

AMONG 100 TOP COMPANY PERFORMANCE OF REAL ESTATE INDUSTRY: DOES CHIEF FINANCIAL OFFICER MATTERS?

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1. INTRODUCTION

Malaysia has a wide range of companies that are involved in the real estate sector. Real estate, land, buildings, air rights over the land as well as the ground beneath are examples of features covered in this industry. Real estate includes "land and the improvements connected with it," such as structures (buildings), crops, and even mineral rights (Shaukat 2010; Amadeo 2021). They have many similar features and are "real assets" in the sense that we can touch and feel them, they are grouped. This paper will examine the relationship between the characteristics of the CFOs and the financial performance of the companies in the real estate industry.

Thus, the relationship between the CFO's characteristics and the financial performance will be measured based on eight (8) companies in the real estate industry that were listed in the Top 100 companies in Malaysia. The company involved in this study were Sunway Real Estate, SP Setia Berhad, Eco World Berhad, Tropicana Corporation Berhad, Mah Sing Group Berhad, UOA Development, TA Enterprise, and Eastern & Oriental Berhad. Apart from that, this study assessed the financial performance using two methods: return on asset (ROA) and return on equity (ROE). Rosikah, Prananingrum, Muthalib, Azis, and Rohansyah (2018) mentioned that ROA is used to assess a firm's potential to generate profits by utilizing the total owned assets in the future. The second method of calculating return on equity is to divide the total amount of money invested. Return on equity (ROE) can be regarded as a financial performance indicator determined by dividing net income by shareholders' equity.

2. METHODOLOGY

A total of nine (9) public listed companies under the real estate sector were identified. However, one (1) company, Matrix Berhad was not included in this study because the information regarding their CFO was not provided in the annual report. Hence, only eight (8) companies were included for further discussion. The information regarding the CFO's characteristics was collected from the report and statement disclosed by the company in the annual report. Three characteristics of CFO were highlighted in this study, namely the age, gender, and level of education as well as the qualification obtained by the CFO. Meanwhile, the analysis of the financial performance was measured based on the values of ROA and ROE.

3. RESULTS

Age is a fundamental factor for every company to decide the position of their top management. In other words, age can also be known as a crucial element for the company to ensure that they have chosen the right person with enough experience. Some companies may choose CFO with longer working experience. Typically, those who have long working experience are composed of older workers. Most CFOs come from older generations such as Baby Boomers and Generation X. However, some companies hire younger CFOs since they are deemed to be qualified. The age of the CFOs from seven (7) companies ranged between 50 – 61 years old. Interestingly, one (1) company had the youngest CFO who was 34 years old, and this age belongs to the category of Generation Y. In some cases, age does not reflect the duration of working experience. Some CFOs may be older, but they may not have a long working experience in the finance field.

Next, gender diversity is said to enable improvement towards the top management's decision-making which will lead to improved financial performance. Beyond social and ethical issues, it is suggested that the presence of females as CFOs may promote access to a wider range of human capital, which has substantial repercussions for a company's competitiveness and performance (Iren, 2016). Although gender diversity is widely regarded as a norm for equity and fairness, female participation in the corporate boards and executives is extremely low in Malaysia's public companies. However, the male CFOs showed that they also had the excellent attributes to be a competent CFO for the company and did not take the position for granted despite dominating the top management. All the CFOs qualify for the Malaysia Institute of Accounts (MIA) and are recognized Chartered Accountants. Regarding the CPA qualification, six out of eight CFOs qualify as CPA. Three of them obtained it from the MICPA while another three were from CPA Australia. Unlike the other CFOs, the CFO of UOA Development does not qualify as a CPA. Instead, she obtained the status of Association of Chartered Accountants in London, United Kingdom. Apart from that, Sunway Berhad's CFO also has a remarkable qualification. She obtained a qualification from the Harvard Business School for an executive program. Moreover, she is also a license holder of the Capital Market Services Representative.

The summary of the CFOs' age, gender, working experience, and educational background for all eight companies is provided in Table 1.

