The Effect of Board Attributes on Firm Performance: Evidence from Post-MCCG 2007 and Post-MCCG 2012 in Malaysia

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Abstract: This study aims to examine the effect of board attributes on the firm performance of public listed companies in Malaysia during the periods of post-Malaysian Code on Corporate Governance (2007) and post- Malaysian Code on Corporate Governance (2012). Based on the Agency and Stewardship theories, the relationships between CEO duality, board composition, board size, gender diversity, and firm performance on PLCs in the main board of Bursa Malaysia were examined. A sample of 688 companies from 2011, 2012, 2016, and 2017 was observed. Findings indicate that the CEO duality, board size, and gender diversity significantly influence the firm performance in the study periods. Such findings offer interesting insights to the relevant authorities towards designing the best-suited governance measures that may lead to a successful implementation of corporate governance practice. This study also signals the need for an enhanced role of relevant institutional agencies in strategising and strengthening the corporate governance framework in an emerging country such as Malaysia.

Keywords: Corporate governance; Firm performance; CEO Duality; Gender Diversity; Malaysia.

1. INTRODUCTION

Firm performance is crucial for market efficiency as it influences the decision made by the market players and internal investors. One of the mechanisms in safeguarding the performance of public listed companies (PLCs) is by implementing proper governance, as a sound corporate governance system can provide adequate protection for shareholders and creditors. In addition to assuring shareholders of attaining returns from their investment, good governance helps foster a conducive environment for efficient and sustainable growth of the corporate sector (Karim, Naeem, & Ismail, 2022). In tandem with the furtherance of corporate reformation, numerous mechanisms have been extensively deliberated, and corporate governance was one of the means advocated. The cases whereby companies suffered severe losses because of transgression by the management of the company i.e., Enron, WorldCom, Barings, Perwaja Steel had led to more discussion and attention on corporate governance.

Historically in Malaysia, subsequent to the Asian financial crisis in 1997, the government had attempted to integrate the global standard of corporate governance as a step in reinforcing the corporate reformation which led to the birth of the Malaysian Code on Corporate Governance (MCCG). The initial MCCG was introduced in 2000 whereby four principles were established to strengthen the structure of PLCs' corporate governance. However, it was voluntary to adopt these guidelines as Bursa Malaysia provides recommendations to include selected corporate governance practices and to be reported in annual reports of PLCs. Malaysian Code on Corporate Governance (2000) was later revised in 2007 to guarantee the ideal principles and best practices in a company's structures and procedures, including the function of the board and audit. Due to the market dynamics and the ever-changing global developments, the MCCG was again revised in 2012. Malaysian Code on Corporate Governance (2012) dictates a strong board structure that would perform their functions efficiently, encourage prompt and well-balanced disclosure, protect the integrity of financial reporting, accentuate the significance of risk management and internal controls, and encourage shareholders' participation in the company's annual general meeting. Malaysian Code on Corporate Governance (2017) was later introduced which superseded Malaysian Code on Corporate Governance (2012). This new MCCG comprises three main principles which advocate greater globalisation of corporate governance culture and further enhancement in accountability, transparency, and sustainability (Malaysian Code on Corporate Governance, 2017).

Despite strong corporate governance guidelines in Malaysia, there are still corporate scandals that have caused investors to lose their investments. The Felda Global Venture Berhad (FGV) case has attracted much attention from the authorities. The company's top officials alleged corruption and abuse of power (Chow, 2017). FGV saw consistent improvement in its revenue since being listed in 2012. Despite more substantial revenue generation, FGV failed to translate the revenue into its net profit, indicating poor management, misappropriation of funds, poor decision-making, or a combination of all. From 2013 to 2016, FGV saw a drastic reduction in its

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net profit from nearly RM1 billion in 2013 to just RM29.6 million in 2016. As a result, the dividend dropped by 93% between 2012 and 2016. Most importantly to investors, FGV saw its ROE drop to almost 0% in 2016. Such a situation created suspicion among investors; hence foreign direct investors tend to shift away from investing in Malaysia. As a result, poor governance indirectly affects the performance and the economy of Malaysia.

The collapse of the Malaysian PLCs has shown significant evidence concerning the lack of effectiveness in corporate governance mechanisms and practices. It has been argued that the board of directors should enhance its role in determining the effectiveness of corporate governance within a company. Employing good corporate governance also assists firms in managing risk, thus decreasing the prospect of corruption. Furthermore, a good corporate governance structure will explicate every officer in the company of their duties, thus encouraging them to be mindful when making decisions. In addition, good corporate governance involves a company's hierarchy, such as employees, shareholders, investors, creditors, government, and other stakeholders that contribute positively to the firm performance (Malaysian Code on Corporate Governance, 2007). A diverse board can provide better depth and breadth of ideas and actions than a non-diverse board. Diversity will also offer useful debates, resulting in much better decisions. It allows the discussion of the same ideas in varying ways and allows the company to deal with obstacles in an ever-altering environment. Boardroom diversity encompasses age, background, gender, and ethnicity as well as variation concerning abilities, thinking, proficiencies, experiences, and professions. In pursuing its gender diversity strategy, Malaysian Code on Corporate Governance (2012) dictates that it is preferable to include women directors on the board though the percentage is not specified. While new to Malaysia, directives to increase gender diversity on corporate boards prevail in some countries. For instance, Norway, France, Spain, and Iceland have regulations necessitating women to be on at least 40% of the boards in PLCs (Atinc, Srivastava, & Taneja, 2022).

