Corporate governance practices of Malaysian Chinese family owned business

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Southern Cross University
Corporate Governance Practices of Malaysian Chinese Family Owned Business

By: Kian Seng, Goh

A research thesis submitted to Southern Cross University
In partial fulfillment of the requirements for the Degree of Doctor of Business Administration

October 2008
DECLARATION

I certify that, to the best of my knowledge and belief, the work presented in this thesis is original, except as acknowledged in the text and that the material has not been submitted, either in whole or in part, for a Degree at this or any other university.

I also certify that any help received in preparing this thesis and all sources used have been acknowledged in this thesis.

..................................................
Kian Seng, Goh
ACKNOWLEDGEMENTS

I wish to express my gratitude and thanks to the following people who have provided me with encouragement, support and in many ways the understanding for one who has begun such a mind altering journey.

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Finally to my family and friends. Although neglected they remained very supportive of my endeavours.
ABSTRACT

This research focused on the Chinese family owned businesses listed on the Bursa Malaysia’s Main Board, Second Board and Mesdaq. Using a combination of qualitative and quantitative approaches, this research was largely exploratory in nature. The objectives were to determine the adequacy of Government policies, the extent and nature of the corporate governance (CG) practices of the Malaysian Chinese business community (MCBC) and the impact of culture on such practices. Other important objectives were to offer recommendations for good CG practices as well as to identify issues meriting further research.

CG became prominent as a result of the 1997 Asian Financial Crisis. The multitude of corporate failures and the scale of its impact caused several authorities to categorically identify CG as an important trigger for the crisis.

Since Malaysia was hit by the crisis, the Government and its various agencies took immediate and drastic measures, including capital controls, to stem the domino effect from propagating into all sectors. The Government’s initiatives included the formulation of the Malaysian Code of Governance and the strengthening of the regulatory framework for the more effective functioning of the Securities Commission and Bursa Malaysia.

The Malaysian Chinese business community (MCBC) has long dominated the Malaysian economy and the corporate sector. Its operations are characterized by high levels of ownership concentration, cross holdings and significant management control.
Despite the government’s race based affirmative policies, including the New Economic Policy, the Chinese remained remarkably persistent. The research findings revealed that this was largely due to their business practices being guided by the teachings of I-Ching, Confucianism and Taoism.

The research also revealed that Chinese business philosophy (which is largely family control) generally does not lend itself to transparency and disclosure. The situation is however changing with the advent of globalization. This is creating the need for high technology products and services as well as for capital and expertise from outside the family circle.

Three research propositions were tested by this research. They were developed from the gaps in the existing scholarship on the research topics. Based on the analysis of the secondary data and the primary data collected through a focus group and a questionnaire survey, this investigative study resulted in several research findings. These showed that Malaysia has a good CG framework. However, the CG practices in the Malaysian Chinese family businesses warranted improvements.

The findings also permitted the crafting of several recommendations for consideration by the public authorities and the MCBC. It also generated new theory as reflected by a modified Family Based CG System to more appropriately explain the CG practices of Malaysian Chinese family controlled businesses.
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<table>
<thead>
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<th>Chinese Business Community</th>
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<tr>
<td>Code of Governance</td>
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<td>Culture</td>
<td>Disclosure</td>
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<td>Entrepreneurship</td>
<td>Exploratory Research</td>
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<td>Guanxi</td>
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<td>New Economic Policy</td>
<td>New Theory Development</td>
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<td>Research Findings</td>
<td>Research Propositions</td>
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<td>Transparency</td>
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<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants, UK</td>
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<td>ACGA</td>
<td>Asian Corporate Governance Association</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>BRT</td>
<td>Business Roundtable</td>
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<td>BURSA</td>
<td>Bursa Malaysia</td>
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<td>CALPERS</td>
<td>California Public Employee's Retirement System</td>
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<td>CCM</td>
<td>Companies Commission of Malaysia</td>
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<tr>
<td>CDRC</td>
<td>Corporate Debt Restructuring Committee</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
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<tr>
<td>CLSA</td>
<td>Credit Lyonnais Securities Asia</td>
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<tr>
<td>CMP</td>
<td>Capital Market Masterplan</td>
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<tr>
<td>COSO</td>
<td>Committee of Sponsoring Organisations of the Treadway Commission</td>
</tr>
<tr>
<td>DBR</td>
<td>Disclosure-based Regulation</td>
</tr>
<tr>
<td>EAU</td>
<td>Economic Analytical Unit</td>
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<tr>
<td>EPF</td>
<td>Employees Provident Fund</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FRF</td>
<td>Financial Reporting Foundation</td>
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<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Principles.</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IAS</td>
<td>Internationally Accounting Standards</td>
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<td>ICA</td>
<td>Industrial Coordination Act</td>
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<td>IFAC</td>
<td>International Federation of Accountants</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
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<tr>
<td>IIA</td>
<td>The Institute of Internal Auditors</td>
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<tr>
<td>IPO</td>
<td>Initial Public Offer</td>
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<tr>
<td>IRRC</td>
<td>Investor Responsibility Research Center</td>
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<td>KLSE</td>
<td>Kuala Lumpur Stock Exchange</td>
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<td>LR</td>
<td>Listing Requirements</td>
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<td>LTAT</td>
<td>Armed Forces Fund Board</td>
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<tr>
<td>MAP</td>
<td>Mandatory Accreditation Programme</td>
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<tr>
<td>MASB</td>
<td>Malaysian Accounting Standards Board</td>
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<tr>
<td>MCBC</td>
<td>Malaysian Chinese Business Community</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>MESDAQ</td>
<td>Malaysian Exchange of Securities Dealing and Automated Quotation</td>
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<tr>
<td>MIA</td>
<td>Malaysian Institute of Accountants</td>
</tr>
<tr>
<td>MICG</td>
<td>Malaysian Institute of Corporate Governance</td>
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<tr>
<td>MICPA</td>
<td>Malaysian Institute of Certified Public Accountants</td>
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<tr>
<td>MNC</td>
<td>Multinational Corporations</td>
</tr>
<tr>
<td>MSC</td>
<td>Multimedia Super Corridor</td>
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<tr>
<td>MSEB</td>
<td>Malaysian Stock Exchange Berhad</td>
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<tr>
<td>MSWG</td>
<td>Minority Shareholder Watchdog Group</td>
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<tr>
<td>NDP</td>
<td>National Development Policy</td>
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<td>NEAC</td>
<td>National Economic Action Council</td>
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<tr>
<td>NEP</td>
<td>New Economic Policy</td>
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<tr>
<td>NERP</td>
<td>National Economic Recovery Plan</td>
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<tr>
<td>NPL</td>
<td>Non-performing Loans</td>
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<tr>
<td>NYSE</td>
<td>New York Stock Exchange</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>OPP</td>
<td>Outline Perspective Plan</td>
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<td>PLCs</td>
<td>Public-listed Companies</td>
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<tr>
<td>PNB</td>
<td>National Equities Corporation</td>
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<tr>
<td>PPF</td>
<td>Professional Practices Framework</td>
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<tr>
<td>PwC</td>
<td>Price Waterhouse Coopers</td>
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<tr>
<td>RIDA</td>
<td>Rural and Industrial Development Authority</td>
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<tr>
<td>ROC</td>
<td>Registrar of Companies</td>
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<tr>
<td>SC</td>
<td>Securities Commission</td>
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<td>SEC</td>
<td>Securities and Exchange Commission</td>
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<td>SOCSO</td>
<td>Social Security Organization</td>
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<td>SRI</td>
<td>Socially Responsible Investments</td>
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<tr>
<td>TSE</td>
<td>Tokyo Stock Exchange</td>
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<tr>
<td>XBRL</td>
<td>Extensible Business Reporting Language</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
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Chapter 1

Introduction to the Research

1.1 Introduction

This chapter lays the foundations of this study and provides an overview of the thesis. It has ten sections as follows.

Section 1.1 introduces this research. It is followed in Section 1.2 with a brief discussion on the background to the research. This was based on the preliminary literature review undertaken prior to the commencements of this study.

Research must start with a problem which is a “specific restatement of a managerial problem for the purpose of empirical investigation” (Davis 2005, p. 48). Accordingly the research problem for the study is presented in Section 1.3. The related research questions, which emerged from the findings of the literature review in Chapter 2 and the research objectives, are also stated.

