CORPORATE GOVERNANCE STRUCTURE AND FIRM PERFORMANCE: EVIDENCE FROM CONSUMER PRODUCT FIRMS IN MALAYSIA

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ABSTRAK

Tujuan utama kajian ini adalah untuk mengetahui struktur corporate governance dan prestasi daripada syarikat-syarikat produk pengguna yang disenarai di bursa Malaysia. Data dikumpulkan dari 51 syarikat di dalam tahun kewangan 2007. Lima pemboleh ubah yang digunakan dalam kajian ini adalah size board, board composition, audit committee size, CEO duality dan CEO tenure daripada struktur corporate governance. Dua cara pengukuran daripada prestasi syarikat ini adalah ROA & OCF.

Analisa regresi telah digunakan untuk kajian ini. Hasilnya menunjukkan audit committee size berhubungan positif dengan ROA, tetapi proportion of independent directors berhubungan negative dengan ROA. Hubungan antara OCF dengan board size dan audit committee size adalah positif. Hasil menunjukkan bahawa pemboleh ubah yang mempunyai pengaruh terbesar daripada struktur corporate governance pada prestasi syarikat adalah audit committee size.

ABSTRACT

The main objective of this study is to examine the relationship between corporate governance structures and firm performance of consumer product firms listed on the Bursa Malaysia. Data were gathered from 51 companies in the financial year 2007. Five variables of corporate governance structures which are board size, board composition, audit committee size, CEO duality and CEO tenure were used in this study. Two measures of firm performance are considered which are return on assets (ROA) and operating cash flow (OCF).

Regression analysis was used to examine the relationship between corporate governance and firm performance. The result indicates that audit committee size was positively related to ROA, while the proportion of independent directors is negatively related to ROA. The relationship with OCF indicates that board size and audit committee size are positively related. The results show that the most influence variable of corporate governance structure on firm performance is audit committee size.

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Abbreviation	Description of Abbreviation
CEO	chief executive officer
MICG	Malaysian Institute of Corporate Governance
OCF	Operating cash flow
OECD	Organization for Economic Cooperation and Development
OLS	Ordinary least squares
ROA	Return on assets
2SLS	Two-stage least squares regression
NEDs	Non-executive directors
BSIZE	Board Size
BODIND	Board Independent
TUNRECEO	CEO Tenure
DUALCEO	CEO Duality
AUDITSIZE	Audit Committee Size

CHAPTER 1: BACKGROUND OF THE STUDY

1.1 Introduction and Background of the Study

Businesses around the world need to develop and grow as well as they can in order to be able to attract funding from investors. In order to invest funds in particular business, investors need to ensure that the business is financially stable and potentially capable of producing profits in the future (Mallin, 2007). Therefore, if the real company position and its performance are poor, the company will be less attractive to investors. Failure to attract sufficient levels of capital may threaten the businesses and may lead to serious consequences for the economy as a whole.

Corporate governance has become one of the fundamental pillars that underpin the economic units. Many organizations and corporations confirm to the advantages of this concept and encourage its application in various economic units, such as recommend by the Cadbury Commission in 1992 in the United Kingdom, the Organization for Economic Cooperation and Development (OECD) in 1999, the public pension fund (Calpers) in the U S A , as well as the Commission of Blue Ribbon Committee in the United States of America, in 1999. In addition, there are several countries that have adopted corporate governance around the world, such those in Continental Europe, Central and Eastern Europe, Asia-Pacific and South Africa.

Governances around the world look forward to the corporate governance for safety assurance in business environment. According to the OECD (2003, p.3),

"the good corporate governance is essential for the economic growth led by the private sector and for the promotion of the social welfare...". Since 1997, with the explosion of the Asian financial crisis, the world is considered a fresh look at corporate governance. This financial crisis was described as a crisis of confidence in the institutions and legislation that govern business and the relations between business and government.

The corporate governance is identified as a need for modern economic expansion and development. A variety of theorists of corporate governance have attempted to inspect the connection between corporate governance and the wide-ranging well being of a firm. Studies have point out that corporate governance has some impacts on firm performance. For instance, Brown & Caylor (2004) have provided the relationship between corporate governance and firm performance. There is a positive relationship between the corporate governance and the firm performance especially the factor like board composition, and board committee members. It is assumed that the core responsibility of the Board of Directors is to monitor the different performance measure of the organization. The CEO and board member should take the correct decision which is in the best interest of the organization. The most important role of the board is to monitor the long term and the short term goals and strategies of the firm.

In Malaysia, issues on corporate governance were brought to the lime light following the 1997 financial crisis that hit Malaysia and other Asian countries. In 1998 the High Level Finance Committee and the Malaysian Institute of

Corporate Governance (MICG) were created to educate and create understanding amongst corporate sector, investors and public on the best practices of corporate governance. In result of that, in March 2000, MICG issued Malaysian Code on Corporate Governance (Shakir, 2008). The Malaysian Code on Corporate Governance marked a major and important milestone in corporate governance reorganization in Malaysia. It codified the main beliefs and best practices of superior governance and describes optimal corporate governance structures and domestic processes (Malaysian Security Commission Report, 2007). The Malaysian Code on Corporate Governance as modified in 2007 represents the continued two-way efforts between Government and the industry.

1.2 Problem Statement

Corporate governance has become an important issue of all the international and regional organizations and institutions, after a series of various financial crises that have taken place in many companies, especially in developed countries, such as the financial collapses that have occurred in several countries in the East Asia and Latin America in 1997. For instance, the crisis of Enron company that was wrought in the marketing of electricity and natural gas in the United States in 2001, as well as the crisis of the American company WorldCom Communications in 2002.

In Malaysia, the evolution of businesses which had origins of being family-owned into public listed corporations gave rise to the increasing importance of corporate governance. As the country gears itself to achieve a developed and

industrialized nation status by the year 2020 (Vision 2020) and the increasing global economic competition, these issues have called for the necessary improvement of corporate governance structures in Malaysia. There is a need to recommend measures to enhance corporate governance.

The lack of faith in corporation around the world leads to the crisis in capitalism. Even though the board is appointed to supervise management, the shareholders need to keep their eyes focused on the board. This is hard to accomplish since boardrooms are closed to investors. Investors have become too trustworthy and dependent on the board members. Thus, corporate governance structures in a company play an important role to accomplish these tasks, because corporate governance structures are expected to lead to higher performance. Thus, the current study intends to examine the relationship between corporate governance structure and firm performance. Two measures of firm performance were used to see whether the relationship is influenced by the measures. The study examines some corporate governance structures which are board size, board leadership (CEO duality or CEO tenure), board composition and audit committee size. The study examines the power of CEO using two different measures which are CEO duality and CEO tenure (Klien, 1998). It is expected that good practices of corporate governance would result in higher firm performance.

