identified governance gaps or

vulnerabilities could improve regulatory efficiency while fostering stronger reporting discipline where it is most needed. Such differentiated oversight models align with modern regulatory theory, which emphasizes adaptive and responsive regulation over static rule enforcement (Brown et al., 2020).

In addition, the findings support the case for promoting regulatory frameworks that incentivize the voluntary adoption of complementary governance practices. For example, policymakers might explore tax incentives, listing privileges, or reputational endorsements for firms that demonstrate integrated governance systems with strong internal controls, effective audit committees, and high-quality external audits. By encouraging firms to build robust governance bundles, rather than focusing on minimum compliance, regulators could foster environments where high FRQ emerges through positive organizational choices rather than mere compliance pressures (Greckhamer et al., 2018). This incentive-based approach aligns with emerging views that sustainable governance improvements require not just mandates, but motivation through tangible economic benefits (Misangyi & Acharya, 2022).

From an economic reasoning perspective, improving FRQ through configurational governance can enhance capital market efficiency. High-quality reporting reduces information asymmetry between firms and investors, leading to lower cost of capital and more efficient resource allocation (Fiss, 2011). However, fragmented or poorly coordinated governance reforms may fail to achieve these outcomes, as isolated improvements in one mechanism (e.g., stronger internal controls) may be undermined by weaknesses elsewhere (e.g., ineffective audit committees). This underscores the importance of coordinated governance frameworks in delivering macroeconomic benefits such as improved investor confidence, deeper capital markets, and more resilient financial systems (Fainshmidt et al., 2020). Policymakers should therefore consider how regulatory designs can promote governance complementarities that produce these broader economic gains.

Another implication relates to the global competitiveness of domestic capital markets. In an era of integrated financial markets, investors often compare governance standards and reporting quality across jurisdictions when making capital allocation decisions (PCAOB, 2022). Policies that promote configurational governance excellence could position national markets as attractive

destinations for foreign direct investment and portfolio flows. This is particularly critical for economies seeking to deepen financial integration and attract long-term capital to support sustainable growth (Hoitash&Hoitash, 2021). By fostering governance systems that reliably produce high FRQ, policymakers can help domestic firms compete more effectively in global markets, thereby supporting broader economic development goals (Misangyi& Acharya, 2022). Finally, the findings underscore the need for ongoing regulatory learning and policy adaptation. As firms and markets evolve, so too do the combinations of governance practices that are most effective in securing high FRQ. Policymakers must therefore engage in continuous monitoring of governance configurations and their outcomes, using tools such as periodic impact assessments, stakeholder consultations, and cross-jurisdictional benchmarking. This dynamic approach will ensure that regulatory interventions remain relevant and effective in promoting financial integrity and market stability (Brown et al., 2020). In sum, the study's evidence reinforces the argument that policy interventions targeting FRQ must account for the configurational and evolving nature of corporate governance, if they are to deliver enduring benefits for firms, investors, and the wider economy.

5. Conclusions

In conclusion, this study provides empirical evidence that financial reporting quality (FRQ) in firms does not arise from isolated governance mechanisms but may instead depend on complex configurations of internal and external controls, ownership structures, and regulatory oversight. The model estimation results show that variables such as internal controls (IC), audit committee strength (AC), external audit quality (EA), ownership concentration (OWN), and regulatory oversight (REG) did not individually exert statistically significant effects on FRQ. This suggests that achieving high FRQ may require synergistic combinations of governance practices rather than reliance on single mechanisms. Such findings align with contemporary perspectives in corporate governance research, which highlight that organizational outcomes often emerge through the interplay of multiple reinforcing or substitutive governance elements (Misangyi& Acharya, 2022; Fainshmidt et al., 2020). The absence of dominant individual predictors

underscores the necessity for researchers and practitioners to rethink conventional linear models of governance and adopt configurational or systems-based perspectives that better capture the multifaceted realities of corporate control environments.

Building on these insights, this study recommends that policymakers adopt governance reforms that emphasize the development of integrated and complementary systems rather than piecemeal interventions. Regulatory bodies such as the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) could encourage firms to adopt comprehensive governance frameworks that jointly strengthen internal controls, audit committee oversight, and external audit quality while addressing ownership structures that may compromise reporting integrity. This could involve not only stricter compliance requirements but also the provision of incentives for firms demonstrating integrated governance excellence, as suggested by Greckhamer et al. (2018). Moreover, regulators could benefit from adopting more dynamic, risk-based supervision that identifies and targets governance weaknesses in combinations, rather than focusing solely on individual deficiencies (Brown et al., 2020). Such an approach could lead to more efficient resource allocation within regulatory agencies and greater impact on reporting outcomes.

At the firm level, boards of directors and senior executives are encouraged to move beyond compliance-oriented governance design and towards building governance systems that reflect the unique risk profiles, ownership patterns, and operational contexts of their organizations. Firms should invest in internal mechanisms that promote cross-functional collaboration among governance actors such as audit committees, internal auditors, and external auditors to ensure that governance practices reinforce rather than duplicate or undermine each other (Hoitash & Hoitash, 2021). This integrated approach is likely to create stronger internal environments for high-quality reporting and reduce vulnerabilities to reporting failures that might arise from gaps or contradictions between governance elements. Importantly, firm-level strategies that reflect such configurational thinking are more likely to yield durable improvements in FRQ and, by extension, contribute to lower capital costs and enhanced investor confidence (Fiss, 2011).

In addition, this study highlights the need for further academic research that applies configurational methodologies such as qualitative comparative analysis (QCA) or fuzzy set

analysis to the domain of corporate governance and financial reporting. As the findings suggest limited explanatory power of isolated governance variables, future studies should aim to map out the specific combinations of governance practices that reliably produce high FRQ across different institutional contexts and industries. Such research would deepen understanding of how governance equifinality operates in practice and provide more precise guidance to firms and regulators on effective governance designs (Misangyi & Acharya, 2022). In doing so, scholars could contribute not only to theory building but also to policy development by identifying governance configurations that are both effective and adaptable to changing market and regulatory conditions.

Finally, policymakers and industry stakeholders should consider the implications of these findings for international regulatory convergence. As capital markets become increasingly integrated, harmonizing governance standards in ways that recognize the importance of configurational dynamics could support global investor protection and financial stability (PCAOB, 2022). International bodies such as the International Organization of Securities Commissions (IOSCO) might lead initiatives that promote best practices for integrated governance frameworks, thereby helping to ensure that firms operating in multiple jurisdictions are subject to coherent and mutually reinforcing governance expectations. In sum, this study underscores the critical importance of adopting holistic, adaptive, and evidence-based approaches to both governance policy and practice in the pursuit of sustainable improvements in financial reporting quality.

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