MANAGERIAL OWNERSHIP AND OPERATING PERFORMANCE: MALAYSIAN LISTED COMPANY

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MANAGERIAL OWNERSHIP AND OPERATING PERFORMANCE: MALAYSIAN LISTED COMPANY

by

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A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree of Master of Science (Banking) at College of Business, Universiti Utara Malaysia
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ABSTRAK


Kata kunci: Pemilikan pengurusan, operasi prestasi
ABSTRACT

This study investigates the relationship between managerial ownership and operating performance of Malaysia listed companies. A linear regression analysis of 90 sample firms listed on the main board of Bursa Malaysia from the year 2006 to 2009 is utilized. The result from model 1 and model 2 shows that managerial ownership is positively related to firm performance. This implies that the higher the shares owned by the CEO of the firm, the better will be the performance of the firm, especially if it is measured by the profit margin. Operating performance is measured by operating income to operating asset (OI/OA) and operating profit margin (OI/sales) while managerial ownership is measured by CEO ownership in the company. Considering that the CEO is the most important executive in the organization, whose decisions are likely to have a big impact on performance. Then, this study examined the relationship between managerial ownership and operating performance.

Keywords: Managerial ownership, operating performance
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LIST OF ABBREVIATIONS

OIA : operating income to operating asset

PM : operating profit margin

MGS : managerial ownership

MGS-level: level of managerial ownership

FS : firm size

CPX : capital expenditure

SG : sales growth
CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF STUDY

There are many research that been done about managerial ownership and operating firm performance. The studies cover many scope and sectors such as in small and medium enterprise, IPO's, listed company and private company. According to LaPorta, R., Lopez-De-Silanes, F. and Shleifer, A., (1999), ownership structure plays a very important role in corporate finance for the emerging country. According to Helen Short and Kevin Keasey (1998), managerial ownership can be defined as the percentage of equity shares owned by directors' and their direct families at the accounting year end. This definition is consistent to Morck, R., Shleifer, A. and Vishny, R., (1988) while define managerial ownership as ownership by members of the board of directors. However the definition is differing from McConnell and Servaes (1990) which define management ownership as equity owned by corporate officers and members of the board of directors.

The most recent study on operating performance was undertaken by Nurwati A. Ahmad-Zaluki (2008) that studied on Malaysian IPO companies by using a sample
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