1.3 Research Questions

In general, the study seeks to examine the following research questions:

1. Is there any significant different in the firm performance based on CEO duality characteristic?
2. Is there any significant relationship between corporate governance structure and firm performance?

1.4 Research Objectives

The objective of this study is to identify factors that are directly related to firm performance and the relationship between corporate governance structures and firm performance. Specifically, the study tries to achieve the following objectives:

1. To examine the significant different in the firm performance based on CEO duality characteristic.
2. To determine the relationship between corporate governance structure and firm performance.

1.5 Significance of the Study.

There are several significances of completing this study. First, this study increases our understanding about the best practice of corporate governance structure in Malaysian listed companies. Second, it identifies corporate governance variables which influence the performance and the productivity of the organizations. Specifically, the importance or benefits of this research accrues to both financial practitioners (investors and creditors) and academics. For the financial practitioners, this research enhances their understanding on which corporate governance quality affect firm performance. For the academics, it will increase their knowledge of the research field in this area by

providing additional evidence on corporate governance quality and good firm performance.

1.6 Scope of the Study

The study is conducted only among listed companies that are operating in the consumer product sector in the main board of Bursa Malaysia in 2007. The corporate governance variables focus only on board size, board composition, audit committee, CEO duality and CEO tenure. In term of firm performance, this study focuses on accounting performance such as ROA and OCF.

1.7 Organization of the Study

The remainder of the research is divided into four chapters. The next chapter, Chapter 2, provides a review of related literature about corporate governance variables and firm performance. Chapter 3 emphasizes on the research methodology, which begins with theoretical framework, hypotheses development, variables definition, variable measurement and data collection. Chapter 4 presents the empirical findings and results of the study using and independent t-test and regression analysis. Finally, chapter 5 provides the discussion and implications of the study as well as suggestions and recommendations for future research.

1.8 Summary

This chapter highlights the introduction of the study and discusses the problem statement. Furthermore, it has presented research questions, research

objectives and scope of the study. Literature review will be discussed in the next chapter.

CHAPTER 2: LITERATUR REVIEW

2.1. Introduction

This chapter explores the relevant literature and past studies regarding firm performance and corporate governance. Literature review is presented to further understand the relationship between corporate governance structures and firm performance. In the end, the summary of the chapter is provided.

2.2. Corporate Governance

The need for effective corporate governance becomes more importance after several events of financial crises. There are several attempts to define the term of 'corporate governance'. The Oxford English Dictionary defines corporate governance as the way how the functions in organizations are governed. The term govern is explained as the rule with authority. The term governing can be explained as a whole range of actions, initiatives and responses patterns. To govern with responsibility requires self-control and self-regulations. According to Monks and Minow (2008) the focus of governance on relations between staff, members of the Board of Directors, chief executive officer, shareholders and stakeholders, and how the interaction between all these parties in the supervision of the operations of the company. Shleifer and Vishny (1996) state that "Corporate governance deals with the way suppliers of finance assure themselves of getting a return on their investment." People need governance which can help

them directing. Thus, governance involves monitoring and overseeing strategic direction, socioeconomic and cultural contexts, externalities and constituencies of the institution.

Governance is usually delivered through an agreed constitution, through a complex web of customs and practices, underpinned by a shared system of ethics, to a range of stakeholders from the shareholder to the customer in that institution. Styles of governance vary depending on the nature and size of the body concerned. At one extreme is the rule-based style adopted by public sector bodies, which may be concerned with conformity rather than performance. At the other extreme are the churches and clubs where governance is based on trust. Most corporate bodies have an amalgam of both trust and rules in appropriate proportions. The logic being that trust can only work with open governance (Morrison et al., 2007).

Companies which share values with their wider communities are likely to generate sustainable profitability. New structures are needed to reflect new and more complex relationships. Corporate governance is an important tool for monitoring performance and enhancing value (Berglof & Thadden, 1999).

2.3. Firm Performance

Corporate governance has the great influence on the firm's performance. If the functions are properly elaborated for corporate governance system will help a firm to attract investment. It will increase company's funds, and it will strengthen the pillars of the company and firm performance will automatically increase. The first-class corporate governance shields a firm from susceptibility to potential financial suffering. In order to bring some remarkable growth it is important for corporate governance to play it viable role for the growth of the firm's performance. In the recent days it have been investigated that there is a influence of corporate governance on the general well being of a firm (Ehikioya, 2007).

Companies around the world have long accepted that good governance generates positive returns to a firm. Earlier empirical studies have provided the link between corporate governance and firm performance (Yermack, 1996; Claessens et al., 1999; Klapper & Love, 2002; Gompers et al., 2003; Black et al., 2003 and Sanda et al. 2003) with inconclusive results. Others, Bebchuk & Cohen (2004), Bebchuk, Cohen & Ferrell (2004) have shown that good governed firms have higher firm performance (Kyereboah-coleman & Biekpe, 2008).

2.4. Corporate Governance Structure

2.4.1. Board Size

The board of directors should be designed to be the pack of executive and non-executives directors. Chairman should be having a command on all the executive

and non-executive directors. There should be a total of five and fifteen persons in the board size (Ogbechie, Koufopoulos & Argyropoulou, 2009).

Previous literature on board size has provided the link between board size and firm performance. There is a view that larger boards are better for corporate performance because they have a range of expertise to help make better decisions, and are harder for a powerful CEO to dominate. Mak and Li (2001) found a positive correlation between firm size and firm performance of the result of their OLS but their 2SLS regressions do not support this result in examining 147 Singaporean firms from 1995 data. Adam and Mehran (2005), in the U.S banking industry, found a positive relationship between board size and performance. Dalton and Dalton (2005) reported that larger boards are correlated with higher firm performance.

On the other hand, many recent studies have leaned towards smaller boards. Yemarck (1996) found a negative relationship between board size and firm performance. Based on a sample of 452 large U.S industrial corporations between 1984 and 1991, he documents that the market values firms with smaller boards are higher. Eisenberg, Sundgren and Wells (1998) also find an inverse relationship between board size and profitability when using sample of small and midsize Finnish firms. They presented evidence of an inverse relationship between board size and profitability. Vafeas (2000) supports that firms are better informed about earnings are with smaller board, when the board consists of five members. Mak

and Yuanto (2003) reported that listed firm valuations of Singaporean and Malaysian firms are highest in firms with smallest board. Yokishawa and Phan (2004) found a negative association between board size and firm performance for Japanese firms but found no relationship between the two variables for its Australian counterpart. Shakir (2008) found a negative relationship between board size and firm performance and that supports a suggestion by Jensen (1993) who stated that for a firm to be effective in its monitoring, it should have a relatively small board of directors. Haniffa and Hudaib (2006) suggest that a large board is seen as less effective in monitoring performance and could also be costly for companies in terms of compensation and increased incentives to shirk.

