UNIVERSITI TEKNOLOGI MARA

THE INFLUENCE OF OWNERSHIP STRUCTURE, BOARD EFFECTIVENESS AND BOARD DIVERSITY ON FIRM PERFORMANCE: EVIDENCE FOR GOVERNMENT-LINKED COMPANIES IN MALAYSIA

MICHELE MERARA ANAK NGELAMBUNG

Thesis submitted in fulfillment
of the requirements for the degree of
Master of Science
(Business Management)

Faculty of Business and Management

September 2022

ABSTRACT

The revised Malaysian Code of Corporate Governance (MCCG) of 2012 and 2017 has recommended a more active role of the board in monitoring companies' performance, ensuring management accountability and ethical practices to protect the shareholders and other stakeholders. One of the deliverables includes compliance on the board structure and independence and the independence of the audit committee. United Nations' Sustainable Development Goal #5 highlights board diversity as a global issue, which calls for empowering women in leadership roles. Since government-linked companies (GLCs) are the key drivers in Malaysia's economic and capital markets, this study examines how corporate governance variables influence their performances. The thesis investigates the influence that ownership structure, board effectiveness, and board diversity have on companies' performance. We used and collected secondary data from a sample of 32 companies with cumulative government-linked investments companies (GLICs) shareholdings of 20 percent and above. These GLCs are currently listed on the Bursa Malaysia Securities Exchange Bourse. The study uses annual financial data spanning seven years (2012 until 2018). Two performance measures are used: accounting performance (Return on Assets) and economic performance (Economic Value Added). Independent variables include Ownership Structure (Model 1), Board Effectiveness (Model 2), Board Diversity (Model 3), with Firm Size and Firm Age as control variables. Panel data regression methodology uses STATA statistical software. The analysis results found only firm size tends to significantly and negatively influence both EVA and ROA. Meanwhile, audit committee independence, ethnic diversity, and firm size significantly and negatively influence EVA. Other governance variables, such as ownership concentration, government ownership, the board size, board independence, board meeting, audit committee size, and firm age, provide insignificant results. The results concur with many past studies that found that privatized firms perform less than fully private entities. The results draw attention to the need to understand further how corporate governance and good practices can be re-investigated to ensure Malaysian GLCs' financial and economic sustainability, particularly in the current contestable global markets and uncertainties.

ACKNOWLEDGEMENT

All praise and thanks be to God, the Almighty.

The successful completion of this thesis is made possible with the support and assistance from various parties. I thank all those who have helped me, directly and indirectly, in carrying out this research and have offered valuable comments and suggestions.

First and foremost, I would like to thank University Teknologi Mara for the opportunity and for providing an accessible and completed library and online database.

Secondly, I would like to express deep gratitude to my main supervisor, Assoc. Prof. Dr. Jennifer Tunga Janang, for her guidance, enthusiastic encouragement, and valuable comments on my research work. Throughout the period of completing this thesis, Dr. Jennifer provided helpful suggestions and constructive comments to reply to my queries. She tirelessly and generously gave her precious time to guide me, which I highly appreciate. Special thanks also go to my co-supervisor, Prof. Ts. Dr. Imbarine Bujang. He has also immensely provided invaluable guidance and advice in completing this research.

Thirdly, I extend my acknowledgment to the Institute of Graduates Studies, UiTM Sarawak, for the technical support and the facilities provided to ensure the smooth running of my thesis completion. I am deeply grateful for the support from my parents and friends, who helped a lot in finalizing this thesis within a limited time frame.

Thank you, and may God bless you all.

TABLE OF CONTENTS