The justification for this research is presented in Section 1.4. It also outlines the contributions to scholarship, policy and practice.

The unit of analysis for this study is stated in Section 1.5. It is followed by a summary of the methodology in Section 1.6. This section includes the research design and the primary data collections tools for the study.
Several key terms are used in this research. The definitions and descriptions of the terms are presented in Section 1.7.

**Figure 1.1: Structure of Chapter 1**

Source: Developed for this research
The nature of the research required some limitations on its scope due to time and resource constraints. These are addressed in Section 1.8.

The final Section 1.9 sets out the conclusion. The overall structure of this chapter is presented in Figure 1.1.

1.2 Background to the Research

Prior to the turmoil of events in the 1997 Asian financial crisis, “good corporate governance (CG) practices did not appear to matter much to an Asian audience” (Wallace & Zinkin 2005, p.1). Indeed corporate sector vulnerabilities and poor governance were considered as important causes of the crisis (Khatri, Leruth & Piesse 2002).

It was therefore necessary for the Government to introduce reform measures to improve CG practices. A notable development is the Malaysian Code on Corporate Governance. Prescriptive in nature, it sets out the key Principles and best practices for good CG (The New Handbook on Corporate Governance, 2002).

Measures were also taken to strengthen the regulatory framework. The Securities Commission (SC) and the Bursa Malaysia (BM) were given more powers. The SC was made responsible for all market operations (Low, 2000). BM plays the key role in the equity structure of the Malaysian capital market (Bursa Malaysia, 2002).
Consequently, Malaysian PLCs are now giving great attention to CG as a solution to curb corporate excesses. CG plays a crucial role for enhancing corporate excellence, wealth creation, building market confidence and encouraging long term international investment (The New Handbook on Corporate Governance 2002).

Chinese family-controlled businesses dominate the Malaysian corporate sector. Despite their business successors the individuals involved remain Chinese in a deep and significant sense. The Confusion tradition is remarkably persistent, especially the core value of respect for elders, trust among friends, work ethics and a disdain for conspicuous consumption (Weidenbaum 1996, Blackman 1999 & Chen 2001).

CG concerns resurfaced in Malaysia in 2007 due to accounting irregularities in respect of some notable public listed firms. These included the Southern Bank and Transmile; both are Malaysian Chinese controlled firms (The Edge, June 2007). These cited examples cast doubts on the quality of CG in Malaysia. They also exposed weakness in the quality of transparency, the regulatory framework and auditing standards in Chinese family controlled businesses.

1.3 The Research Problem

The findings of a preliminary literature review revealed gaps in the scholarship on the C.G. practices of Malaysian Chinese family-controlled businesses. Accordingly the research problem is:

Research Problem: How do good corporate governance practices impact on Chinese family-controlled businesses in Malaysia?
1.3.1 The Research Questions

Since, research can be complicated good research questions enable a research to stay on track (Punch 1998). The research questions, developed from the literature review and stated in Section 3, are:

Research Question 1: How adequate are the Malaysian Government’s policies for the enforcement of the Malaysian regulatory framework for CG?

Research Question 2: How important are the cultural and management practices of Malaysian Chinese controlled PLCs for good CG and socially responsible business practices.

Research Question 3: What are the desired approaches for improving the CG practices of Malaysian Chinese controlled PLCs.

1.3.2 The Research Objectives

Based on the research questions this research had 3 objectives as stated below:

i. To determine the adequacy of the Malaysian Government’s policies and enforcement of the Malaysian CG framework

ii. To determine the impact of the cultural and management practices of Malaysian Chinese controlled PLCs towards good CG and socially responsible business practices

iii. To formulate the desired approaches for improving the CG practices of Malaysian Chinese controlled PLCs.
1.3.3 The Research Propositions

A proposition is a testable theoretical statement that specifies the relationship between two or more concepts (Maxfield & Babbie 2001). On the basis of the research questions, three research propositions were crafted for testing by this research. As detailed in Chapter 3 the research propositions are listed below.

Research Proposition 1: *Malaysia has a balanced and effectively enforced corporate governance framework*

Research Proposition 2: *The culture and management practices of Malaysian Chinese family controlled PLCs provide for good corporate governance and social responsibility practices*

Research Proposition 3: *Malaysian Chinese family controlled PLCs are adopting appropriate measures to enhance their CG practices*

1.4 Justification of the Research and Contribution

Chinese businesses are almost always family firms (Whitley 1992, Berger 1994 & Chen 2001). The success of the Malaysian Chinese business community (MCBC) has resulted in several Chinese firms transiting to become companies listed in the Bursa Malaysia. As a consequence they are now required to comply with Malaysian CG requirements.

This is particularly so in Malaysia as the capital market is characterized by high levels of ownership concentration, cross holdings, and the significant participation of owners in management. Stock ownership is concentrated in the hands of a few institutional and corporate investors and Chinese family owned PLCs. Through crossholding of share...
ownership, a few individuals control power well beyond their level of ownership in each company (Khatri 2001). The concentration of share holding also contributed to poor governance as a small group can take control of a firm and achieve their own objectives at the cost of smaller share holders (Claessens, etal.1999).

The situation is also due to family, customs and traditions taking precedence over the essential elements of good CG. Most, if not all of the top management positions in Chinese businesses are filled by family members. Other strategic posts are usually reserved for close relatives and for those who have worked for the family for long periods of time. Consequently the flow of information is tightly controlled and key decisions are confined to family members (Kao 1993).

Malaysian Chinese family controlled PLCs provide for a relationship based CG regime. Such regimes do not lend themselves to transparency and disclosure. Notwithstanding they are strong as manifested by their survival following the 1997 Asian Financial crisis (Fong 1999).

However, the traditional Chinese family businesses are under pressure to change due to the growing importance of high technology products and services. Designing and producing items to take advantage of the advances in science and technology requires extensive laboratories, scientists and large scale financing. Going “public” is therefore a key to obtaining the funds required for research and development based on the latest advances in science and technology. The listing requirements of major stock exchanges require greater accountability, disclosure and transparency. To achieve this, much of the secretiveness of the family firm has to be sacrificed (Yeung 2001).
Notwithstanding, the findings of earlier research, the preliminary literature review identified several gaps in the existing body of knowledge. This research was therefore justified on the grounds that the findings would:

i. Extend the scholarship on issues relating to the CG practices of the MCBC.

ii. Offer recommendations relating to improved CG practices for consideration by the Malaysian regulatory authorities.

iii. Offer suggestions for enhancing CG practices by the senior management of Chinese family owned PLCs.

1.5 The Unit of Analysis

A unit of analysis can be defined as “the primary empirical object, individual, or group under investigation” (Davis 2005, p. 175). In view of cost and resource limitations, the unit of analysis for this study comprised Chinese controlled PLCs listed on the Main Board, the Second Board and Mesdaq of Bursa Malaysia.

1.6 Methodology

This section introduces the methodology for this research which is detailed in Chapter 4.

In line with the objectives of this study, the research design was based on a combination of qualitative and quantitative methods. This was necessary as the objectives of the research extended beyond the mere identification of the research problem. Another aim was to extend or generalize the findings (Perry 1995).
The study was therefore carried out in two stages as shown in Figure 1.2.

Stage 1 was exploratory and Stage 2 was descriptive with both playing complementary roles for meeting the objectives of the research as shown in Figure 1.2. However, the bulk of this research was exploratory and not descriptive in nature.

### 1.6.1 Primary Data Collection

The primary data collection techniques for this research are detailed in Chapter 4. These were a Focus Group for the collection of qualitative data and a Questionnaire Survey to obtain pertinent quantifiable data that could benefit from descriptive statistics in order to generalize the research findings.

The Focus Group involved eight participants. Their views and comments on the key research issues provided valuable insights on the CG practices and corporate social responsibility (CSR) practices in PLCs. The participants were:
i. Two Managing Directors of PLC’s controlled by Chinese family interests

ii. A member of an Association representing Chinese enterprises

iii. Two Independent Directors of PLC’s controlled by Chinese family interests

iv. Two academics with a strong research background on CG and CSR issues

v. A knowledgeable person with rich and varied experience in Malaysian CSR matters

The Questionnaire Survey involved sixty participants. Selected through a combination of judgmental and quota sampling, they were categorized into four Groups as follows:

i. 20 representatives of Main Board PLC’s

ii. 20 representatives from the Second Board and Mesdaq PLC’s

iii. 10 Regulators and Government officials

iv. 10 financial professionals from professional bodies and companies.