2.4.2. Board Composition

Board composition is a topic which is highly debated within the economics, organizational science literatures, and finance on the empirical and on the theoretical level. It is also debated that effective monitoring can help the independent boards is a key to make executives effectively take on shareholder rather than their self interest (Ramdani & Witteloostuijn, 2009).

The effective board composition has a high influence on the firm performance which involves studying separate board tasks, such as replacing the CEO, or defending or making against a takeover bid. The majority of the board could perform even better based on the particular tasks, such as replacing the CEO, or is

it the worse decision to take which may lead to no net advantage in overall performance.

Agency theory suggests that a larger proportion of independent directors will provide better firm performance. Ramdani and Witteloostuijn (2009) stated that proportion of independent directors has an effect on firm performance only for firms with average performance, and not for firms performing below or above par. Some of previous studies found that there is no significant relationship between board composition and firm performance, such those of Forsberg (1989), Hermalin and Weisbach (1991), and Zahra & Pearce (1989).

It is generally agreed that effective boards have a high proportion of outside directors. Kosnik (1987), Kyereboah-Coleman and Biekpe (2005) found a positive association between proportion of outside board members and performance. Therefore, Some studies support agency theory (Klein, 1998; Daily & Dalton, 1993; Pearce & Zahra, 1992; Baysinger & Butler, 1985). However, Haniffa and Hudaib (2006) show that independent of directors do not seem to affect performance. Others such as Bhagat and Black (2002), Klein (1998), Agrawal & Knoeber (1996), Yermack (1996), Kesner & Johnson (1990) argue this association.

2.4.3. CEO Duality

An important and related issue growing is that the role of chairman and chief executive should be separate, though on this issue there is less unanimity in some countries such as the U.S. than in other countries. To choose the right chief executive officer is the key task for the board of directors. It is suggested that separating the role of chief executive and chairman would improve sufficient power to the board to challenge CEO dominance.

CEO duality helps the committee on Corporate Governance of municipal companies, which recommends that the role of the chairman and the chief executive should take apart, and where the chairman is also the chief executive, it is important to have a strong independent element on the board. Global trend shows that there should be separation roles of chairman and CEO, which is widely recognized as a feature of good corporate governance structure or best practice (Okike, 2002). Chief executive officer should know the essential condition to achieve successful and effective governance by the establishment of certain criteria for systematic governance.

The agency theory argues, and has been widely debated, for the separation of the CEO and chairman within the organization. It is important to develop efficient and effective check and balance by the board. As a result, agency theory expects that firms with combined roles of the CEO and the chairman of the board i.e., CEO non-duality, leads to better performance than their counterparts without

separation i.e., CEO duality (Fama & Jensen, 1983; Ramdani & Witteloostuijn, 2009).

Agency problems tend to be higher when the chairman is also the chief executive. Ogbechie et al. (2009) stated that the roles of the chairman and the CEO should be separated. Whereas, the Chairman is also the chief Executive, it is significant to have a freedom of decision which should be in the best interest of the company. Yermack (1996) argue that, when the CEO and board chair positions are separate, that helps firms to be more valuable. However, other studies report that there is no relationship between CEO duality and performance, such as a study by Brickley, Coles and Jarell (1997). In contrast, by examining a sample of Fortune 500 companies, Rechner and Dalton (1991) find that companies with CEO duality have stronger financial performance. Goyal and Park (2002) find that companies without CEO duality are lower sensitivity of CEO turnover to firm performance. Sanda, Mukaila and Garba (2003) examine a sample of Nigerian companies and found a positive correlation between separating the functions of the CEO and Chairman and firm performance. Boyd (1995) found a positive relationship between performance of US firms and CEO duality. Vafeas and Theodorou (1998) and Baliga, Moyer and Rao (1996) found no significant association between CEO duality and firm performance. Ramdani and Witteloostuijn (2009) concluded that CEO duality has an effect on firm performance only for firms with average performance, and not for firms performing below or above par. Haniffa and Hudaib (2006) concluded that despite role duality being uncommon in

Malaysian corporations, companies with role duality seemed not to perform as well as their counterparts with separate board leadership.

2.4.4. CEO Tenure

CEO tenure relates to the way how the CEO approaches certain problem and how the CEO analyzes the typical issue within the organization. It is often used to address CEO turnover which is used to analyze CEO succession issues. The issues in agency theory arise from two fundamental assumptions which are goal incongruence and information asymmetry (Chakravarty & Zajac, 1984). The goal and objective of the firms' incongruence refers to the partially differing objectives of the principal and the agent, concerning issues of adverse selection and moral hazard. This refers to the lack of transparency in the actions and decisions of the agent. Given the inherently nontransparent nature of actions taken by the agent, a principal seeking to limit divergence from his own interests must monitor the outcome of these actions, i.e. the corporate performance. Published performance becomes a strategic variable for the CEO, and might thus be subject to specific discretionary activities on his or her part, in order to secure the position as top executive. A decline in performance increases the probability of subsequent CEO turnover Kyereboah-Coleman (2007). Performance-related turnovers are generally observed in cases where CEOs leave before normal retirement age. That is shorter CEO tenure indicative of poor performance of the CEO. If the top executive remains longer in a company until normal retirement age, performance is not an explanation for the change in CEO turnover. On another perspective,

longer CEO tenure means that the CEO is able to exercise power based on the argument from information asymmetry. The CEO may have indirect control on the board of directors.

2.4.5. Audit Committee

An audit committee is an operating committee of the Board of Directors, typically charged with oversight of financial reporting and disclosure. The audit committee provides a useful link between both internal and external auditors and the board, helping to ensure that the board is fully award of all relevant issues related to the audit. The primary objective of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting to shareholders and the public and the internal control (Mallin, 2007). The board should establish an audit committee of at least three members, or in the case of smaller companies, two members, who should non-executive directors (Mallin, 2007). More members in the audit committee would mean more experts available to check on the internal control and financial reporting.

Auditor independence can be connected to the exposé of a firm's inner control issues. When there is a physically powerful economic bond sandwiched between an auditor and a client firm, the auditor has an inducement to pay no attention to potential issues and issue a clean view on the client firm's internal controls. The various rules and principles of accounting are laid down in order to ensure that common norms and standards are adopted by accountants all over the world in

preparing financial statements and reports that reflect the accurate status of the business (Yan , Jian & Nan , 2007).

In accordance with the outrage and concerns about the quality and standard of financial statements, this has led to many calls for improved audit committee efficiency and effectiveness. Audit committee independence is positively linked to the effectiveness to notice mistakes in the financial reporting processes (Mallin, 2007).

2.5. Summary

This study aims to investigate the relationship between corporate governance structure and firm performance. In this chapter, relevant previous works related to corporate governance structures and firm performance are discussed. The next chapter presents hypotheses development and methodology of the study.