Based on the arguments discussed earlier, this study seeks to investigate whether corporate governance attributes influence the performance of PLCs in Malaysia post-Malaysian Code on Corporate Governance (2007) and post- Malaysian Code on Corporate Governance (2012) as both MCCGs had already reached their full enactment with the introduction of Malaysian Code on Corporate Governance (2017). The expected findings will offer new insights into the potential of MCCGs in refining corporate governance-related structures and practices and accordingly affect the performance of the firms after their full implementation. Ultimately, the relevant authorities can then refine the relevant regulatory process and strengthen Malaysia's corporate governance towards an enhanced sustainable economic growth.

2. LITERATURE REVIEW

2.1. Firm Performance

The model of firm performance has progressed since the 1950s, whereby performance was denoted by a firm's efficiency and capability during this era. In the 1980s, firm performance was established upon a firm's capability to develop a value for its customers (Porter & Linde, 1995), while throughout the 1990s, firm performance was based on the employees' performance quality (Adam Jr, 1994). At the beginning of the 21st century, the meaning of firm performance has primarily revolved around the capability of a firm to effectively capitalise on the available resources to attain achievements that are in congruence with the firm's objectives, in addition taking into account their relevance to the market (Barney, 2020; Peterson, Gijsbers, & Wilks, 2003).

Firm performance is often used to ensure financial viability and that all firms strive to build the most outstanding performance in the same industry. In other words, all firms need to function optimally to sustain in a globally competitive business environment (Ferreira, Coelho, & Moutinho, 2020; Rico & Rohman, 2018). Therefore, firm performance can only be meaningful, provided that it is appropriately measured. Determining a measurement for firm performance also allows comparison of performances over several periods. As such, numerous methods have been developed to measure financial performance; however, accounting-based measures, namely accounting returns and investor returns, have been used extensively by research studies in regard to governance (Orlitzky, Schmidt, & Rynes, 2003; Zainon et al., 2020).

Accounting-based measurement is a reliable indicator of the company's profitability as it removes the uncertainty of future income. Hence, it is appropriate to be used in the internal assessment of financial positions against different business management and decision-making processes rather than depending on external sources (Hutchinson & Gul, 2004; Pucheta-Martínez & Gallego-Álvarez, 2020). Accounting-based measurements provide the management actions result and are thus favoured over market-based measures when the relationship between corporate governance and firm performance is studied. For instance, ROA determines the operating and financial performance of the firm; the greater the ROA, the more efficiently the assets are being utilised to the benefit of shareholders (Haniffa & Hudaib, 2006; Koji, Adhikary, & Tram, 2020). Higher ROA also implies the firm's accomplishment in meeting its strategic plans (Chungyas & Trinidad, 2022; Nuryanah & Islam, 2011). Contrastingly, a lower ROA signifies the strategic plan's failure, which requires revisions in order to enhance the firm's short-term performance. Furthermore, Zabri, Ahmad, and Wah (2016) elaborated that ROA and ROE are desirable in the framework of corporate governance study as they exhibit the capability of the management to increase the company's profitability.

2.2. Evolution of Corporate Governance in Malaysia

Malaysian Code on Corporate Governance (2007) states that corporate governance is the foundation used in managing businesses in enhancing the company's accountability towards maximising the shareholders' wealth. As such, corporate governance is generally accepted as the way and practice to direct, organise and control the company. It is a system conceived to professionally manage the company based on good corporate governance principles, encompassing transparency, accountability, responsibility, independence, and fairness.

Recent cases have plagued Malaysia due to poor governance concerning 1MALAYSIA Development Bhd (1MDB). On May 31, 2018, the Auditor General Report stated that IMDB, the government's strategic development fund, experienced some issues with corporate governance as it needed to adhere to appropriate procedures for decision-making. It was reported that despite the board having convened 80 times in addition to authorising 425 written resolutions from 2009 to 2015, the number of board meetings needed to be increased to uphold corporate governance. Most vital decisions, such as investing in new projects, ceasing existing investments, and extending deals encompassing value ranging between US$1 billion and US$2.22 billion, did not correspond to the best practices of corporate governance.

In 2007, the second MCCG was launched, whereby the roles of the directors and audit committee were emphasised. Malaysian Code on Corporate Governance (2007) established qualifying criteria for directors, which included skills, knowledge, experience, and professionalism, and those independent directors possessed the capability to carry out their actions appropriately. A nominating committee will be established to assess the board's effectiveness and the independent directors' impartiality. Audit committees must comprise all independent directors and it is mandatory to establish an internal audit function. The substance of Malaysian Code on Corporate Governance (2007) is that it permits more practicality and flexibility in raising the standards in corporate governance as compared to the static response denoted by law or directives. It is an acknowledgement that some features of corporate governance are more appropriate to be self-regulated but supplemented by market directives.

