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CORPORATE GOVERNANCE (CG) MECHANISM AND VALUE CREATION: THE MEDIATING ROLES OF SUSTAINABLE DEVELOPMENT GOALS (SDGS) DISCLOSURE

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ABSTRACT

This research examined the relationship between corporate governance (CG) mechanisms, represented by Board of Directors' (BOD) characteristics—Size, Gender Diversity, Age, Education, and Experience—and value creation, measured by financial performance (Return on Equity, ROE) and Reputation. It also explored the mediating role of Sustainable Development Goals (SDGs) disclosure in these relationships. The research focused on 145 firms listed on the main board of Bursa Malaysia within the Consumer Product and Service sector from 2018 to 2022, a sector known for its high profile, significant contribution to Malaysia's Gross Domestic Product (GDP), and strong consumer proximity. A quantitative approach was employed, utilizing secondary data from corporate, annual, sustainability, and integrated reports, analyzed through content analysis and documentation studies. The Resource-Based Theory (RBT) provided the theoretical foundation for the research. Data analysis was conducted in two phases: the first phase, Model 1, analyzed using SPSS, explored direct relationships between BOD characteristics and value creation, addressing objectives 1 (ROE) and 2 (Reputation). The second phase, Model 2, analyzed using R programming, examined the mediating effects of SDGs disclosure addressing objectives 3 (mediating effects on ROE) and 4 (mediating effects on Reputation). The findings suggest that CG mechanisms generally have a positive influence on value creation, although most effects are not statistically significant. Notably, Board Experience is positively and significantly associated with financial performance, and Board Size is positively associated with firm reputation. However, a larger Board Size and older directors were found to have a negative relationship with ROE, while Education negatively impacts Reputation. In terms of SDGs disclosure, most mediating effects are positive, except for the mediations of Board Size, Age, and Experience with ROE, as well as Education with Reputation. Among these, only the mediation of Board Size with Reputation is statistically significant and positive. The research makes both theoretical and practical contributions. Theoretically, it extends RBT by incorporating SDGs disclosure as a mediator, highlighting its role in strengthening the relationship between CG mechanisms and value creation. Practically, the findings provide valuable insights for policymakers and practitioners, emphasizing the significance of specific BOD characteristics, particularly Experience and Board Size, in fostering sustainable corporate performance. The results also highlight the strategic value of SDGs disclosure in enhancing firm reputation and aligning CG practices with global sustainability priorities. By addressing gaps in CG research, this research enhances the understanding of how governance mechanisms and SDGs interact to promote value creation, particularly in high-impact sectors.

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CHAPTER 1
INTRODUCTION

1.1 Introduction

This chapter includes the background and issues of the research. Section 1.2 explains the background of the topic. Subsequently, Section 1.3 provides the problem statement of this research. Sections 1.4 and 1.5 highlight the research questions and objectives. Section 1.6 describes the research's scope and limitations, while Section 1.7 presents the significance of this research from practical and theoretical aspects. Lastly, Section 1.8 provides the summary of this chapter.

1.2 Research Background

Corporate governance (CG) is the system and framework employed to guide and oversee the operations and matters of the firm, aiming to enhance business prosperity and corporate responsibility. The primary goal is to achieve long-term shareholder value while considering the interests of other stakeholders (Securities Commission Malaysia, 2021). CG encompasses the procedural and structural mechanisms employed to oversee and manage the operations and affairs of a firm. Its primary objective is to enhance business prosperity and corporate accountability, with a focal point on realizing long-term shareholder value. This objective is pursued while concurrently taking into account the interests of other stakeholders (Securities Commission Malaysia, 2021). To achieve this objective, Malaysia introduced the Malaysia Code of Corporate Governance (MCCG), which was most recently revised in 2021 as a guide and directive for the effective implementation of CG. The updated MCCG introduces a set of principles and recommendations regarding firm structures and composition. These guidelines are intended for application by firms in Malaysia to enhance and fortify the standards of CG.

The MCCG 2021 is anchored in three key principles, primarily emphasizing the board's role in enhancing firm governance. It focuses on improving board effectiveness through strengthened composition and independence, fostering resilient disclosure policies, and promoting robust audit and risk management. Firms are encouraged to