CHAPTER 3: HYPOTHESES DEVELOPMENT AND METHODOLOGY

3.1 Introduction

As reiterated earlier, this study intends to examine the relationship between corporate governance and firm performance. First, this chapter explains the theoretical framework and hypotheses formulation. Then, the subsequent step of this study is to explain the research methodology that would assist the investigation and analysis process. This chapter describes the research process beginning with the research framework based on the agency theory, followed by the variable definition, research measurement, data collection, sample of the study, and technique of data analysis.

3.2 Research Framework

This study uses agency theory to examine the relationship between corporate governance structure and firm performance. Agency theory explains the principal-agent problem that arises under conditions of incomplete and asymmetric information. The principal-agent problem is found in most employer/employee relationships, for example, when stockholders hire top executives of corporations. Various mechanisms may be used to try to align the interests of the agent with those of the principal.

This research examinees the effects of corporate governance structure on the performance of Malaysian listed companies. Those variables are board size,

board composition, audit committee, CEO duality or CEO tenure. Figure 3.1 below shows the theoretical framework of the study.

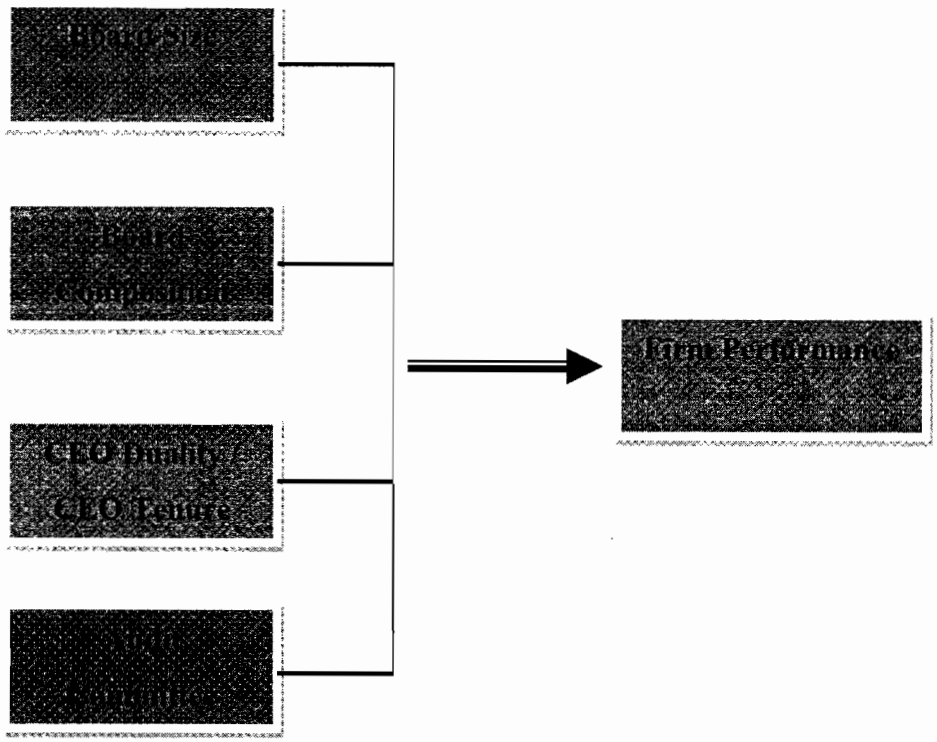

Figure 3.1: Theoretical Framework

3.3 Hypotheses development.

3.3.1 Board size

Lipton & Lorsch (1992) and Jensen (1993) argue that large boards are less effective and could also result in less meaningful discussion. When a board gets too big, it becomes difficult to co-ordinate and process problems. Empirical research supports the arguments such as studies by Haniffa and Hudaib (2006), Hermalin and Weisbach (2003), Yermack (1996), Eisenberg, Sundgren and Wells (1998), Barnhart and Rosenstein (1998), Vafeas (2000),

Mak and Yuanto (2003), Bennedsen, Kongsted and Nielsen (2004) and Yokishawa and Phan (2004). All these studies found a negative relationship between board size and firm performance. Shaki (2008) also found that the relationship between board size and firm performance is negative.

However, boards with a large number of directors can be a disadvantage and expensive for the firms to maintain. Planning, work coordination, decision-making and holding regular meetings can be difficult with a large number of board members. Contrary, smaller boards also decrease the likelihood of free riding by individual directors, and increase their decision taking processes

Based on the theoretical perspective that larger boards may create free rider problem among directors and the likelihood of a lack of cohesiveness with larger boards, the first hypothesis is as follows:

H1: Board size has a negative influence on firm performance

3.3.2 Independence of directors

A positive impact of board composition on performance was recorded by Kosnik (1987), Kyereboah-Coleman and Biekpe (2005), Yermack (1996) and Zahra and Pearce, (1989). Millstein and MacAvoy (1998) found a positive impact of independent board on US corporations performance. Ramdani & Witteloostuijn (2009) found that proportion of independent directors has an effect on firm performance only for firms with average performance, and not

for firms performing below or above par. Haniffa and Hudaib (2006) conclude that proportion independent of the directors does not influence performance.

To ensure objectivity in board decisions, it is important that there is a balance of independent non-executive directors (Mallin, 2007). Cabdury (1992) considered 'apart from their directors' fees and shareholdings, they (NEDs) should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment'. The OECD (2004) also stated this issue 'board independence usually requires that sufficient number of board members will need to be independent of management'. Additionally, the High Review (2003) stated that 'a board is strengthened significantly by having a strong group of non-executive directors with no other connection with the company. These individuals bring a dispassionate objectivity that directors with a closer relationship to that company cannot provide

Based on the theoretical perspective that the independence of the board influences the firm performance positively, the second hypothesis is as follows:

H2: Board composition has a positive influence on firm performance.

3.3.3 CEO duality

Agency problems tend to be higher when the same person holds both positions. If the chairman and the CEO are handling the same position, agency theory argues that this is likely to create misuse of power and the resources, since this individual will be very influential without successful checks and balances to control her or him. Bhagat & Black (2002), Yermack (1996), Ogbechie et al., (2009), Sanda, Mukaila and Garba (2003) all argue that firms are more valuable when the CEO and board chair positions are separate. Ramdani and Witteloostuijn (2009) found that CEO duality influence firm performance only for firms with average performance and not for firms performing below or above par. Haniffa and Hudaib (2006) found that companies with CEO duality seemed to be less effective.

According to Mallin (2007), the roles of Chief Executive Officer (CEO) and chairman should be separated and carried out by different person. The Combined Code (2006) states that 'a chief executive should not go on to be chairman of the same company. If exceptionally a board decides that a chief executive should set out its reasons to shareholders at the time of the appointment and in the next annual report'.