1.6.2 Data Analysis

Secondary and primary data were collected for this research. Secondary data was collected through a comprehensive literature review, detailed in Chapter 2 and 3, of this thesis. The data was analyzed to identify gaps in the existing body of knowledge on the issues pertinent to the research topic. The identified research gaps permitted a reaffirmation of the relevance of the research problem, the development of the research questions and the crafting of the three research propositions tested by this research.
Primary data was collected from two sources first, qualitative data through the conduct of a Focus Group meeting. The researcher took detailed notes and analyzed them carefully to identify common themes and patterns. The second source was the Questionnaire Survey. Descriptive analysis was undertaken using SPSS version 16 (SPSS 2007). As detailed in Chapter 4 the outputs were as follows:

i. Case Summaries for each Statement

ii. Cross Tabulation for each Statement

iii. Combined Responses for Each Proposition

iv. Combined Re-coded Response for Each Proposition

v. Survey Responses Ratings for all the Groups.

vi. Survey Frequency Tables for each Statement

1.6.3 Research Quality

When designing a qualitative research strategy, the research needs to consider how the quality of research can be ensured and what criteria can be used to measure quality (Flick, Kardoff & Steinke 2004). The steps taken to ensure the quality of the research are detailed in Chapter 4. These related to

i. Minimizing errors: Every attempt was made to select suitable participants for both the Focus Group meeting and the Questionnaire Survey. The wordings of the statements were kept simple and made as neutral as possible so as not to give verbal cues to the survey respondents.
ii. **Reliability**: This was to ensure that the research findings would be the same if the research were to be repeated at a later stage, or performed on a different subject sample (Ticehurst & Veal 2000).

iii. **Validity**: This was to permit the generalization of the findings.

### 1.6.4 Triangulation

Finally the quality of this research was enhanced by the use of triangulation for error checking. The field data collected was triangulated with other data sources (Yin 1993) in the following way: Firstly, the use of open ended questions in the Focus Group meeting and second, the examination of supplementary data sources. These included annual reports, internal newsletters and training documentation. Finally, the collection of the quantitative data on a five point Likert scale to finalize the triangulation process.

### 1.6.5 Ethical Issues

This research programme has been approved by the Southern Cross University, Human Research Ethics Committee, Approval Number **ECN-08-025**.

There are three parties involved in research: the researcher, the client or user of the research output and the respondent. Each of these parties had certain rights and obligations in the relationship. The researcher recognized that it was his responsibility to ensure that the privacy and anonymity of all respondents were preserved (Zikmund
Accordingly measures were taken to protect the privacy and confidentiality of the data provided by respondents.

For this purpose no organizational or individual responses would be named. The results compiled will remain the intellectual property of the respondents and will only be released to a third party with their permission. The data collected has been coded to prevent identification of organizations and individual participants.

Furthermore all data, including documentary evidence, computer files and completed survey instruments will be held securely and archived once this thesis is examined.

### 1.7 Definitions of Key Terms

The key terms used in this research are defined below. More detailed descriptions of important terms appear in various Chapters of the thesis.

- **Corporate Governance** has been defined by Scott (2001, p. 26) “as a set of provisions that enable the stock holders by exercising voting power to compel those in operating control of the firm to respect their interests”.

- **Culture** can be defined as a set of shared values, beliefs, attitudes, customs, norms and personalities (David 2005, p. 224).

- **Entrepreneurship**: Robins and Mukerji (1994, p. 152) defined “entrepreneurships as undertaking a venture, pursuing opportunities, fulfilling needs and wants through innovation, and starting business”. Entrepreneurs are individuals who fill this role.
1.8 Limitations and Weaknesses of the Study

The scope of this research had to be limited due to time and resource constraints. Accordingly the research did not attempt to examine all Chinese family-controlled businesses in Malaysia. It was confined to a selected number of Chinese family controlled PLCs. The findings may therefore be fully reflective of the CG practices of all family controlled businesses.

Furthermore, there are cultural differences between the Malaysians of Chinese origin and the rest of the national population. These could hinder the generalizability of the findings of this research. However, the findings may be of relevance to other countries which have a large number of Chinese family own businesses.

The other limitations that emerged during the conduct of this research are detailed in Section 6.6 of this thesis.

1.9 Outline of the Thesis

This thesis, as shown in Figure 1.3, has six chapters. In accordance with Perry (1995) it has a special chapter on the country context namely Malaysia.

Chapter 1 introduced the research topic and outlined the main sections of the thesis. The next, Chapter 2, presents the country context as this has a strong bearing on the nature and objectives of this research. The literature review continues in Chapter 3 with a discussion on the parent and immediate disciplines. The former comprises entrepreneurship, culture, and corporate governance. The immediate disciplines are
Malaysian CG practices and the CG of the MCBC. The chapter concludes with the identification of the research gaps. The research questions are then developed as a basis for the crafting of the research propositions tested by this research.

Figure 1.3: Thesis Structure

Source: Adopted from Perry (1995)

Chapter 4 presents the adopted methodology for the study. It explains the research design and justifies the use of a Focus Group and a Questionnaire Survey as the data collection instruments. Ethical issues and those relating to research quality are also detailed.

Chapter 5 analyses the collected data. The responses of the Focus Group and the Survey Questionnaire to each of the 15 Statement are examined. This is followed by the testing of each of the three research propositions.

The final Chapter 6 presents the conclusions of the study. It commences with conclusions being drawn on each research proposition prior to a critical examination of
the relevance of the research problem. The chapter then discusses the implications for theory development, policy and practice. Finally, the chapter sets out the limitations that emerged during the conduct of the study and offers suggestions for future research.

1.10 Conclusion

This chapter laid the foundation for this research. It introduced the research topic, the research problem, the research questions, and the research propositions. It justified the need for the research and its contributions to scholarship, policy and practice. This was followed by a brief description of the research methodology, the involved ethical issues and the measures taken to improve research quality. The chapter concluded with an outline of the thesis. The next chapter presents the country context for the study.
Chapter 2
Country Background

2.1 Introduction
The purpose of this chapter is to set the country context for this study (Perry, 1995). The Chapter provides a general background of Malaysia in terms of the economy and the country’s recent significant developments. It also examines the literature on the Malaysian Government’s economic framework and the impact of public policies on the MCBC.

Malaysia covers an area of about 330,252 square kilometers, and consists of Peninsular Malaysia (Perlis, Kedah, Pulau Pinang, Perak, Selangor, Negeri Sembilan, Melaka, Johor, Pahang, Terengganu, Kelantan); Sabah and Sarawak in Borneo Malaysia is a multi-ethnic country. The principal ethnic groups are the Malays, followed by the Chinese and Indians. Other significant groups are the indigenous people of Sarawak and Sabah, including the Dayaks, Kadazans, Bajaus, Melanaus and Muruts (Department of Statistics, 2006).

Malaysia practices a system of Parliamentary democracy with a Constitutional Monarchy and His Highness is the Paramount Ruler. It has three branches of government, namely, the Legislature, the Judiciary and the Executive (EPU 2007).

The Government remains central to economic and social development by playing the role of the catalyst and facilitator for the private sector. It is responsible for institutional
and basic infrastructure development as well as providing a stable and conducive macroeconomic environment to support and encourage private sector participation in the economy. The Government, however, is directly involved in the achievement of socioeconomic objectives including the provision of basic education, health, access to basic utilities as well as addressing poverty and equity issues (Yogeesvaran, 2004).

2.1.1 Structure of the Malaysian Economy

Figure 2.1: Structure of Chapter 2

Source: Developed for this research

2.1.1 Structure of the Malaysian Economy

Corporate Governance Practices in Malaysian Chinese Family Owned Business
The Malaysian economy has been transformed over the last 5 decades. At the time of independence, in 1957, the agriculture sector dominated the economy. It accounted for 70 per cent of exports earnings with an equivalent contribution to gross domestic product (GDP). The agriculture sector has since been overtaken by manufacturing. As shown in Table 2.1, it is expected to account for almost 30% of GDP in 2008. The fastest growing sector however is the services sector which grew by 4.6 per cent in 2007 with a GDP share of 53 per cent in the same year.