Table 1: Summary of CFO's Age, Gender, Working Experience, and Educational Background

COMPANIES	NAME	AGE	GENDER	WORKING EXPERIENCE	EDUCATION BACKGROUND
Sunway Real Estate	Irene Sin May Lin	54	Female	>20 years	✓ Bachelor's Degree ✓ MIA ✓ CPA Australia
SP Setia Berhad	Choy Kah Yew	50	Male	26 years	✓ MIA ✓ MICPA
Eco World Berhad	Heah Kok Boon	53	Male	Not Mentioned	✓ Bachelor's Degree ✓ MIA
Tropicana Corporation Berhad	Lim Lai Seng	52	Male	28 years	✓ Bachelor's Degree ✓ MIA ✓ CPA Australia
Mah Sing Group Berhad	Teong Sze Howe	34	Male	>12 years	✓ Bachelor's Degree ✓ MIA ✓ CPA Australia
UOA Development TA Enterprise	Ang Kheng Im Tah Heong Beng	55 61	Female Male	4 years Not Mentioned	✓ MIA ✓ MIA ✓ MICPA
Eastern & Oriental Berhad	Loi Kok Mun	50	Male	>21 years	✓ MIA ✓ MICPA

4. DISCUSSION

In this section, the relationship between the CFO's characteristics and the company's financial performance will be further explained by focusing on the companies' ROA and ROE values in the years 2019 and 2020. Multiple factors influence the company's performance. In Malaysia, due to the pandemic COVID-19, reports showed a decline in the overall performance of the economy. As the key personnel of the corporate and business decision-making, the CFO of the company shall hold the responsibility to maintain the company's good performance, specifically financially. The characteristics of the CFO observed previously will be discussed to reflect their management and their company's financial performance. The companies with positive ROA and ROE results, namely Sunway Real Estate, Eco World Berhad, Tropicana Corporation Berhad, Mah Sing Group Berhad, UOA Development Berhad, and TA Enterprise showed that the percentage of ROE was always higher than ROA. On the contrary, in the case of SP Setia Berhad and Eastern & Oriental Berhad which had negative ROA and ROE, the percentage of ROA was slightly higher than ROE. Figure 1 provides the summary of the financial performance of the top 100 real estate companies in Malaysia.

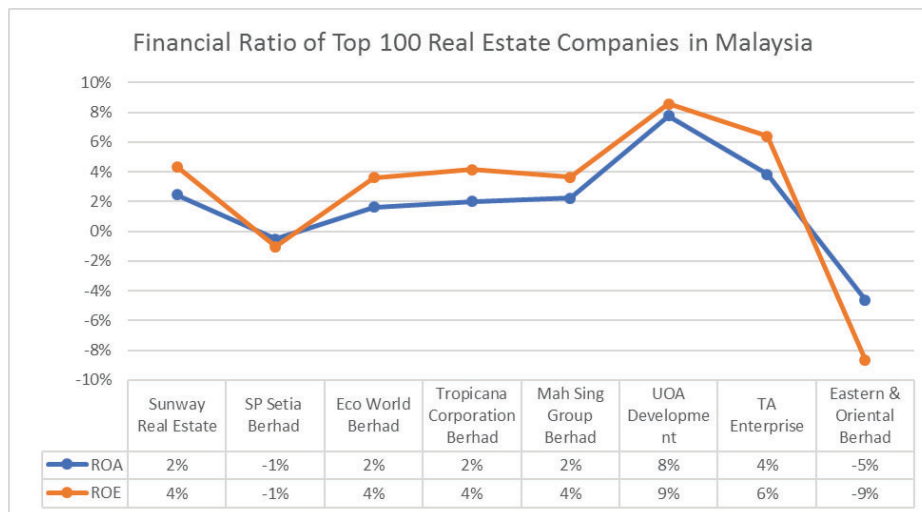


Figure 1: The Financial Performance of the Top 100 Real Estate Companies in Malaysia

5. CONCLUSION

Overall, the personal traits of the CFO, who is a vital figure in the top management team, have a significant influence on the company's financial performance. It was found that the CFO's age and experience played a major role as they could be the foundation for the CFO in making sound financial decisions. Next, it was also revealed that having gender diversity would enable the company to have comprehensive managerial behavior within the top management. Lastly, this study discovered that the education level of the CFO is not an indicator for a company to have a better financial performance. The findings also did not show any preferable results for the CFOs with extra qualifications to give greater performance compared to the other CFOs. In a conclusion, the CFO's characteristics of age, experience, and gender are the main aspects that every public listed company could pay extra attention to and efforts to get the most

out of its financial performance for the business especially for the real estate industries that are affected by the COVID-19 pandemic.

6. ACKNOWLEDGMENT

Firstly, we thank the authors from past articles who have helped us to get more information. On top of that, we thank Universiti Teknologi MARA (UiTM) for sponsoring all expenses to present and publish this paper.

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