Based on the theoretical perspective that the two roles of CEO and chairman should not be combined, the third hypothesis is as follows:

H3: CEO duality has a negative influence on firm performance

3.3.4 CEO tenure

According to agency theory the tenure means that CEO has asymmetry information of the company turnover and they have control on the decisions making. However, it has been argued that the tenure of the CEO constitutes another governance mechanism. Kyereboah-Coleman (2007) found that CEO's tenure in office enhance firm's profitability. He is arguing that when a CEO serves longer in a company, it serves as an added incentive to promote the interests of shareholders due essentially to the fact that the CEO becomes a witness to results of decisions taken.

H4: CEO Tenure has an influence on firm performance.

3.3.5 Size of audit committee

Larger size of audit committee would mean more experts are available to check on the financial reporting. Cadbury Commission recommended that the audit committees should have a minimum size of three members. Kyereboah-Coleman (2007) found a positive relationship between the size of board committee and performance.

H5: Size of audit committee has a positive influence on firm performance.

3.4 Research Design

In order to achieve the purpose of this study the correlational studies were used to look for relationships between independent variables and dependent variable.

3.4.1 Measurement of Variables.

The measurements of variables for the study are as follows:

Dependent variables (FP)

Two measures of firm performance are considered, ROA and OCF to see whether there are different impacts of corporate governance structure on the types of firm performance. ROA refers to earnings before tax divided by total assets of the company. OCF refers to operating cash flow divided by total assets of the company.

Independent variables

Independent variables which are considered are as follows:

BSIZE: is the total number of directors serving on the board of directors.

BODIND: the board composition is the ratio of outside directors to the total number of directors (i.e. number of outside directors divided by total number of directors).

DUALCEO: is a dummy variable equal to "1" if the CEO is also the chair of the board, and "0" otherwise.

TUNERCEO: is the period of CEO's serving in the board.

AUDITSIZE: is the total number of members serving on the audit committee.

Table 3.1: Research Variables

VARIABLES	ACRONYM	OPERATIONALISATION
Dependent		
Return On Assets %	ROA	Earnings before tax divided by total assets of the company.
Operating Cash Flow %	OCF	Operating cash flow divided by total assets of the company
Independent variables:		
Board size	BSIZE	Total number of directors serving on the board of directors
Independence of directors	BODIND	The ratio of independence directors to the total number of directors
CEO duality	DUALCEO	Dummy variable equal to "1" if the CEO is also the chair of the board, and "0" otherwise
CEO tenure	TUNERCEO	The period of CEO's serving in the company
Audit committee	AUDITSIZE	Number of members serving on the audit committee

Function of the model is as follows:

$$FP = \alpha + \beta_1 \text{ BSIZE} + \beta_2 \text{ BODIND} + \beta_3 \text{ DUALCEO or TUNERCEO} + \beta_4 \text{ AUDITSIZE} + \varepsilon$$

3.4.2 Data Collection.

3.4.2.1. Sampling

In this study, the sample companies selected are from firms listed in the consumer product sector on the main board of Bursa Malaysia in the year 2007. The purpose of considering one industry sector is to control industry factors such as risk associated with different industry sectors. According to Bursa Malaysia, there were 625 companies listed in the main board of Bursa Malaysia, and 131 companies listed in consumer product firms as at 13 July 2009. Using systematic random sampling, 51 companies are considered in this study. Therefore, the sampling frame of this study is 51 companies.

3.4.2.2. Data Collection Procedures

In this study, corporate governance and firm performance data were collected from annual reports of the companies that listed in Bursa Malaysia (www.klse.com.my). For corporate governance, the data were collected from annual reports in part of corporate information, statement of corporate governance and director's profile. For firm performance, the data were collected from financial statements such as balance sheet, income statement and cash flow statement which were available in the annual reports.

Data were collected through secondary data. To answer research questions, the annual reports of companies listed on Bursa Malaysia were used. Annual reports were collected from all companies in 2007. The year 2007 was selected because it was the latest year available before the economic crises came in the year 2008. The use of secondary data saves time and costs of acquiring information. These sources of secondary data provide a lot of information for research and problem solving (Sekaran, 2003). Using the internet Netscape Navigator to carry out the study, a survey of the companies' websites or home pages was conducted in order to know the companies' total assets and their profitability.

3.4.3. Techniques of Data Analysis

3.4.3.1. Assumption in data

Assumption in regressions is tested such as normality, linearity, multicollinearity and homoscedasticity.

3.4.3.2. Data analysis.

T-test analysis

The t-test analysis is conducted to examine whether the means of two groups are statistically different from each other. In this study, the test is conducted to examine whether there is a significant difference in the firm performance based on the CEO duality variable.

Regression Analysis

Regression analysis refers to techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. In this study multiple regressions is conducted.

3.5. Summary of chapter

This chapter has discussed the method of this research, which comprises research framework, hypotheses, research design, measurement of variables, data collection, and techniques of data analysis. The following chapter discusses the findings of the study.

Chapter 4: Results and Discussion

4.1 Introduction

This chapter presents the findings of the study based on the hypotheses. The data were analyzed using the SPSS software for correlation analysis, t-test analysis and regression analysis. As was presented earlier in chapter 3, there are five corporate governance variables and one firm performance which were measured by ROA and OCF. Descriptive and regression statistics were used to analyse respectively the correlated variables and the model as a whole.

4.2 Mean and Standard Deviation of Variables

Table 4.1 reports descriptive statistics of the study. Summary statistics on board characteristics reveal that the CEO serves as chairman of the board for 14% of the sample. That means the duality of CEO among the sample is low, and that consistent with agency theory which indicate to separate the role of CEO and chair of the board. Descriptive statistics results of the firms studied, the mean board size is about seven (7), suggesting that consumer product sector firms in Malaysia have relatively moderate board size, with a maximum board size of thirteen (13). This is essentially good for firm performance according to researchers such as Jensen (1993) and Lipton and Lorsch (1992) who argue that large board size are less effective for firm performance. These figures are consistent with figures reported by Shaki (2008), Mak and Kusnadi (2005). The mean of the percentage of independent directors sitting on the board (BODIND

%) is 41.88 percent, higher than the requirement in the stock market which is 33.33 percent of independent directors sitting on the full board. The mean of the size of the audit committee is 3.73 percent (about 4), higher than the requirement in the MCCG Code which is at least 3 members. The mean of the CEO tenure is about 8.41 years with a minimum of 1 year and maximum of 32 year. The mean of ROA is 0.0604 and for OCF is 0.0716.