These positive developments have enabled the economy to grow rapidly with growth of 6 per cent in 2007 and a forecasted increase to 6.5 per cent in 2008.

Table 2.1: Gross Domestic Product (GDP) by Sector 2006-2008 (in 2000 prices)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Change (%)</th>
<th>Share of GDP (%)</th>
<th>Contribution to GDP growth (percentage point)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2007¹</td>
<td>2008²</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>2007¹</td>
<td>2008²</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>2007¹</td>
<td>2008²</td>
</tr>
<tr>
<td>Services</td>
<td>7.2</td>
<td>9.0</td>
<td>8.6</td>
</tr>
<tr>
<td></td>
<td>51.8</td>
<td>53.2</td>
<td>54.3</td>
</tr>
<tr>
<td></td>
<td>3.7</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7.1</td>
<td>3.1</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td>31.1</td>
<td>30.3</td>
<td>29.6</td>
</tr>
<tr>
<td></td>
<td>2.2</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5.2</td>
<td>3.1</td>
<td>3.5</td>
</tr>
<tr>
<td></td>
<td>7.9</td>
<td>7.7</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td>0.4</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Mining</td>
<td>-0.4</td>
<td>3.3</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td>8.8</td>
<td>8.6</td>
<td>8.4</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Construction</td>
<td>-0.5</td>
<td>5.2</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td>3.1</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Less: Undistributed FISIM³</td>
<td>3.4</td>
<td>7.4</td>
<td>6.9</td>
</tr>
<tr>
<td>Add: Import duties</td>
<td>-12.1</td>
<td>0.8</td>
<td>1.0</td>
</tr>
<tr>
<td>GDP</td>
<td>5.9</td>
<td>6.0</td>
<td>6.0-6.5</td>
</tr>
<tr>
<td></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>5.9</td>
<td>6.0</td>
<td>6.0-6.5</td>
</tr>
</tbody>
</table>

Source: Department of Statistics and Ministry of Finance, Malaysia
¹Estimate; ²Forecast; ³Financial Intermediate Services Indirectly Measured (FISIM)
2.1.2 The Government’s Developmental Goals & Strategies

Malaysia achieved independence in 1957. Fundamentally an agricultural based economy, the basic input factors as shown in Figure 2.2, were, land and labor. The plantation sector comprising rubber and palm oil was concentrated on the West Coast of Peninsular Malaysia (then Malaya). Industry was undeveloped. The Chinese were largely in urban areas and in the tin mining sector. In 1957 almost 60 per cent of the population of seven million was dependant on subsistence agriculture for their livelihood. They were largely Malays. During the early years of independence, the emphasis was on rural development with the provision of physical and socio-infrastructure (MIMOS 2002).

The nation’s growth has since been shaped and guided by strategic five year development plans within the context of four long term outline perspective plans (OPP):

- The theme of the First OPP (1970-1990) was growth with equity. This period coincided with the period of the New Economic Policy (NEP) which is discussed later in this chapter.

- The Second OPP (1991-2000), referred to as the National Vision, emphasized on the balanced development of the country. The aim was for the economy to move away from agriculture towards industry and manufacturing. The basic inputs as shown in Figure 2.2 were infrastructure, capital and labor (6MP 1991)

- OPP Three 2001-2010 which remains in force is directed at Malaysia becoming a K-based economy in order to remain competitive in globalizing world. The emphasis therefore is on the development of human capital, technology and knowledge. The long-term goal is for Malaysia to become a developed country.
by the year 2020. The Government’s policies for achieving this objective are set out in the Vision 2020 and the National Mission (8MP 2001).

**Figure 2.2: Malaysia’s Developmental History**

<table>
<thead>
<tr>
<th>1957</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agriculture-based economy</strong></td>
<td><strong>Industrial Production Economy</strong></td>
</tr>
<tr>
<td>Basic input Factors</td>
<td>Basic input Factors</td>
</tr>
<tr>
<td>• Land</td>
<td>• Infrastructure</td>
</tr>
<tr>
<td>• Labour</td>
<td>• Capital</td>
</tr>
<tr>
<td>New Economy Policies</td>
<td>Vision 2020</td>
</tr>
</tbody>
</table>

Source: Adapted from MIMOS (2002)

Vision 2020 is a national agenda that sets out specific goals and objectives for long-term development. It identified nine strategic challenges as shown in Table 2.2.

**Table 2.2: Vision 2020; Strategic Challenges**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Establish a united Malaysian nation with a sense and developed</td>
<td>Malaysia society;</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Create a psychologically liberated, secure and developed</td>
<td>Malaysia society;</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Foster and develop a mature democratic society;</td>
<td>Malaysia society;</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Establish a fully moral and ethical society;</td>
<td>Malaysia society;</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Establish a mature, liberal and tolerant society’</td>
<td>Malaysia society;</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Establish a scientific and progressive society</td>
<td>Malaysia society;</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Establish a fully caring society;</td>
<td>Malaysia society;</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Ensure an economically just society, in which there is a fair</td>
<td>Malaysia society;</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Establish a prosperous society with an economy that is fully</td>
<td>Malaysia society;</td>
<td></td>
</tr>
</tbody>
</table>

Source: Mohamad (1998)
The National Mission, announced by the Prime Minister, in his 2006 Budget Speech, set the development framework for the achievement of Vision 2020. The National Mission is founded on five key thrusts namely:

- To move the economy up the value chain
- To raise the capacity for knowledge and innovation and nurture “first class mentality”
- To address persistent socio-economic inequalities constructively and productively
- To improve the standard and sustainability of quality of life
- To strengthen the institutional and implementation capacity

The Federal Government’s Budget for 2007 included programs in support of the strategic thrusts for Malaysia to become a knowledge economy in terms of technology, talent, finance and markets (Budget Speech 2007). This is shown diagrammatically in Figure 2.3
2.2 The Chinese in Malaysia - A Brief History

Chinese trade links and settlements in the Malay Archipelago date back to the 15th century when the country was under Portuguese rule. However the main influx of immigrant Chinese only began during the mid 19th century with the growing development of the tin industry. Labor was secured from China for the labor-intensive industry as indentured labor (Gullick & Gale 1986).
There were an estimated 2.6 million Chinese in Malaya by 1947. They consisted of various dialect groups; principally the Hokkiens (32%), the Cantonese (25%), the Hakkas (32%), the Teochews (14%) and the Hainanese (6%) (Ratnam 1965).

2.2.1 Chinese Participation in the Old Economy

Largely clustered in the commercial centers of Penang and Kuala Lumpur the Chinese had already emerged as an economic force by 1947 (Seagraves 1996). They controlled the wholesale and retail trades and were the principal suppliers to the rubber estates which were then controlled by British agency houses. A number of Chinese acquired rubber plantations and mining by the beginning of the 20th century (Puthucheary 1960).

The British colonial powers declared a state of emergency in 1947 to quell the communist resurgence movement. This resulted in almost 400,000 Chinese being displaced from their rubber holdings and placed in some 530 “new villages” which were spread over the west coast of the country. Despite these impediments to their development, the Chinese continue to extend their business interests (Puthucheary 1960).

The majority of the Chinese enterprises was family-owned and based primarily on small-scale trade and petty business ventures. Since they have no access to financial institutions, the founders of business enterprises had to rely primarily on their own community resources to develop their businesses (Heng 1988).

The rise of some leading Chinese businessmen during the colonial period reflected a general upward trend among mostly Chinese capitalists, predominantly in the form of family-owned enterprises (Gomez 1999). Encouraged by the British, the Chinese formed
the Malayan Chinese Association (MCA) in February 1949 with the belief that political representation in a post-colonial government would enable them to protect their economic interests (Heng 1988).

In 1952, the MCA co-formed the Alliance, a political coalition, with the United Malays National Organization (UMNO) and the Malayan Indian Congress (MIC). An agreement, popularly known as "Me Bargain" was reached between the leaders of UMNO and the MCA. This was an understanding among the multi-racial elite that Malays would dominate politics, leaving the Chinese relatively unaffected by state intrusion into the economy (Brown 1994).

