



**RESEARCH MANAGEMENT INSTITUTE (RMI)
UNIVERSITI TEKNOLOGI MARA
40450 SHAH ALAM, SELANGOR
MALAYSIA**

BY :

**SAIDAH HAMIZAH AHMAD
ASSOCIATE PROFESSOR DR. JASMINE AHMAD
ASSOCIATE PROFESSOR DR. HJH RUGAYAH HASHIM**

JULY 2011

Contents

1. Letter of Report Submission..... iii

2. Letter of Offer (Research Grant) iv

3. Acknowledgements..... v

4. Enhanced Research Title and Objectives vi

5. Report..... 1

 5.1 Proposed Executive Summary..... 1

 5.2 Enhanced Executive Summary 2

 5.3 Introduction..... 3

 5.4 Brief Literature Review..... 5

 5.5 Methodology 10

 5.6 Results and Discussion..... 14

 5.7 Conclusion and Recommendation 19

 5.8 References/Bibliography..... 20

6 Research Outcomes 23

7 Appendix..... 24

 Table of literature reviews..... 24

 International publication..... 28

3. Acknowledgements

Alhamdulillah, with Allah consent, we finally complete this research. During the course of our writing and researching, we would like to thank the group members for their support directly or indirectly in making this research a successful one.

We are indebted to UiTM and RMI for granting the fund to facilitate our researching and writing activities. Without which, the outcome may not be fully achieved.

Lastly, we wish to thank our family members and friends for their support and patience.

5.2 Enhanced Executive Summary

(Abstract of the research) – 1 page only

The notion of Triple Bottom Line (TBL) has become increasingly fashionable in today's environment. It's presence as part of corporate governance principle is common in most Code of Corporate Governance worldwide. Board of directors are the prime governor of a company. Hence, this study attempts to test the impact of different characteristics of board with TBL performance in Malaysia using a relatively new dataset from the Asian Sustainability Rating Index 2009. Using correlation tools, the study found no relationship between board characteristics and TBL performance. Thus, this evidence suggests that alternative control mechanism should be created to steer board's decision to maximise the interest of stakeholders. It may be the case that board's incentive to maximise TBL performance is still lacking as compared to financial performance.

KEYWORD: Triple-Bottom Line, Board governance, Malaysia

5.3 Introduction

Over recent years, a series of high-profile companies have experienced spectacular collapses in their share prices substantially which has eroded market and public confidence. Behind the Enron, Worldcom and Parmalat headlines have been the same basic story that is 'bad governance'. The key definition of corporate governance set out in the Cadbury Code (1992) is "the system by which an organisation is directed and controlled" and in the Malaysian Code of Corporate Governance (2007) as "a system by which the board set the company's value and standards and ensure that its obligations to its shareholders and *others* are understood and met". Both definitions place major responsibility to the board as the catalyst to control the direction of the company to meet the interest of shareholders and *others*. The Institute of Directors' Standards for the Board, published in the UK in 2001 further supports the key role of a company board as: "to seek to ensure the company's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of shareholders and relevant stakeholders." It is for this reason that board is always been pin pointed first over others for the failure of a corporation. Even in corporate social responsibility sphere, the issue of 'corporate psychopathic' is in fact refers to the board as the main character. It has been extensively argued in previous literatures that company with good governance did not always indicate good behaviour to the Triple-Bottom Line (economic, social and environment) aspect. The decision of whether to be good in both corporate governance and TBL lies on the board in their boardroom. This may sound 'far' enough for shareholders and stakeholders to monitor. Agency and stakeholder theories posit that board should maximise the interest of shareholders and stakeholders. This includes all decision made in the boardroom. Although the decision is made in a closed-door, it is possible to evaluate the result. Thus, this paper attempts to investigate the extent to which board structure influence the company's TBL performance.

5.3.1 Significance of Research

This information will be useful for policy contribution in many ways as follows:-

1. The result found may be useful to improvise the existing metrics of evaluating good governance from the non-financial stakeholder perspective in Asian Sustainability Rating Index.
2. It can benefit Malaysia or any developing countries in the development of sustainability rating such as FTSE4good that has been established in UK
3. The result found is hoped to provide additional information relating to TBL scenario in different quality of board governance to interested parties