Table 4.1: Descriptive statistics of variables

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness
BSIZE	51	4.00	13.00	7.47	1.879	0.894
BODIND	51	0.29	0.75	0.41	0.106	1.358
DUAL	51	0.00	1.00	0.13	0.347	2.173
AUDIT_SIZE	51	3.00	7.00	3.72	0.960	1.715
TENURECEO	51	1.00	32.00	8.41	6.989	1.577
ROA	51	-0.48	0.69	0.06	0.158	0.389
OCF	51	-0.45	0.58	0.07	0.126	-0.131

4.3 Correlations Results of the Variables

Table 4.2 reports the correlation results between dependent and independents variables. It is observed that audit committee size variable is positively correlated with ROA. This means that larger audit committee size tend to increase ROA. (The proportion of independent directors is negatively correlated with CEO tenure, meaning that the longer the CEO tenure the higher the proportion of independent directors is needed). CEO duality is found negatively correlated with board size, suggesting that CEO duality is found more in companies with smaller board size. The correlation between ROA and OCF is positively significant at $p< 0.01$, suggesting that firm cash flow tends to be higher when profitability is higher.

Table 4.2: Correlations of variables

		BSIZE	BODIND	DUALCEO	AUDITSIZE	TUNERCEO	ROA	OCF
BSIZE	Pearson Correlation	1	-0.266	-0.318*	0.330*	-0.028	0.061	0.263
	Sig. (2-tailed)		0.062	0.024	0.019	0.845	0.673	0.065
	N		51	51	51	51	51	51
BODIND	Pearson Correlation		1	-0.141	0.115	-0.394**	-0.203	-0.151
	Sig. (2-tailed)			0.330	0.425	0.005	0.158	0.294
	N			51	51	51	51	51
DUALCEO	Pearson Correlation			1	-0.122	0.084	0.090	0.106
	Sig. (2-tailed)				0.397	0.561	0.533	0.466
	N				51	51	51	51
AUDITSIZE	Pearson Correlation				1	-0.224	0.302*	0.186
	Sig. (2-tailed)					0.118	0.033	0.195
	N					51	51	51
TUNERCEO	Pearson Correlation					1	0.017	0.059
	Sig. (2-tailed)						0.906	0.683
	N						51	51
ROA	Pearson Correlation						1	0.672***
	Sig. (2-tailed)							0.000
OCF	Pearson Correlation							1

* Correlation is significant at the 0.10 level (2-tailed).
** Correlation is significant at the 0.05 level (2-tailed).
*** Correlation is significant at the 0.01 level (2-tailed).

4.4 T-Test Analysis

The T-test analysis was conducted to analyze whether the firm performance is significantly different when companies adopt CEO duality vs. non CEO duality. The independent sample t-test result indicated there were no significant differences in the mean of firm performance for both ROA and OCF. This suggests that CEO duality or non-CEO duality do not matter to firm performance. The results were presented in Table 4.3.

Table 4.3: Result of T-test analysis between CEO duality and firm performance

	CEO Duality	N	Mean	Std. Deviation	Std. Error Mean	T-value
ROA	0	44	0.057	0.169	0.025	-0.297
	1	7	0.077	0.057	0.021	
OCF	0	44	0.068	0.134	0.020	-0.379
	1	7	0.088	0.057	0.021	

4.5 Regression

4.5.1 The relationship between corporate governance and ROA

4.5.1.1 Corporate governance and ROA (using CEO duality)

- **Statistics results of the model summary**

From Table 4.4, variability between firm performance (ROA) and independent variable (AUDITSIZE, BODIND, DUALCEO, BSIZE) equals to 0.167 and standard error of 0.126.

Table 4.4: Model summary of corporate governance and ROA (using CEO duality)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.409(a)	0.167	0.093	0.126

a. Predictors: (Constant), AUDITSIZE, BODIND, DUALCEO, BSIZE
ROA

- **ANOVA analysis of corporate governance and ROA (using CEO duality)**

From Table 4.5, the results from ANOVA test shows that the model is significant at $p < 0.1$ ($F = 2.260$. $p = 0.077$)

Table 4.5: Results of ANOVA analysis between corporate governance and ROA (using CEO duality)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1437.163	4	359.291	2.260	0.077(a)
	Residual	7153.417	45	158.965		
	Total	8590.580	49			

a. Predictors: (Constant), AUDITSIZE, BODIND, DUALCEO, BSIZE
b. Dependent Variable: ROA

- **Coefficients Analysis**

Table 4.6 shows the regression analysis between corporate governance variables and ROA. The data coefficients are described as follows: board size has standardized beta coefficient equals to -0.115 and t-value of -0.706, which means there is no significant relationship between board size and ROA. Board independent has a beta coefficient of -0.268 and an average t-value equals to -1.796, and has significant relationship with ROA equal to 0.079, this association is negatively, meaning that ROA will be higher with smaller proportion of

independent directors. These finding is reflected with Hypothesis 2 which predicts a positive relationship between board independent and firm performance. The third variable, CEO duality has a beta value equals to -0.062 and t-value of -0.421, and Sig 0.676.this result indicates that there is no significant relationship between CEO duality and ROA. Finally, the last variable is audit committee size has a beta value equals to 0.378 and a t-value of 2.559, which present the highest beta value, and indicated that it is the most important factor affect firm performance in term of ROA, which the Sig equal to 0.014. This relationship is positively, suggesting that higher number of board committee will increase the ROA. This result is consistent with Hypothesis 5 which predicts a positive relationship between board size and firm performance.

Table 4.6: Coefficients analysis of corporate governance and ROA (using CEO duality)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.054	13.295		0.380	0.706
	BSIZE	-0.804	1.139	-0.115	-0.706	0.484
	BODIND	-0.330	0.184	-0.268	-1.796	0.079
	DUALCEO	0.024	0.056	0.062	0.421	0.676
	AUDITSIZE	0.052	0.020	0.378	2.559	0.014

a. Dependent Variable: ROA

ROA = 5.054 – 0.804 BSIZE - 0.33 BODIND + 0.024 DUALCEO

+ 0.052 AUDITSIZE

4.5.1.2 Corporate governance and ROA (using CEO tenure)

- **Statistics results of the model summary**

From Table 4.7 we conclude that the variability between firm performance (ROA) and independent variable (TUNERCEO, BSIZE, AUDITSIZE, BODIND) equal to 0.164 and standard error of 0.126.