2.2.2 The Chinese Community in an Independent Malaysia

Malaya attained independence from the British in 1957. The Chinese capitalists continued to prosper during the first decade as they were privy to various types of concessions from the state. Foreign capital however continued to dominate the major sectors of the economy. Foreign control of a large stake in the economy was deliberately encouraged by UMNO to curb the post-colonial expansion of Chinese Capital (Golay, Auspach, Rfanner & Ayal 1969).

Over the period 1957 to 1970, the Malaysian economy grew at an average annual growth rate of 5.8% (Gale 1981). Despite this strong performance, there was an unequal distribution of wealth. The Bumiputras, who accounted for only 7% of the nation’s economic wealth, were largely rural dwellers dependent on subsistence crops for their
livelihood. They also lacked access to physical and social infrastructure including roads, hospitals and schools.

The urban areas, the plantations and mining sectors were dominated by Malaysians of Chinese and Indian origins. This unbalanced economic landscape generated tensions, particularly between the ruling Malay class and Chinese businessmen, who accounted for more than 50% of the country’s economy assets. The Chinese were viewed as a major obstacle to the economic advancement of the Malay community (Selvanathan 2000).

The tensions triggered racial riots in Kuala Lumpur in May 1969 that led to the death of 196 Malaysian Chinese. The riots were attributed to the unequal distribution of wealth among the Malaysian ethnic groups (Backman 2001). This necessitated the introduction of the New Economic Policy (NEP) in 1970 which is discussed in the next section.

### 2.3 The New Economic Policy

The New Economic Policy was a major component of the Outline Perspective Plan for the period 1971-1990. Based on the principle of achieving distributive justice, the NEP was an affirmative policy. It deliberately targeted the Malays as the main beneficiaries in order to achieve the nation’s over-riding goal of peace and harmony (OPP 1 1970-1990).

The NEP, as shown in Table 2.3, had two main prongs. First, to restructure Malaysian society with the Bumiputras or the Malays achieving a target of 30% of the economic wealth of the country by 1990. The second objective, aimed at all ethnic groups in Malaysia, was to eliminate poverty regardless of race (OPP 1 1970-1990).
Special programs were implemented to accelerate the participation of Bumiputras in the Malaysian economy. This included entrepreneurial development programs; grant assistance for the startup of new enterprises, educational training support, business licenses and preferential treatments for the awards of Government contracts.

Table 2.3: The New Economic Policy

<table>
<thead>
<tr>
<th>The NEP adopted a two prong strategy:</th>
</tr>
</thead>
<tbody>
<tr>
<td>First, to reduce and eventually eradicate poverty irrespective of race by raising income levels and increasing employment opportunities</td>
</tr>
<tr>
<td>Second, to restructure the Malaysian society to correct economic imbalances so as to eventually eliminate the identification of race with economic function.</td>
</tr>
</tbody>
</table>

Source: OPP 1, 1970-1990

Specific measures that were introduced (East Asia Analytical Unit 1995) as part of the NEP policy. They included:

- All firms establishing plans for employing, training and promoting Bumiputras at all levels of operations. Such plans were prerequisites for government contracts and licenses
- 20% of all commercial banks loans being allocated to Bumiputras
- Price preferences for all Bumiputras tendering for government projects. Additionally, 30% of the contracts were reserved for Bumiputras
- Bumiputras receiving preferential treatment in the issue of new licenses or permits pertaining to logging, saw milling, timber exports, vehicle import, mining, banking, finance, insurance, transport, and tin and rubber dealing
The introduction of a preferential share allocation scheme. All companies listed on the KLSE were requested to offer at least 30% of their shares to Bumiputras.

- Malaysian Chinese traders paying a commission to a Government linked company “Pernas” if they wanted to trade with China. Since this caused much resentment in the MCBC it was ultimately abandoned.

As part of the NEP, the Government also gave emphasis to establishing heavy industries in the steel, automobile, and petrochemical sectors. The goal was to have firms in these sectors in the hands of the Bumiputeras rather than in the hands of foreigners or the local Chinese. These were led by the state-owned enterprises due to the lack of private Bumiputeras with the necessary experience and resources. Since the state-owned enterprises were often highly inefficient, the Government then privatized these enterprises, with Bumiputeras ending up in control. The Government also pressurized the big Malaysian banks to provide the necessary financing (Perkins 2004).

The NEP was generally resisted by the Malaysian Chinese business community. Their concerns were compounded by the Industrial Coordination Act (1975) which required all manufacturing firms with shareholder funds in excess of RM250,000 or employing more than 25 full time workers to obtain licenses for their operations. The Act also stipulated that:

- At least 30% of the equity capital had to be reserved for Bumiputras
- Non Malay firms had to employ 30% Malay employees in all grades of appointments (ICA 1975)
- Firms put aside at least 30% of their equity for Bumiputras interests
- Non-Bumiputras firms employ and train Malaysian citizens to reflect the multiracial composition of the country’s population in all grades of appointment up to managerial level
- Firms adopt real measures to use Bumiputras distributors to the maximum extent or 30% of turnover

The vast majority of firms in Malaysia were Chinese family owned. In these firms, staff recruitment and the senior management positions were largely confined to the family and the clan. Accordingly there was much opposition to the Act from the Chinese business community (Perkins 2004).

2.3.1 The Privatization Policy

A review of the progress of the NEP, for the period 1971-1980, revealed that the Bumiputras continued to account for less than 15% of the economic assets (Fourth MP 1981). The Government introduced the “Privatization Policy” in 1983 to redress the imbalance. Privatization was used as one of the strategies to increase Bumiputra participation in the economy (Milne 1986). As pointed out by Sawal (1996) the Policy had multiple objectives and the main ones were (Lee 2004):

i. relieve the Government’s financial and administrative burden

ii. improve efficiency and productivity through competition

iii. facilitate economic growth

iv. reduce the size and presence of the public sector in the economy
v. meet the objectives of the NEP with more business opportunities for Bumiputra participation and to ensure at least 30% equity in all privatized entities.

In support of the Privatization Policy, the Government issued a “Privatisation Master Plan” in 1991 which listed the modality for the implementation of the Policy. As a consequence, 230 government enterprises were transformed into corporate entities over the period 1983 to 2000. As shown in Table 2.4, only 14% of the equity ownership of the privatized entities were owned by Malaysian non-Bumiputras in December 2000 (Government of Malaysia 2001).

Table 2.4: Equity Ownership of Privatised Entities

<table>
<thead>
<tr>
<th></th>
<th>Upon Privatisation (Par Value)</th>
<th>December 2000 (Par Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM Million</td>
<td>%</td>
</tr>
<tr>
<td>Bumiputra</td>
<td>4,146.6</td>
<td>21.7</td>
</tr>
<tr>
<td>Non-Bumiputra</td>
<td>1,856.4</td>
<td>9.7</td>
</tr>
<tr>
<td>Government</td>
<td>11,989.0</td>
<td>62.7</td>
</tr>
<tr>
<td>Foreign</td>
<td>1,130.9</td>
<td>5.9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>19,122.9</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Eighth Malaysia Plan, 2002

The critics of privatization argue that privatization increased the cost of living and generates poorer services (Lee 2004). The absence of competitive bidding, with privatization contracts being only awarded to those with political patronage triggered the problems of transparency, accountability and disclosure (Kirkpatrick 1993; Jesudason 1989). The Chinese community expressed unhappiness for the constraints imposed on them for obtaining privatization contracts despite their competencies (Lin 1998).
2.3.2 Implications of the NEP and its related Affirmative Policies on the Chinese Business Community

The MCBC perceived the NEP policy as being discriminatory and harmful to their business interests. These concerns were also shared by the Associated Chinese Chambers Of Commerce and Industry of Malaysia (ACCCIM 1978) which stated that

"the Chinese Capital was running into problems because of misconceived implementation of regulations and the narrowing access of economic opportunities for the Chinese through Government edicts and directives"

(Gomez 1994, pg 189).

Consequently, many methods were used to by-pass the NEP policies. These included the “Ali Baba” arrangement, which involved the use of Bumiputras fronts to act on behalf of non-Bumiputras interests. Some Chinese business enterprises deliberately chose to keep their interests small or to split their interests into seemingly unconnected units to avoid coming within the purview of the ICA (East Asia Analytical Unit 1995).

The literature indicates that the NEP, the ICA and the privatization policy were measures that hindered the accumulation and ascendance of Chinese capital in Malaysia. The Government’s "restructuring exercise" or "asset redistribution" was largely in the form of funding public enterprises via the banking system. This provided the Bumiputras with preferential credit access and funding for the acquisition of corporate equity and was instrumental to the loss of control of most of the Chinese controlled banks (Gomez & Jomo 1997).