In order to reinforce market discipline, the Securities Commission Malaysia (SC) issued the Corporate Governance Blueprint in 2011. This blueprint outlines eight principles and 26 recommendations and emphasises the importance of the selection and structure of the board to ensure the director's adherence to ethical values and regulations. New roles and responsibilities were developed for the board of directors to sustain the company efficiently, besides the establishment of a board charter. A periodic review of the board's independence is necessary to obtain consent from shareholders to allow directors' appointments who had served nine years cumulatively, as this might compromises the board's impartiality.

The MCCG was again amended in 2017 in alignment with the global corporate governance framework. The "comply or explain" policy was replaced with the "Comprehend, Apply and Report" acronym as the CARE approach. CARE required the PLCs to provide shareholders with all the governance practices they adopted in their annual reports. Malaysian Code on Corporate Governance (2017) is based upon three central principles of good corporate governance, namely board leadership and effectiveness (Principle A), effective audit and risk management (Principle B), while Principle C consists of integrity in corporate reporting and meaningful relationships with stakeholders (Malaysian Code on Corporate Governance, 2017).

Both Malaysian Code on Corporate Governance (2007) and Malaysian Code on Corporate Governance (2012) applied the approach of prescribing the best practices in corporate governance that PLCs should try to embrace. This was paired with the requirement that companies disclose the extent of their compliance with these prescriptions in the annual reports. The companies must provide explanations in cases where the PLCs did not comply with the prescriptions. This is called the 'comply or explain' basis. Since both MCCGs had also reached their "maturity" stage, most PLCs had likely fully adopted and implemented the prescribed governance practices. Malaysian Code on Corporate Governance (2017) is significantly novel because it splits corporate governance practices into two categories, Core and Core+. The Core+ category is for exemplary practices that companies should aspire to achieve. Malaysian Code on Corporate Governance (2017) expressed that while its seven Core+ practices are voluntary, companies are "strongly encouraged" to adopt them and disclose how they are being undertaken or implemented in the annual report. Malaysian Code on Corporate Governance (2017) took effect on April 1, 2017, onward. At this point of the study, the implementation is still at the initial stage and most likely be gradually adopted by PLCs.

2.3. Underpinning Theories and Hypotheses Development

Two established theories are interrelated when discussing corporate governance issues, which are the agency theory and the stewardship theory. Given the conflict of interest between managers and shareholders, the agency theory highlights the monitoring mechanism of the board. Stewardship theory views managers as trustworthy agents making monitoring acts from the board less important.

2.3.1. Agency Theory

The agency theory suggests that principals and agents are perceived to utilise the firm as an association through the assignment of function. In other words, a relationship with an entity exists when one or a group of persons assign the decision-making rights to another person or group to execute those roles that increase the shareholders' value (Jensen & Meckling, 1976).Benn and Bolton (2011) further explained that in corporations, the agent, namely, the management of the company represents the principal, the owners or shareholders in business transactions, and is expected to represent the principal's best interests.

Tumbat and Grayson (2016) noted that agency theory classifies agent control as behaviour-based and outcome-based. Each type of control explains the level of authority the principal holds over the agent. Behaviour-based control is based upon the principal structuring of the activities for the agent to follow. Then, the principal monitors the agent to ensure performance. Eisenhardt (1989) commented that two critical issues developed by having a principal-agent relationship. The first problem is the improper match of priorities or preferences between the agent and the principal, while the second challenge concerns shared interest because of the difference in risk appetite. However, the interests of the agent and principal may not be the same, and the differences may become a source of conflict, leading to a principal-agent problem. Incentives such as rewards may be used to redirect the agent's behaviour to realign these interests with the principal's concerns. Based on the agency theory and understand-

ing of agency costs and problems, appropriate incentives can be designed by considering what inspires the agent to act (Martin & Butler, 2017). Besides, it is also argued that principals and agents have differing goals and that attempts to resolve these conflicts produce agency costs that are difficult to reconcile.

Agency theorists presume that humans always act in ways that promote self-interest and result in organisational conflicts as such emphasising constant monitoring of management activities to control management behaviours (Glinkowska & Kaczmarek, 2016). Vitolla, Raimo, and Rubino (2020) believe that agency theory brings more considerable attention to CEOs' and boards' specific behaviours. The lack of control inherent in the relationship can create an environment for opportunistic behaviour, with the principal and agent behaving in activities that exploit each other (Zardkoohi, Harrison, & Josefy, 2017). Agency-oriented managers might undertake short-term performance goals to secure their jobs in the case of a profitable company, mainly because shareholders tend to less concern with managers' opportunistic behaviour (Buchanan, Commerford, & Wang, 2021; Hiebl, 2015).

2.3.2. Stewardship Theory

Chrisman (2019) mentioned that agents are good stewards of the financial responsibility entrusted to them, with the organisation's goals as the main priority. In this sense, monitoring management is unnecessary and may produce undesirable outcomes. Stewardship theorists believe that managers are not interested in opportunistic behaviour. The latter are good stewards and engage in a manner that benefits shareholders or principals (Wijethilake & Ekanayake, 2020). The eventual organisational success of the firm motivates managers and provides them with a sense of satisfaction without regard for self-interest. Steward-oriented managers may risk their jobs to obtain long-term performance and success for the firm. Hence CEOs might focus on the long-term outcome of the company rather than personal gain (Tulung & Ramdani, 2018). The same dynamic under the stewardship theory assumes the steward will seek ways to resolve conflict and reduce monitoring costs (Martin & Butler, 2017).