Table 4.7: Model summary of Corporate governance and ROA (using CEO tenure)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.405(a)	0.164	0.090	0.126

a. Predictors: (Constant), TUNERCEO, BSIZE, AUDITSIZE, BODIND
ROA

- **ANOVA Analysis**

The results from ANOVA test (Table 4.8) shows that the model is significant at p < 0.1 (F = 2.211. p = 0.083)

Table 4.8: Results of ANOVA analysis between corporate governance and ROA (using CEO tenure

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1411.089	4	352.772	2.211	0.083(a)
	Residual	7179.491	45	159.544		
	Total	8590.580	49			

a. Predictors: (Constant), TENURE CEO, BSIZE, AUDITSIZE, BODIND
b. Dependent Variable: ROA

- **Coefficients Analysis**

Table 4.9 shows the regression analysis between corporate governance variables and ROA. Board size has standardized beta coefficient equals to -0.141 and t-value of -0.923, and Sig 0.361 which means there is no significant relationship between board size and ROA. With regards to board independence, it has a beta coefficient of -0.291 and an average t-value equals to -1.851, and has significant relationship with ROA equal to 0.071, this association is negatively, meaning that ROA will be lower with more proportion of independent directors. This finding conflicted with agency theory and second hypothesis which suggesting firm performance will increase with higher proportion of independent directors. Audit committee size has a beta value equals to 0.378 and a t-value of 2.525, with the Sig equal to 0.015. This relationship is positively, meaning that higher number of board committee will raise the ROA. This result is consistent with Hypothesis 5 which predicts a positive association between board size and firm performance. Finally, CEO tenure has a beta value equals to -.017 and t-value of -.113, and Sig equal to 0.911 which indicate there is no association with ROA.

Table 4.9: Coefficients analysis of corporate governance and ROA (using CEO tenure)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.197	14.222		0.576	0.567
	BSIZE	-0.987	1.068	-0.141	-0.923	0.361
	BODIND	-0.358	0.193	-.0291	-1.851	0.071
	AUDITSIZE	0.520	0.200	0.378	2.525	0.015
	TUNERCEO	-0.033	0.288	-0.017	-0.113	0.911

Dependent Variable: ROA

ROA = 8.197 – 0.987 BSIZE - 0.358 BODCOM + 0.052 AUDITSIZE

– 0.033 TUNERCEO

4.5.2 The relationship between corporate governance and OCF

4.5.2.1 Corporate governance and OCF (using CEO duality)

- **Statistics results of the model summary**

From Table 4.10 we conclude that the variability between firm performance (OCF) and independent variable (AUDITSIZE, BODIND, DUALCEO, BSIZE) equal to 0.14 and standard error of 0.069.

Table 4.10: Model summary of corporate governance and OCF (using CEO duality)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.460(a)	0.212	0.140	0.069

a. Predictors: (Constant), AUDITSIZE, BODIND, DUALCEO, BSIZE
OCF

- **ANOVA Analysis**

From Table 4.11, the results from ANOVA test show that the model is significant at $p < 0.1$ ($F = 2.952$. $p = 0.030$)

Table 4.11: Results of ANOVA analysis between corporate governance and OCF (using CEO duality)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	577.054	4	144.263	2.952	0.030(a)
	Residual	2150.293	44	48.870		
	Total	2727.347	48			

a. Predictors: (Constant), AUDITSIZE, BODIND, DUALCEO, BSIZE
b. Dependent Variable: OCF

- **Coefficients Analysis**

Table 4.12, the data coefficients are described as follows: board size has standardized beta coefficient equals to 0.281 and t-value of 1.745, and the Sig equal to 0.088, and has significant relationship with ROA. This relationship is positively, means that OCF will be better with more members of the board. This result conflicted with first hypothesis which predicts a negative association between board size and firm performance. Board independent has a beta coefficient of -0.124 and an average t-value equals to -0.845, and there is no relationship with OCF, which Sig equal to 0.403. The third variable, CEO duality has a beta value equals to 0.194 and t-value of 1.330, which indicate no association with OCF. Finally, the last variable is audit committee size has a beta value equals to 0.248 and a t-value of 1.704 and Sig 0.096. This result supports that hypothesis 5, higher number of audit committee size leads to increase OCF.

Table 4.12: Coefficients analysis of corporate governance and OCF (using CEO duality)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.182	7.382		-0.702	0.486
	BSIZE	1.105	0.633	0.281	1.745	0.088
	BODIND	-0.086	0.102	-0.124	-0.845	0.403
	DUALCEO	4.139	3.112	0.194	1.330	0.190
	AUDITSIZE	1.911	1.122	0.248	1.704	0.096

a. Dependent Variable: OCF

OCF = - 5.182 + 1.105 BSIZE – 0.086 BODIND + 4.139 DUALCEO

+ 1.911 AUDITSIZE

4.5.2.2 Corporate governance and OCF (using OCF tenure)

- **Statistics results of the model summary**

From Table 4.13 conclude that the variability between firm performance (OCF) and independent variable (TUNERCEO, BSIZE, AUDITSIZE, BODIND) equal to 0.181 and standard error of 0.071.

Table 4.13: Model summary of corporate governance and OCF (using OCF tenure)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.425(a)	0.181	0.106	0.071

a. Predictors: (Constant), TUNERCEO, BSIZE, AUDITSIZE, BODIND
OCF

- **ANOVA Analysis**

The results from ANOVA test (Table 4.14) shows that the model is significant at $p < 0.1$ ($F = 2.426$. $p = 0.062$).

Table 4.14: Results of ANOVA analysis between corporate governance and OCF (using OCF tenure)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.049	4	123.200	2.426	0.062(a)
	Residual	0.223	44	50.785		
	Total	0.273	48			

a. Predictors: (Constant), TUNERCEO, BSIZE, AUDITSIZE, BODIND
b. Dependent Variable: OCF

- **Coefficients Analysis**

Table 4.15, the data coefficients are described as follows: board size has standardized beta coefficient equals to 0.206 and t-value of 1.341, there is no significant relationship between board size and OCF at Sig 0.187. Board independent has a beta coefficient of -0.160 and an average t-value equals to -1.019 with Sig 0.314, means that there is no significant association with OCF. The third variable, audit committee size has a beta value equals to 0.261 and a t-value of 1.739, and the Sig equal to 0.089. This finding indicate a positive relationship between audit committee size and OCF, means that OCF increase with more member sitting on audit committee board, this result support hypothesis 5 for more member sitting on audit committee size will increase the performance of companies. Finally, the last variable is CEO tenure has a beta

value equals to 0.032 and t-value of 0.209, with no significant association with OCF.

Table 4.15: Coefficients analysis of corporate governance and OCF (using OCF tenure)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.988	8.033		-0.248	0.806
	BSIZE	0.810	0.604	0.206	1.341	0.187
	BODCOM	-0.111	0.109	-0.160	-1.019	0.314
	AUDITSIZE	2.009	1.155	0.261	1.739	0.089
	TUNERCEO	0.034	0.163	0.032	0.209	0.835

a. Dependent Variable: OCF

OCF= - 1.988 + 0.810 BSIZE – 0.111 BODIND + 0.020 AUDITSIZE + 0.034 TUNERCEO

4.6 Summary

This chapter presents the analysis results. The analyses were undertaken using correlation, regression, and t-test analysis. The results revealed that there were significant relationship between firm performance and three dimension of corporate governance namely board size, independence of directors and audit committee size. No significant relationship was found between firm performance and CEO duality and CEO tenure. The discussions of the findings are presented in the following chapter.