Consequently, between 1990 and 1995, the Chinese share of equity stock fell by almost 5%, from 45.5% to 40.5%. Despite significant Chinese ownership of corporate equity,
the dominance over the economy moved into the hands of Malay political elite following
the successful implementation of the NEP (Gomez & Jomo 1997).

2.3.3 The Chinese Business Community’s Adaptation to the NEP

Malaysia’s corporate landscape was changed by the NEP. Chinese businesses had to
adjust their corporate practices in line with the NEP policies.

In the Malaysian Chinese corporate culture “knowing who” is as important as “knowing
how” (Backman 2001). Therefore senior ethnic Chinese business leaders urged the
community to foster closer links with the Bumiputras especially in business joint-
ventures. Prominent Chinese business leaders expressed their support for the NEP. These
included Robert Kuok a billionaire and a founding director of Bank Bumiputera
Malaysia which provided credit to Bumiputras (East Asia Analytical Unit 1995).

Accordingly, the majority of Chinese entrepreneurs accepted the political realities. They
skillfully forged mutually beneficial and productive business alliances with State
enterprises, Bumiputra businesses and foreign investors. They also entered into strategic
partnerships with the Malay business community without sacrificing control and
management of their businesses. An example of this is the Hong Leong Group.
Controlled by another billionaire, Quek Leng Chan, he announced that his publicly listed
Hume Industries had won a RM500 million supplies contract from the ruling party
United Malay National Organization (UMNO) which owned United Engineers (M) Bhd.
Subsequently, Hong Leong announced a rights issue for Hume Industries which was
taken up by a Bumiputra firm Jaguh Mutiara Bhd. Acting on behalf of UMNO, this firm
took up the rights issues giving it a large stake in Hume Industries. UMNO’s main investment arm then acquired Jaguh Mutiara. This was a way for Bumiputra political and business interests to merge with Chinese business interests (East Asia Analytical Unit 1995).

Some authorities contend that the NEP made Malaysian Chinese businesses even more competitive and resilient. Public spending on NEP projects also made available a larger pool of capital for business expansion, especially for Chinese entrepreneurs who benefited from subcontracts for projects awarded to the state enterprises and Malay businesses (McVey 1992). These strategic alliances appear to have created a “win-win” situation.

The Kuala Lumpur Stock Exchange separated from the Singapore Stock Exchange in 1973. This made available a larger pool of locally generated and locally controlled capital for corporate expansion. It also created greater opportunities for the public listings of Malaysian companies, both Malay and Chinese. Finally, the increased competition from Malay and foreign firms compelled Chinese businesses, especially the small and medium-scale firms to become more resilient and more competitive.

Despite the constraints imposed by the NEP, the MCBC dominated the Malaysian economy in 1996. Chinese business controlled the construction, manufacturing, wholesaling, retailing and service sectors. A study of the 100 largest public listed firms revealed that at least 40% of these firms were controlled by Chinese. Although they were affected by the Asia financial crisis and the challenges of globalizing world, the Chinese business community continued to flourish (Gomez & Jomo 1997). A survey conducted
by the Malaysian Businesses (April 2007) on the richest men in Malaysia, revealed seven Chinese in the first ten.

2.3.4 The Impact of Culture on Malaysian Chinese Businesses Practices

Ethnicity has been asserted as the dividing line in Malaysian society. Populations can identify by their culture, their mother tongue, their religion and their locality (Leigh & Lip 2004). Many management scholars of ethnic Chinese business have subscribed to the role of culture in explaining these business and management practices (Backman 1999; Chen 2001; Haley, Tan & Haley 1998; Whitley 1992). To these scholars, the distinctive traits in Chinese culture have been considered as essential ingredients. The “spirit” of the so-called ethnic Chinese business system, e.g., the role of family in highly centralized business organization and the role of guanxi and ethnicity define the constitution of business networks (Park & Luo 2001; Wu & Choi 2004).

Malaysia’s affirmative policy practices to redistribute wealth, in particular the NEP, compelled the MCBC to refine Chinese business practices. To some extent they complemented the guanxi style of business with the NEP policy on the basis that sharing business opportunities is a better alternative than having their businesses burnt down (East Asia Analytical Unit 1995).

This is clearly evident in the manner in which the networks of personalistic guanxi ties have been extended to incorporate new patrons and partners from non-Chinese business circles. The incorporation of these new elements did not however change the traditional nature of Chinese business structure and business practices (Chen & Chen 2004).
Malaysian Chinese businesses still display many features that are reflective of a universal Chinese corporate culture. These characteristics include a close overlap of family ownership, control, and family centralized decision making. There is also a heavy reliance on one dominant executive; a paternalistic organizational climate. Based on a relatively simple organizational structure, Chinese business normally focus on one product or market, are sensitive to cost and financial efficiency and highly adaptable to the external environment (Redding 1995).

Remaining true to their culture, the heads of Malaysian Chinese business tend to hand control of the business to only their immediate family members (Park & Luo 2001). While this practice has advantages it also creates special problems. As pointed out by Lawton (1999) these include the following:

- Failure to find capital for growth without diluting the family’s control
- An inability to balance optimally the family’s need for liquidity and the business’s need for cash
- Poor estate planning and the inability of the next generation to pay inheritance or estate duty taxes
- Unwillingness on the part of the older generation to “let go” of ownership and management power at an appropriate moment
- An inability to attract and retain competent and motivated family successors
- An inability to attract and retain competent senior non-family managers
- Unmanaged conflict between the cultures of the family, the board of directors and the business as a whole
• The inability to develop appropriate governance structures that assign optimal roles to each of the governance institutions or bodies

These factors, which are indicative of the fragility of Chinese family businesses, are discussed further in Section 3.

2.3.5 The Impact of the Asian Financial Crisis on the Malaysian Chinese Business Community

Malaysia was hard hit by the financial crisis which impacted South East and East Asian countries in 1997. As shown in Table 2.5, this resulted in Malaysia’s high GDP growth rates falling into negative territory. With sharp declines in the manufacturing and construction sectors, the country registered a growth rate of -7.4% in 1998 (Bank Negara 1999).

The financial crisis revealed fundamental flaws in the Malaysian economy (Bello 1997). It also highlighted the shortcomings of the privatization policy as the Bumiputras entrepreneurs and the banks that supported them were the hardest hit. The crisis largely reversed the gains of the NEP (Jomo 1998).

Several large Chinese firms namely the Berjaya Group, Sungai Way Holdings, Country Heights and Kuala Lumpur Industries were hit by the crisis. However only a few Chinese businesses collapsed. In response to the crisis, the Government used state funds to support politically connected state enterprises, Bumiputra owned companies and a few Chinese corporations (Asian Wall Street Journal 20th April 1999).
Table 2.5: Economic Impact of the Financial Crisis on Malaysia

<table>
<thead>
<tr>
<th></th>
<th>1996 (%)</th>
<th>1997 (%)</th>
<th>1998 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>8.6</td>
<td>7.7</td>
<td>-7.4</td>
</tr>
<tr>
<td>Agriculture, Forestry &amp; Fisheries</td>
<td>2.2</td>
<td>1.3</td>
<td>-3.3</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>4.5</td>
<td>1.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12.3</td>
<td>12.5</td>
<td>-13.4</td>
</tr>
<tr>
<td>Construction</td>
<td>14.2</td>
<td>9.5</td>
<td>-23.0</td>
</tr>
<tr>
<td>Services</td>
<td>9.7</td>
<td>8.0</td>
<td>-0.7</td>
</tr>
<tr>
<td>Real GNP</td>
<td>8.3</td>
<td>7.8</td>
<td>-5.2</td>
</tr>
<tr>
<td>Real Aggregate Domestic Demand</td>
<td>7.0</td>
<td>6.5</td>
<td>-25.2</td>
</tr>
<tr>
<td>Private Expenditure</td>
<td>9.0</td>
<td>6.3</td>
<td>-30.3</td>
</tr>
<tr>
<td>Public Expenditure</td>
<td>1.3</td>
<td>6.9</td>
<td>-7.6</td>
</tr>
<tr>
<td>Current Account Balance</td>
<td>-12.2</td>
<td>-14.2</td>
<td>37.4</td>
</tr>
</tbody>
</table>