A central component of stewardship theory is trust which allows managers to achieve goals that align with the expectations of stakeholders (Zhang, Wei, Yang, & Zhu, 2018). Trust rather than control can lead to a better implementation of board responsibilities as agents are less likely to engage in activities that promote self-interest and act as stewards that serve the goals that are in the best interest of their principals (Schillemans, 2013). Stewardship theory refutes the notion of self-interested managers, claiming that managers and non-independent directors are good stewards of the resources entrusted to them and can be trusted to maximise the value of firms. Managers are driven by non-financial motives, such as the need for achievement and recognition, the satisfaction of successful performance, and a strong work ethic (Donaldson & Davis, 1991).

The main contrast between the two theories is the focus on self-interest with agency theory, and a concern for the well-being of others relative to stewardship theory (Hiebl, 2015). While agency theorists promote self-interest, stewardship theorists emphasize the principal-agent relationship on a larger scale, moving beyond personal gain. Information exchange and alignment with established goals, reduce risks and further develops professional relationship (Snippert, Witteveen, Boes, & Voordijk, 2015). In contrast, a corporate culture that places too much power on the CEO may cause performance inefficiencies.

2.3.3. CEO Duality and Firm Performance

CEO duality is beneficial for the company's internal affairs because it clearly depicts roles and responsibilities to the person holding two positions, confirming the prophecy of stewardship theory (Duru, Iyengar, & Zampelli, 2016; Sumague & Briones, 2022; Nurhadi et al., 2022; Mubeen et al., 2022). The positive result is also consistent with Sheikh and Karim (2015) and Munir and Li (2018) clarified that performance and efficiency are enhanced over a period when the same person holds two positions. In cases of CEO duality, powerful CEOs are less self-centred and tend to make decisions that favour strengthening the financial position of their firms.

In contrast, Tulung and Ramdani (2018) revealed an inverse relationship between CEO duality and performance in Indonesia, implying that companies must segregate the post of CEO and chairman to guarantee optimum performance. The segregation of these two positions will encourage efficiency in decision-making besides functioning as a monitoring system to safeguard agents from indulging in opportunistic behaviour.

Meanwhile, Siman, Ismail, Aziz, and Zam (2018) discovered that CEO duality does not influence firms' corporate decisions implying that CEO duality is detrimental to effective monitoring and independence of the board of directors. The result is similar to the studies by Mustapa, Ghazali, and Mohamad (2015) and Yusoff, Ahman, and Darus (2019) which concluded that the separation of the CEO and chairman could be more significant in describing firm performance. Therefore, based on the above arguments, the following are hypothesised:

*H1a: There is a significant positive relationship between CEO duality and ROE post-*Malaysian Code on Corporate Governance (2007).

*H1b: There is a significant positive relationship between CEO duality and ROE post-*Malaysian *Code on Corporate Governance (2012).*

2.3.4. Board Composition and Firm Performance

Duru et al. (2016) and Rahman, Zahid, and Al-Faryan (2022) contended that though the board delegates management and decision control functions to internal managers, they still retain final control over the managers through the right to ratify critical operational decisions. However, empirical research on board independence to explore the moderating impact on firm performance showed mixed results.

Reguera-Alvarado and Bravo (2017) validated that board independence leads to better performance. Increasing independent directors can enhance board performance and allow the company to access external resources and connections. Uribe-Bohorquez, Martínez-Ferrero, and García-Sánchez

(2018) and Bhat, Chen, Jebran, and Bhutto (2018) complemented that a more significant number of independent board members will enable directors to provide more efficient oversight and reduce the incidences of misconduct. These authors find evidence that board independence presents statistical significance on firm performance and conclude that independent board members reduce agency conflicts and protect shareholders' interests, which leads to higher performance.

On the contrary, a study by Thompson, Alleyne, and Charles-Soverall (2019) found that the recruitment and selection of independent board members in companies lack objective criteria that lead to inexperienced board members negatively impacting firm performance by generating inefficiencies. Meanwhile, Bird, Huang, and Lu (2017) found that firms with higher board independence had less powerful CEOs and experienced decreased financial performance due to the more intense monitoring of the CEO. Moussa (2019) in his study argued that independent directors are linked with lower-risk investment decisions. He also claimed that the unwarranted participation of independent directors in the day-to-day affairs of organisations might restrict the managers from performing their functions liberally. Hence, the following are hypothesised:

*H2a: There is a significant positive relationship between board composition and ROE post-*Malaysian Code on Corporate Governance (2007).

*H2b: There is a significant positive relationship between board composition and ROE post-*Malaysian Code on Corporate Governance (2012).