CHAPTER 5: DISCUSSION AND IMPLICATION

5.1 Introduction

The aim of this chapter is to discuss the findings from the SPSS analysis examined. The discussions are based on the objectives of the study as presented in Chapter 1. The findings in the previous chapter have demonstrated that to some extent some corporate governance variables examined in the model, i.e. board size, board independence, and audit committee are significant towards determining the performance of Malaysian consumer product firms.

5.2 Discussing the correlations

This study examines the relationship between selected measures of corporate governance variables such as board size, independence of directors, audit committee size, CEO duality and CEO tenure and firm performance of consumer product sector on main board of Bursa Malaysia in year 2007. The mean board size for the summary statistics was found to be seven and maximum thirteen with a moderate deviation of 1.87, These figures are consistent with figures reported by Shaki (2008), Mak and Kusnadi (2005), Dogan and Smyth (2002) and Abdullah (2004). With regards to board independence, the mean ratio of about 42% indicates that the use of more outside directors on the boards in the overall sample. The duality of CEO among the sample is low, and that consistent with MCCG Code and agency theory which support to separate the role of CEO and

chairman of the board. The mean size of audit committee is consistent with the requirement of Bursa Malaysia.

The correlation results (refer Table 4.2) of this study revealed that the audit committee size and ROA were 0.302 at ($p \leq 0.05$). There was a positive relationship between ROA and audit committee size. This put forwards that ROA and audit committee size was associated with each other. The regression results also indicate audit committee size influences ROA. This result supports the suggestion that larger audit committee size leads to good performance. Similarly, audit committee size was positively correlated with board size. The correlation results (refer Table 4.2) of this study revealed that the audit committee size and board size were 0.330 (at $p \leq 0.05$) which revealed that larger board members result in larger audit committee size.

In addition, there was significant relationship between the proportion of independent directors and CEO tenure. The correlation results (refer Table 4.2) of this study revealed that the proportion of independent directors and CEO tenure were 0.394 (at $p \leq 0.05$) which revealed a positive relationship between the proportion of independent directors and CEO tenure. This means that the longer the CEO tenure, the more proportion of independent directors present in the board. Other significant relationship (refer Table 4.2) was between CEO duality and board size. The correlation results revealed that the CEO duality and board size were - 0.318 (at $p \leq 0.05$) which revealed a negative correlation between the

CEO duality and board size. This means that the combining roles of CEO and chairman are associated with smaller board size.

5.3 The relationship between corporate governance and firm performance based on ROA.

The regression analysis (refer Table 4.6 and Table 4.9) indicated that the corporate governance variables which are independent of the directors and audit committee size influence ROA. The results show that only two variables are positively significant to the ROA when CEO duality was considered in the model, namely independent of the directors and audit committee size. Similarly, this finding is also found in the regression analysis (Table 4.9) when CEO tenure was considered in the model instead of CEO duality.

5.4 The relationship between corporate governance and firm performance based on OCF.

The regression analysis results (refer Table 4.12 and Table 4.15) indicated that the corporate governance variables which are board size and audit committee size influence OCF. It shows that only two variables are positively significant to OCF when CEO duality is considered in the model, namely board size and audit committee size. However, the regression result (refer Table 4.15), when CEO tenure is used in the model, indicated that only audit committee size is significant to OCF. The results indicated that the most influence variable to determine OCF is audit committee size.

5.5 Limitation of study

Numerous limitations exist throughout this study that must be mentioned. Firstly, the sample data comprised only listed companies from consumer products sector. Thus, the findings may not be generalized to all sectors. Secondly, this study tested cross-sectional data covering a 1-year period. Thirdly, the corporate governance variables focused only on board structures.

5.6 Recommendation

This study was aimed at firms in a consumer product sector. Thus, further study could be carried out in different sectors to see whether the findings hold in other sectors. The study period should be extended preferably to another years which will be the basis for future research. Further study could extend the corporate governance variables on ownership structure.

5.7 Conclusion

The main purpose of the study was to examine the relationship between corporate governance structures and firm performance.

The first objective of this study is to examine whether there is significant difference in firm performance based on CEO duality versus non-CEO duality. The finding revealed that there is no difference in firm performance (both ROA and OCF) based on CEO duality versus non-CEO duality characteristics.

The second objective of this study is to determine the relationship between corporate governance structures and firm performance. Findings of the study support hypothesis 5 regarding the influence of audit committee size. However, in general, the results reveal that there are significant relationship between three corporate governance variables i.e. board size, audit committee size and independent of the directors with firm performance. However, the regression result does not indicate that the rest of the corporate governance structures i.e. CEO duality and CEO tenure influences firm performance.

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Appendix 1

List of Companies

1. AJINOMOTO (M) BHD
2. APOLLO FOOD HOLDINGS BHD
3. BANENG HOLDINGS BHD
4. BRITISH AMERICAN TOBACCO
5. BONIA CORPORATION BERHAD
6. CAELY HOLDINGS
7. CCK CONSOLIDATED HOLDINGS
8. CHEE WAH CORPORATION
9. CLASSIC SCENIC
10. DEGEM
11. DPS RESOURCES
12. EKOWOOD INTERNATIONAL
13. ENG KAH CORPORATION
14. EUROSPAN HOLDINGS
15. FEDERAL FURNITURE HOLDINGS
16. GOLDIS
17. GUINNESS ANCHOR
18. HONG LEONG INDUSTRIES
19. HUAT LAI RESOURCES
20. HWA TAI INDUSTRIES
21. IQ GROUP HOLDINGS
22. KAWAN FOOD
23. KENMARK INDUSTRIAL CO. (M)
24. KHIND HOLDINGS
25. LATITUDE TREE
26. LEONG HUP HOLDINGS
27. LION DIVERSIFIED HOLDINGS
28. MAMEE-DOUBLE DECKER (M
29. MAXBIZ CORPORATION
30. MINTYE INDUSTRIES
31. NAKAMICHI CORPORATION
32. NEW HOONG FATT HOLDINGS
33. NIKKO ELECTRONICS
34. ORIENTAL HOLDINGS
35. PANASONIC MANUFACTURING MALAYSIA

36. PELIKAN INTERNATIONAL CORPORATION
37. POH HUAT RESOURCES HOLDINGS
38. PROTON HOLDINGS
39. QL RESOURCES
40. SERN KOU RESOURCES
41. SHH RESOURCES HOLDINGS
42. SPRITZER
43. TAFI INDUSTRIES
44. TECK GUAN PERDANA
45. TEK SENG HOLDINGS
46. TPC PLUS
47. UMW HOLDINGS
48. WIDETECH (MALAYSIA)
49. XIAN LENG HOLDINGS
50. YIKON CORPORATION
51. Y.S.P.SOUTHEAST ASIA HOLDING