Almost all companies generally suffered from the economic contraction. The few that were best equipped to weather the crisis relied on a prudent mix of borrowings and profit retention to finance corporate growth during the boom years of the previous decade. A significant proportion of such companies were from the ranks of Chinese “old money”, represented by listed companies from the Kuok Group, the Genting Group, and the Loy Seng Group. Many more unlisted, low profile but cash-rich, family-run enterprises also weathered the recession equally well (Selvanathan 2007).
2.4 Conclusion

This chapter placed the research topic in the geographical, historical, political and national context. It provided an overview of Malaysia’s development since achieving independence in 1957 by outlining the key developmental stages and their related national policies and objectives. These included the affirmative NEP which required the MCBC to make the necessary adjustments for the national goal of achieving long term economic growth with distributive justice. The chapter also presented an outline of the MCBC’s role in the economy and the measures they took to keep pace with the changing political situation. The next chapter reviews the literature related to the parent and immediate disciplines.
Chapter 3

Literature Review

3.1 Introduction

The topic for this research is “Corporate Governance Practices of Malaysian Chinese Family Owned Business”. This research was aimed at formulating recommendations that could contribute to enhancing the CG practices of the MCBC.

This chapter reviews the available literature that is pertinent to the research problem. It has four purposes. First, to identify and investigate the research issues germane to this research. Second, to show the path of prior research and to demonstrate the relevance of this research to the existing body of knowledge (Neuman 2006). Third, to construct a theoretical framework for guiding the research. Finally to identify gaps in the existing body of knowledge (Perry 1995).

A preliminary literature review identified the key research issues in the context of the parent disciplines and the immediate disciplines or the background and focus theory (Phillips & Pugh 1987). This enabled the development of the conceptual analytical framework for the review as shown in Figure 3.1. There are three parent disciplines: CG, entrepreneurship and culture. The two immediate disciplines are (i) Malaysian CG practices (ii) CG practices of the MCBC.
The framework facilitated the structuring of this chapter, which is shown in Figure 3.2. The sequencing of the sections permits the identification of the research gaps in the existing body of knowledge. Accordingly this chapter has 9 sections.

Figure 3.1: Theoretical Framework

Source: Developed for this Research

Section 3.2 reviews the relevant literature related to the parent disciplines. It starts with the definition of CG and then examines the literature related to CG, corporate social
responsibility (CSR), CG models, the elements of good CG, the relevant codes and the recent developments in respect of CG.

The next Section 3.3 discusses the parent discipline of entrepreneurship. This includes the characteristics and traits of entrepreneurs and the evolution of the oversea Chinese family enterprises.

**Figure 3.2: Chapter Structure**

Section 3.4 presents an overview of cultural issues that impact on business entities. It then examines the Chinese philosophies of Confucianism, Taoism, I-Ching and the Art
of War in order to gain a better understanding of the contextual setting of the management practices of Chinese corporations.

The review then moves on to the immediate disciplines in Section 3.5, with an examination of the CG practices in Malaysia. The CG practices of the Malaysian Chinese business community are discussed in Section 3.6.

The secondary data emerging from the literature review are then analyzed in Section 3.7. This forms the basis for determining the research gaps, the identification of the research questions and the development of the research propositions for testing through the collection of primary data.

Finally, Section 3.8 sets out the conclusions of this chapter.

3.2 Corporate Governance

“Good corporate governance (CG) is very easy to phrase but a much harder one to understand and appreciate” (Wallace & Zinkin 2005, p.1). It is a complex and controversial subject as borne out by the wide body of knowledge on the issues that underpin it.

Economic theory holds that when a sole proprietor manages a firm, profits and value will tend to be maximized because they are directly linked to the owner-manager’s self interest. When firm ownership is separated from control, the manager’s self interest may lead to the pursuit of overly risky or imprudent projects (Gregory 2000). The literature reveals that corporate financiers need assurances that their investments will be protected
from misappropriation and only used for achieving the agreed corporate objectives. These assurances are central to effective CG (Gregory 2000).

The discussion commences with the emergence of the corporation. This researcher considers this a necessary first step for a full understanding of the pertinent research issues.

### 3.2.1 What is a Corporation?

The corporate form can be traced to the 12th century when monastic orders and the growing merchant class began to move away and define themselves from the ruling royalty. In his “Wealth of Nations” Adam Smith (1788) made the distinction between the “owner” and the “manager”. By 1856 the corporate form was firmly in place with corporate liability being recognized (Koh 1998).

Berle & Means (1967) were the first to identify the modern corporation as a new form of property which was characterized by the separation of ownership from control. This was due to the owners of the property or the shareholders surrendering their rights of control to professional managers and the board of directors. However, during the last decade, the debate shifted to individual investor activism as a means of holding corporate managers and boards. The term CG assumed a wider posture with company ownership becoming more egalitarian and equity ownership spread across all sectors of society (Comber 2002).

The current debate among academic authorities on CG is whether a corporation should be viewed as a “nexus of contracts” negotiated amongst self interested individuals or as a
legal entity with rights and responsibilities as a natural person (Bradley, Schipani, Sundaram & Walsh 2002).

This debate has created two schools of thought: contractarianism and communotarianism. The contractarianism regards the corporation only as a nexus of contracts and not as a distinct and identifiable entity (Alchain & Demsetz 1972).

The alternative school of communitarianism views the corporation as a distinct and identifiable legal entity that has joint social responsibilities to the shareholders and the firm’s stakeholders. They see the law as a vehicle to ensure distributive justice and equity from pay-off to contracts (Low 2000).

The contrarian ideology underpins the Anglo-American governance systems and as such tends to influence public policies. It follows that if a corporation is nothing more than a collection of contracts, than the role of government is to only protect property rights and enforce contractual agreements and not interfere in the ability of individual to contract freely. As such the vexed issue is to translate the claims of conflicting entitlements without jeopardizing the enterprise (Koh 2001).

3.2.2 Defining Corporate Governance

Defining CG is a difficult exercise because of different culture, legal systems and history (Ramon 2001). Furthermore there are a variety of definitions that emerge from the existing literature. This section examines some of the defining elements of corporate governance as a theoretical basis for this research.
It is not easy to define what CG really means. Guided by Shleifer and Vishny (1997), it can be defined as the ways in which suppliers of finance to a firm assure themselves of a good return. However, this definition does not take into account the relationship between the stakeholders in the company and those who manage its affairs. It follows that CG should include the structure and functioning of Boards of Directors as well as the rights and prerogatives of shareholders in boardroom decision making. Accordingly, CG could be referred to as a collective group of people united as one body with the power and authority to direct, control, and rule (Ruin 2001).

Good CG is however more than a checklist of “do’s” and “don’ts”. It is essentially an infrastructure of build-in checks and balances. These are in respect of rules, standards and organizations in an economy that govern the behavior of corporate owners, directors and managers and define their duties and accountability to shareholders and lenders (Gregory 2000).

3.2.3 Corporate Governance – The Base Theories

A theory is a system of interconnected ideas that condenses and organizes knowledge about the world (Neuman 2006, p. 50). The two key but divergent theories that underpin perceptions and approaches to CG are “Agency Theory” and “Stewardship Theory”.

3.2.3.1 Agency Theory

Agency theory is concerned with analyzing and resolving problems that occur in the relationship between principals or the owners or shareholders on one hand and their agents or top management on the other. Top management may very likely be more
interested in their personal welfare than in that of the shareholders. They may emphasize strategies to increase the size of the firm or to diversify although this may result in a reduction in dividends or the price of the stock (Berle & Means 1967). According to Agency theory, top management becomes more powerful when the stock is widely held and the board of directors is composed of people who know little of the company. The theory therefore suggests that the top management has a significant ownership of the firm in order to secure a positive relationship between CG and the amount of stock owned by top management (Mallin 2004).

3.2.3.2 Stewardship Theory

Stewardship theory adopts a different approach. It suggests that the Board of Directors and the Chief Executive Officer, acting as stewards, are more motivated to act in the best interests of the corporation rather than for their own self interest. The theory argues that over time senior executives tend to view the corporation as an extension of themselves (Clarke 2004). Top management give emphasis to the long term success of the corporation and not use the firm for their own needs. In short, the theory argues that top management care more about a company’s long term success than the shareholders (Mallin 2004).