2.3.5. Board Size and Firm Performance

Zahid, Rahman, and Asif (2019) investigated the link of corporate governance attributes pertaining to the board with the financial health of 23 banks in Pakistan from 2011 to 2017. They noted that independent directors and board size positively influence ROE and ROA. As the board has two fundamental functions, intensive care and counselling, increasing the size of the board augments these functions which positively affect firms' financial health. This is supported by another study that indicated a bigger size of board that leads to higher diversity in opinions and voices, thus resulting in improvement in decision-making (Mazri, Ismail, & Arshad, 2018).

Kao, Hodgkinson, and Jaafar (2019) however argued that a larger board size might only be able to monitor the firm properly if it increases agency costs. This negative relationship also occurred in the study by Shawtari, Har Sani Mohamad, Abdul Rashid, and Ayedh (2017) who studied a sample of Malaysian firms which added larger boards could harm firm performance as communication and coordination are impaired. Though the results are mixed, the following hypotheses are postulated:

*H3a: There is a significant negative relationship between board size and ROE post-*Malaysian Code on Corporate Governance (2007).

*H3b: There is a significant negative relationship between board size and ROE post-*Malaysian Code on Corporate Governance (2012).

2.3.6. Gender Diversity and Firm Performance

Many emerging studies highlight women's participation in the board and its impact on firm performance. However, the findings are mixed due to several aspects, such as cross-sectional differences in the board's practices. Devi, Hassan, and Hamza (2015) concluded that women directors are noted to be significant in influencing positive firm performance. Earlier, Julizaerma and Sori (2012) when studying Malaysian companies for the years 2008 and 2009, found a strong positive relationship between gender diversity and the ROA. This insinuates that the appointment of women director contributes to a better financial condition of the company as two or more women representatives on board could provide different perspectives when making decisions. Nevertheless, the positive results of gender diversity seem to be reduced in countries with greater female economic involvement and empowerment. This could be the effect of tokenism which recommends that enforcing the appointment of female directors or mandating gender quotas can decrease firm performance in nations with strong cultural resistance (Low, Roberts, & Whiting, 2015; Pal, 2022; Hua , 2022).

From another perspective, some studies concluded that women directors negatively influence firm performance. Lim, Lye, Yuen, and Teoh (2019) revealed a negative relationship inferring that gender diversification contributes to declining firm performance potentially due to tokenism and gender stereotypes. In addition, the findings could also be flawed as industries making up the market are not homogenous. Negative associations are also observed in the studies conducted by Amin, Rahmat, and Asri (2019). Zahid et al. (2019) also found that women directors negatively affect the ROE and ROA, which might be owing to their low or cosmetic representation that endorses tokenism and critical mass theories. Other problems associated with diversity include increased communication barriers and obstacles to coordinating the directors, which resulted in inadequate supervision of top management performance. Though the results on gender diversity and firm performance are mixed, the following hypotheses are proposed:

H4a: There is a significant negative relationship between gender diversity and ROE post- Malaysian Code on Corporate Governance (2007).

H4b: There is a significant negative relationship between gender diversity and ROE post- Malaysian Code on Corporate Governance (2012).

3. DATA COLLECTION AND ANALYSIS

The data were retrieved from the annual report websites of the studied companies. The annual reports provided valid and reliable information due to their verified nature and the strict control by Bursa Malaysia and SC. The samples of the study comprised non-financial and non-unit trust companies listed on the main board of Bursa Malaysia. Financial and unit trusts companies were excluded from the sample as they have to comply with different regulatory requirements for their reporting practices (Haniffa & Hudaib, 2006). To ensure the panel study is balanced, only those companies operating throughout the selected 4-year period, mainly 2011, 2012, 2016, and 2017 were chosen. Furthermore, for the

particular year under study, all the PLCs should be adopted by the same MCCG. The total number of companies selected as a sample are shown in Table **1**.

Table 1 Selection Sample of Study.

Companies listed in Main Board as at 31 December 2017	**782**
Exclude: Financial and unit trusts companies	(32)
Exclude 2012 companies that had adopted Malaysian Code on Corporate Governance (2012)	(282)
Exclude 2017 companies that had adopted Malaysian Code on Corporate Governance (2017)	(233)
Exclude: Companies do not operate throughout the period of study	(63)
Final sample size	**172**
Final sample for 4 years	**688**

Malaysian Code on Corporate Governance (2007) was introduced in October 2007 while Malaysian Code on Corporate Governance (2012) was in March 2012. Both MCCGs were to be adopted with immediate effect from the date of their inauguration. However, considering the maturity stage of both MCCGs, the last two years before a new MCCG was introduced were selected. Since Malaysian Code on Corporate Governance (2012) was introduced in 2012, the maturity years for Malaysian Code on Corporate Governance (2007) were the years 2011 and 2012. Similarly, as Malaysian Code on Corporate Governance (2017) was introduced in 2017, hence the years 2016 and 2017 were selected for Malaysian Code on Corporate Governance (2012). The post- Malaysian Code on Corporate Governance (2007) and post- Malaysian Code on Corporate Governance (2012) were also referred to as Period 1 and Period 2, respectively in this study.

