

**FAMILY OWNERSHIP AND POST-IPO PERFORMANCE:  
EVIDENCE IN MALAYSIA**

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School of Business  
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In Fulfillment of the Requirement  
For the Degree of Master of Science in Finance

By  
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## **DECLARATION**

I hereby declare that this thesis entitled “Family Ownership and Post-IPO Performance: Evidence in Malaysia” is based on my original research except for quotations and citations that have been duly acknowledged. I also declare that it has not been previousl or concurrently submitted for any other degree at Universiti Utara Malaysia of other institutions.

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## **ABSTRACT**

This study constructs an analysis between family and non-family owned companies that were listed on the Bursa Malaysia during the period 2005 to 2008. In particular, this study investigates post-IPO performance of family ownership and impact on ownership structure and board composition using a comprehensive hand collected sample of 121 Malaysian IPOs.

The descriptive statistics show that in the post-IPO period, the performance of family companies do not exhibit better performance compared to non-family companies. Meanwhile, the multivariate analysis suggests that board's composition and ownership in companies influence the future performance after the companies going public. Moreover, for the elements of family characteristics, only percentage of family members on board that has weight on performance of Malaysian IPO companies following the listing.

Overall, the evidence in this study supports the previous literatures on studies involving in performance of family and non-family company following the public offerings. These findings have implications for investors to support them in deciding the investment on the companies that have a concentrated structure of ownership. Moreover, from company viewpoint, overview of family business after going public can be used in developing tactics to forecast its future performance.

## ABSTRAK

Kajian ini membina analisis antara syarikat- syarikat milik keluarga and bukan keluarga yang disenaraikan di Bursa Malaysia dalam tempoh 2005 hingga 2008. Terutamanya, kajian ini menyiasat prestasi syarikat milik keluarga selepas terbitan IPO dan kesan keatas struktur pemilikan dan komposisi lembaga syarikat dengan menggunakan sampel dari 121 syarikat- syarikat IPO di Malaysia.

Hasil kajian menunjukkan bahawa dalam tempoh selepas IPO, prestasi syarikat- syarikat keluarga menunjukkan prestasi yang lebih baik berbanding dengan syarikat- syarikat bukan keluarga. Sementara itu, analisis multivarian mencadangkan bahawa komposisi lembaga pengarah dan pemilikan dalam syarikat- syarikat mempengaruhi prestasi masa depan selepas syarikat- syarikat menerbitkan IPO. Selain itu, bagi unsur- unsur yang berkaitan dengan keluarga, hanya peratusan ahli keluarga dalam syarikat yang mempunyai kesan keatas prestasi syarikat- syarikat Malaysia selepas IPO.

Secara keseluruhan, bukti dalam kajian ini menyokong literatur sebelum ini atas kajian yang melibatkan prestasi keluarga dan syarikat bukan keluarga selepas IPO. Penemuan ini mempunyai implikasi bagi pelabur untuk membantu mereka dalam membuat keputusan pelaburan keatas syarikat- syarikat yang mempunyai struktur pemilikan yang terpumpun. Terlebih lagi, dari sudut pandangan syarikat, gambaran keseluruhan perniagaan keluarga setelah disenaraikan dalam Bursa Malaysia boleh digunakan dalam membangun strategi untuk meramal prestasi syarikat di masahadapan.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Background of the Study**

The issue of corporate governance has become a subject of academic debate since the 1997 Asian financial crisis. Some have pointed out that the insufficiencies in the corporate governance systems are the root cause of weakened fundamentals and poor economic performance (e.g., Claessens& Fan, 2002; Liew, 2007; Zainal-Abidin&Nasibah-Ahmad, 2007). In the wake of the crisis, corporate governance was restructured to improve company performance. Restructuring of the corporate governance system can be done through restructuring the ownership structure of company.

Basically, the ownership structure can be grouped into two categories, namely “companies with ultimate owners” and “widely-held companies”. According to corporate governance system, companies have their own goals and objectives for being exist. Maximizing shareholder’s wealth is the most important objective to be achieved by the manager. Porta, Lopez-De-Silanes and Shleifer (1999) investigate the issue of ultimate control. Their findings suggest that separation of ownership and control can be applied to create benefits for the larger shareholders. They argue that the matter of benefit creation depends on the shareholders protection (corporate governance system) applied in a country. In a country with poor protection to the small (minority) shareholders, will cause higher cost in term of surrendering the private benefits of control when the larger (majority) shareholders do everything to keep their control in the companies.

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