3.1. Variable Measurement

The dependent variable for firm performance is proxied by Return on Equity (ROE). ROE is chosen to measure firms' performance as it is the most acceptable formula in the empirical study of finance and investment. It enables the measurement of both value of a firm's tangible assets and intangible assets. The measurement of the independent variables discussed is based upon previous literature whereas the data retrieved are from annual reports and databases of KLInvest and CTOS system. The measurements are tabulated in Table **2**.

Table 2. Measurement of Dependent and Independent Variables.

Variable	Measurement	References
Return on Equity (ROE)	Net Income/Total Equity	Amin and Nor (2019) Haniffa and Hudaib (2006)
CEO Duality	0 – CEO Duality 1 – No CEO Duality	Siman et al. (2018) Duru et al. (2016)
Board Composition	Total Number of Independent Directors	Duru et al. (2016) Rahman et al. (2022)
Board Size	Total Number of Directors	Mazri et al. (2018) Yusoff et al. (2019)
Gender Diversity	Total Number of Women Directors	Devi et al. (2015) Yusoff et al. (2019)

3.2. Findings of the Study

3.2.1. Descriptive Analysis

The results of the descriptive analysis are tabulated in Table **3**. The mean for ROE indicated an increase of 0.0896 (5.8%) and averages at 16.6% in Period 1 whilst showing an average of 19.1% in Period 2. Table **3** also indicates that most Malaysian PLCs adhered appropriately to the recommendations in the MCCGs by segregating the Top 2 positions into different individuals. CEO duality results revealed that the number of firms practising duality had marginally minimised with the mean decreased by 0.02 (2.2%). Despite the minor decrease, Malaysian regulators can be optimistic as most companies have embraced the proposition by the MCCG to separate the chairman and CEO roles. The results are also consistent with prior reports and studies (Siman et al., 2018; Yusoff & Alhaji, 2012).

Meanwhile, board composition shows that on average, the independent directors consisted of more than 33% (Period 1's mean is 3.37, Period 2's mean is 3.61) of the total number of directors that comply with the listing requirement by Bursa Malaysia. This number is similar to a prior study conducted by Rahman et al. (2022) which disclosed that independent directors on the board of Malaysian PLCs averaged 30% or more. It has been noted that MCCG did not explicitly communicate the requirement for the size of a board for Malaysian PLCs. However, Bursa Malaysia has set the prior listing ruling that a company must have a minimum of two directors or that one-third of the directors should consist of independent directors.

The addition of women directors in PLCs has also seen an upward trend in recent times. The mean of female directors has progressively increased throughout the six years from 1.32 in Period 1 to 1.43 in Period 2, an increase of 10.73%. This could be due to the consistent enactment of the corporate guidelines and the Malaysian government's effort to advance gender diversification in PLCs. Although the number stays noticeably small compared to the typical size of the board (maximum of 13 based on Table **3**), the percentage achieved implies a growing significance of women representatives on the board and the effect it could contribute to the performance of Malaysian PLCs.

3.2.2. Normality Test

A normality test shown in Table 5 indicates that all variables' p-value is less than 0.05, indicating that the data are not normally distributed. Despite this, Waternaux (1976) found that underestimates of variance associated with positive kurtosis disappear with samples of 100 or more cases (as noted in the skewness and kurtosis in Table 4). In a large sample, a

Table 3. Descriptive Analysis.

Variables	Period 1				Period 2				Mean Diff.
	Min	Max	Mean	SD	Min	Max	Mean	SD	
Dependent									
ROE	0.000	1.6994	0.1524	0.1664	0.000	2.2390	0.1912	0.2420	0.0896
Independent									
CEO Duality	0	1	0.87	0.338	0	1	0.89	0.318	-0.0200
Board Composition	1	7	3.37	1.072	1	7	3.61	1.061	0.2400
Board Size	3	13	7.46	2.001	4	13	7.35	1.969	-0.1100
Gender Diversity	0	6	1.32	1.092	0	5	1.43	1.042	0.1100

variable with statistically significant skewness often needs to deviate more from normality to make a substantive difference in the analysis. Tabachnick and Fidell (2007) also concurred with Waternaux and highlighted that transformations are not globally proposed due to their complexity of interpretation.

Table 4. Skewness and Kurtosis.

	Period 1		Period 2	
	Skewness	Kurtosis	Skewness	Kurtosis
Dependent Variables	Statistics	Statistics	Statistics	Statistics
ROE	0.869	0.421	0.373	0.578
Independent Variables				
Board Composition	0.787	0.867	0.843	0.933
Board Size	0.483	-.345	0.436	-0.157
Gender Diversity	0.935	1.724	0.391	-0.026

3.2.3. Multicollinearity Test

A multicollinearity test as shown in Tables **6** and **7** is conducted using the Pearson Correlation Coefficients. Both tables show the result of the correlation coefficient matrix and the significance level of the variables for Period 1 and Period 2, respectively. For Period 1 Pearson's correlation coefficient range is between -0.056 to 0.740, whereas in Period 2, the range was between -0.077 to 0.547. Therefore, it can be concluded that there is a non-existence of multicollinearity as all independent variables' correlation coefficients are in the -0.8 to 0.8 range.

3.2.4. Multiple Regression Analysis

Table **8** presents the results of multiple regression for Period 1 and Period 2, which is conducted to test the relationship between the independent variables and firm performance. The following model denotes the strength of the cause-and-effect relationship.

$ROEi = \alpha + \beta1DUALi + \beta2BRDCi + \beta3BSIZEi + \beta4GDi + e$ (1)

where: α = regression constant

β = beta coefficients

ROE = Return on Equity

DUAL = CEO duality

BRDC = Board Composition

BSIZE = Board Size

GD = Gender Diversity

e = error

Period 1 (Post- Malaysian Code on Corporate Governance (2007))

R^2 value is reported at 0.020 (2.0%) for Period 1 with overall model significant at 5% level as shown in Table 8. Gender

Table 5. Test of Normality.

	Period 1				Period 2			
	Kolmogorov-Smirnova		Shapiro-Wilk		Kolmogorov-Smirnova		Shapiro-Wilk	
	Statistic	Sig.	Statistic	Sig.	Statistic	Sig.	Statistic	Sig.
Board Composition	0.263	0.000	0.886	0.000	0.228	0.000	0.875	0.000
Board Size	0.141	0.000	0.950	0.000	0.153	0.000	0.955	0.000
Gender Diversity	0.201	0.000	0.864	0.000	0.190	0.000	0.894	0.000
Return on Equity	0.332	0.000	0.270	0.000	0.290	0.000	0.465	0.000

Table 6. Pearson Correlation – Period 1.

		Board Composition	Board Size	Gender Diversity	Return on Equity
Board Composition	Pearson Correlation	1			
	Sig. (2-tailed)				
Board Size	Pearson Correlation	0.539**	1		
	Sig. (2-tailed)	0.000			
Gender Diversity	Pearson Correlation	0.196**	0.509**	1	
	Sig. (2-tailed)	0.000	0.000		
Return on Equity	Pearson Correlation	0.081	-0.010	-0.056	1
	Sig. (2-tailed)	0.133	0.857	0.301	

Table 7. Pearson Correlation – Period 2.

		Board Composition	Board Size	Gender Diversity	Return on Equity
Board Composition	Pearson Correlation	1			
	Sig. (2-tailed)				
Board Size	Pearson Correlation	0.427**	1		
	Sig. (2-tailed)	0.000			
Gender Diversity	Pearson Correlation	0.148**	00.373**	1	
	Sig. (2-tailed)	0.006	.000		
	Sig. (2-tailed)	0.608	0.154	0.342	
Return on Equity	Pearson Correlation	0.054	-0.047	0.046	1
	Sig. (2-tailed)	0.319	0.386	0.388	

diversity is the only significant independent variable showing a negative significant influence on ROE at p-value <0.05. This result corresponds with a study by Amin and Nor (2019) which concluded that women on board might lead to increased communication barriers as most companies in Malaysia are male-dominated. Furthermore, gender diversity may lead to increased complexity in decision-making and time-consuming due to slower action and response, which causes an overall lower firm performance. It is not surprising that certain companies prefer less diversity of board members, probably due to better control and quick decisions to arrive at a consensus (Amin & Nor, 2019).

Also, less effective governance has been argued linking to diverse board members due to rising conflict of interest, agency cost, and ineffective monitoring systems (Bliss, Muniandy, & Majid, 2007).

Other independent variables are reported insignificance as their p-value is greater than 0.05. The insignificant relationship between CEO duality and ROE in Period 1 implied that Malaysian PLCs respond poorly to duality functions as having two roles might hamper the CEO from fulfilling his role effectively (Mustapa et al., 2015). Separation of function as proposed by MCCG might not be successfully adopted due to Malaysia's dynamic political and cultural landscapes (Mohd Ghazali, 2020). While the insignificant relationships between board composition and board size, and ROE indicate the level of board independence, the board size does not reflect the board's ability to monitor the firm's management. Interestingly, Mohan and Chandramohan (2018) also view the inadequate communication as due to a larger board that could delay the decision-making.

Based on these results, only H4a is accepted, while other hypotheses are not supported.

Period 2 (Post-MCCG 2012)

Table **8** also shows the R^2 value for Period 2 at 0.004 (0.04%), and the overall model is significant at 1% level. Interestingly, CEO duality also shows a positive significant influence on ROE at p-value <0.05. This might be because duality embodies unity in command, thus reducing conflicts (Pham & Pham, 2020). Although this contradicts Malaysian Code on Corporate Governance (2012) recommendation, where companies are advised to avoid overlapping the positions of CEO and chairman to foster transparency and enable accountability, Rahman et al. (2022) provide evidence that CEO duality is beneficial for the internal affairs of the company. This is due to it depicting a clear picture of the roles and responsibilities of the person holding two positions, confirming the prophecy of stewardship theory. The positive result is also consistent with Sheikh and Karim (2015) who clarifies that performance and efficiency shall be enhanced when the same person holds two positions. Munir and Li (2018) deduced that in cases of CEO duality, powerful CEOs

are less self-centred and tend to make decisions that favour strengthening the financial position of their firms.

On the other hand, board size is shown to negatively influence the ROE, as a larger board may result in increased expenses in terms of directors' remunerations besides the existence of free riders on the board (Jing et al., 2019). This is coherent with prior research that suggests a small board is considered adequate as they can oversee and control the management's activities and participate in decision making including resolving issues and efforts to improve the firm performance. Ghabayen, Jaradat, Hardan, and Al-Shbail (2018) opined that a larger board should become the symbol of power which might result in personal rivalries. This argument is in tandem with Lipton and Lorsch (1992) noticed that when boards increase beyond seven or eight; they are most likely incapable of effectively controlling the management. They can encounter difficulties in communicating their views in the limited time available during board meetings.

Hence, H1b and 3b are accepted, whilst H2b and H4b are not supported.

Table 8. Multiple Regression Analysis.

Dependent Variable: Return on Equity (ROE)						
	Period 1			**Period 2**		
R^2	0.020			0.056		
Adjusted R^2	0.009			0.044		
Std. Error	0.1657			0.2365		
F	1.741			4.983		
Model Sig	0.041**			0.001***		
Durbin-Watson	1.615			2.318		
	B	t	Sig	B	t	Sig
(Constant)	0.155	4.191	0.000	0.248	4.465	0.000
CEO Duality	0.041	1.539	0.125	0.151	3.655	0.000***
Board Composition	-0.008	-0.828	0.408	0.009	.656	0.512
Board Size	0.006	1.030	0.304	-0.018	-2.339	0.020**
Gender Diversity	-0.020	-2.104	0.036**	0.018	1.339	0.181
** significant at p-value<0.05						
*** significant at p-value<0.01						

4. DISCUSSION AND CONCLUSION

This study aims to examine whether the investigated corporate governance attributes in the post-periods of revised MCCGs have significant effects on firm performance, in particular the Malaysian Code on Corporate Governance (2007) and Malaysian Code on Corporate Governance (2012). Findings showed inconclusive findings of post-regulatory effects for the two periods. There were significant effects of governance mechanisms practised during the post-Malaysian Code on Corporate Governance (2012), such as CEO duality and board size on firm performance. However, findings of post- Malaysian Code on Corporate Governance (2007) have shown inconsistent results.

Regarding the board size, this study reveals that a larger board may impede communications and gradually result in an inefficient board. This further may create a less effective monitoring mechanism due to a few free-riding directors. The underlying reason could be due to the unstipulated requirements of Malaysian Code on Corporate Governance (2007) and Malaysian Code on Corporate Governance (2012) regarding the maximum number of board members. There is no specific size of the board that fits all, but an ideal size of the board must not exceed eight directors as a larger size indicates redundancy in the role of the directors which disrupts the function of the board due to possible disagreements among the directors that potentially hinder the functions of the board (Bennedsen, Kongsted, & Nielsen, 2008).

In a similar vein, the presence of women on boards linking to increase board conflict, which may lead to a decrease in firm performance. Despite the recent upward trend of women being employed, their representation on the PLCs' top management and on board is still relatively small. With most firms in Malaysia dominated by men, and only a few numbers of women on board, the inclination for a homogenous board could be one of the factors. Insignificant results of gender diversity may indicate a representation of women directors on board may be inclined to over-monitoring and micromanaging, which defeats the view that board members are engaged to concentrate on strategic issues (Amin & Nor, 2019; Lim et al., 2019; Joseph & Rosemary, 2022; Sharma et al., 2022). The imprecise requirement of board diversity both in Malaysian Code on Corporate Governance (2007) and Malaysian Code on Corporate Governance (2012) may reflect the findings of this study.

As for the CEO duality, the significant result in post-Malaysian Code on Corporate Governance (2012) signifies that the integration of dual roles i.e., CEO and Chairman in Malaysia is often seen as offering their edge of understanding unique problems and opportunities that may have a direct influence on the success of the organisation (Baker, 2019) . Likewise, a CEO who also holds the chairman position typically needs additional sources of technical information to enhance decision-making which further helps reduce cost and misleading information (Yang & Zhao, 2014).

Although this study has shown mixed findings in both periods of post- Malaysian Code on Corporate Governance (2007) and post- Malaysian Code on Corporate Governance (2012) the findings offer meaningful insights to the relevant authorities towards designing the best-suited governance measures for a successful implementation of corporate governance practice. This study also signals the need for an enhanced role of relevant institutional agencies in strategising and strengthening the corporate governance framework in an emerging country such as Malaysia.

As both MCCGs are still voluntary in nature, the respective regulators and other related bodies should engage actively in their monitoring role to further strengthen the business set-

tings towards greater corporate governance practices. The inconclusive evidence of this study might be due to excluding other factors contributing to profitability, such as asset valuation. Inevitably, a single firm performance measure and restricted corporate governance attributes are employed, leading to failure to provide proof of any other dynamics that may impact the firm performance. Hence, this study proposes further research that may include other measures of firm performance, other external aspects such as recession, exchange rates, inflation, and risk factor, as well as other significant attributes of corporate governance to offer a more comprehensive view of the effect of diversity in influencing firm performance.

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Received: Jan 10, 2023 Revised: Jan 20, 2023 Accepted: Mar 29, 2023

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