3.2.4 The Focus on CG

The concept of CG has been acknowledged for decades. However it has only recently garnered much attention due to: (i) the Asian financial crisis 1997 and more recently, (ii) the accounting scandals in Europe and the United States. It is also commanding renewed attention in Malaysia.
i. The Asian Financial Crisis

Developing Asia has enterprises ranging from state-owned enterprises to single proprietorships. However, the predominant form of medium and large scale enterprises in developing Asia is the family-owned or controlled firm. In this sense, family-based corporations may be taken as paradigmatic for the majority of Asian developing economies (Khan 2000).

The following remarks made by Lord Caldecote cited in Tricker (1994) about the governance problems of British companies may well be true of many family-based Asian companies as well: “The trouble with British companies is that the directors mark their own examination paper” (Tricker 1984, p.1)

The Asian financial crisis in 1997 highlighted distorted CG structures (Singam 2003, Shenoy & Koh 2001). It also underlined the need for Asian companies to accept and adhere to international accounting standards (Business Times, 15 July 2002). An important lesson learnt from the crisis was that poor CG could lead to recklessness and excesses (Bello 1997) Some analysts contend that the tasks of adopting, refining and adjusting CG has to be an on going process in order to enhance the confidence of international investors (Thomas 2002). The crisis raised questions relating to the future of the family based CG system (Khan 2000).

ii. The Accounting Scandals

CG now has greater visibility among policy makers because of the accounting scandals that rocked the corporate sector in Europe and the United States in 2001/2002. High
profile cases included Enron (December, 2001), Global Crossing (January, 2002), Worldcomm (July 2002) and Parmalat (January, 2004).

These developments exposed weakness in the quality of transparency, the regulatory framework and accounting and auditing standards (MICG 2001). Many reforms were introduced to protect investors by raising CG standards to improve the accuracy and reliability of corporate disclosure (Petra 2006). The intense interest on these key issues is evident by the plethora of literature published on them in the past decade.

As a consequence, good CG is now a major area of concern in market economies (World Bank 2002). The emphasis is now on the keywords of governance, accountability and disclosure (Low 2002).

3.2.5 The Value and Need of Good Corporate Governance

In much of Asia, foreign direct investment (FDI) is a crucial element in the ability of developing countries to build expertise and fund growth. Between June and Aug 1993, foreign investors bought NT$269 billion of stocks in Taiwan; 79 billion rupees of shares in India and 3.2 trillion won of shares in South Korea (Wallace & Zinkin 2005).

A study of 1,500 public listed companies in the United States, over the period Sept 1990 to Dec 1999, found a strong correlation between good CG and superior shareholder performance. The findings of this study also revealed that two-thirds of investors stated that they would be prepared to pay more for shares of companies with good governance (Gompers, Ishii & Metrick 2003). Broadly similar findings emerged from an Investor Opinion Survey conducted by McKinsey, the World Bank and the Institutional Investor.
magazine in 2002. Almost 90 per cent of respondents in Asia said that they would prefer to invest in the shares of a well-governed company then in those of a poorly governed company with similar financial performance (Donc 2003).

Chinese family owned businesses in South East Asia are increasingly adopting global standards in their CG in order to meet the institutional requirements on global bankers who provide them with finance for growth and expansion (Yeung & Soh 2000). Furthermore several international banks are substantial shareholders in public listed Chinese family firms in Singapore (Lane 2000). This finding is similar to the CG and financing behavior found in Germans firms. German banks usually play leading and supervisory roles in the boards of these companies and emphasize on good CG practices which contribute to credit worthiness (Pauly & Reich 1997).

3.2.6 Guidelines and Codes of CG

The past decade has seen a proliferation of CG guidelines and codes of best practice prepared by a wide range of national government committees. These tend to focus on protecting the shareholder and defining the roles and responsibility of boards (Low & Cowton 2004). The OECD detailed the Common Principles of CG from a private sector viewpoint in 1998. These emphasize on four core standards namely fairness, transparency, accountability and responsibility (Business Sector Advisory Group, 1998).

However there is no single agreed system of good CG guidelines and codes of best practice. This is due to the differing national frameworks of law, regulation and stock exchange listing rules, and differing societal values. Some governance codes are linked
to listing or legally mandated disclosure requirements. While others are purely voluntary in nature, they serve to forestall further government or listing body regulations (Mary 2003).

In the developing countries, governance codes usually address the basic principles of CG that tend to be more established in developed countries through company law and securities legislation (Gregory 2000). However as shown in Table 3.1 the focus of the codes, in both developed and developing countries is on the Board of Directors. They attempt to describe ways in which boards can provide guidance and oversight to management and accountability to shareholders and society at large (Low & Cowton 2004).

The codes also recognize that shareholder expectations need to be met to attract long term, stable and low cost capital (Gregory 2000). Some pertinent examples are as follows:

- In the Anglo-Saxon nations (Australia, Canada, the United Kingdom and the United States) a principal objective is to maximize the value of the owner’s investment. The codes therefore tend to emphasize the duty of the board to represent shareholder interests and maximize value. Using a one tier system, each company has a board comprising executives and non executive independent directors (Cadbury Report, 1992, Sabanes-Oxley, 2002, ASX Corporate Governance Council 2003).

- In Germany there is also a two tier system and the responsibilities of each are clearly demarcated. The management of the company rests with the lower tier
board while the supervisory board, comprising non executive members, appoints and control members of the executive board. Common membership is not allowed (Kendall & Kendall 1998). These reflect the pattern of institutional relations with an emphasis on employee participation and bank orientation. It also signifies the pivotal role played by the powerful trade unions in shaping the nature and management of German enterprise (Simic 2002).

- In Japan, Keiretsus are the hallmark of the Japanese industrial organizational system. These are typically independent joint stock firms that have close contacts with each other on ownership and commercial contracts. They adopt a trust and a relationship oriented approach to CG (Bradley, Schipani, Sundaram & Walsh 2002).

### 3.2.7 The Family Based CG Systems

Berglof (1997) proposed a two fold classification of CG structures. The first, as shown in Table 3.1, is the Equity-Market System (EMS) and the second the Bank-Led System (BLS). In the EMS, which underpins the Anglo-American CG systems, the focus is on the shareholder. In the BLS however, banks rather then equity markets, play a key role in monitoring the performance of corporations. Examples of these are the Japanese-style bank system or a German type of universal banking system (Khan 2000).
### Table 3.1: Comparing Equity Market-Based and Bank Led-System of Corporate Governance

<table>
<thead>
<tr>
<th>Type of Corporate Governance System</th>
<th>Equity Market-Based System (EMS)</th>
<th>Bank-Led System (BLS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of control-oriented finance</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Equity markets</td>
<td>Large, highly liquid</td>
<td>But less liquid than EMS</td>
</tr>
<tr>
<td>Share of all firms listed on exchanges</td>
<td>Large</td>
<td>Not necessarily small</td>
</tr>
<tr>
<td>Ownership of debt and equity</td>
<td>Dispersed</td>
<td>Concentrated</td>
</tr>
<tr>
<td>Investor orientation</td>
<td>Portfolio-oriented</td>
<td>Control-oriented</td>
</tr>
<tr>
<td>Shareholder rights</td>
<td>Strong</td>
<td>Weak</td>
</tr>
<tr>
<td>Creditor rights</td>
<td>Strong</td>
<td>Strong vs. management</td>
</tr>
<tr>
<td>Dominant agency conflict</td>
<td>Shareholders vs. management</td>
<td>Limited, but less so than in the case of FBS</td>
</tr>
<tr>
<td>Role of board of directors</td>
<td>Important</td>
<td>Limited, but less so than in the case of FBS</td>
</tr>
<tr>
<td>Role of hostile takeovers</td>
<td>Potentially important</td>
<td>Quite limited</td>
</tr>
<tr>
<td>Role of insolvency and bankruptcy*</td>
<td>Potentially important</td>
<td>Systemic crises may postpone bankruptcies</td>
</tr>
</tbody>
</table>


*Note: Berglof uses the term insolvency but the problem of exit of insolvent firm is directly related to bankruptcy laws and procedures*

However neither of the two cited systems appear appropriate for the several Chinese family controlled businesses in South East and East Asia since they evolved naturally from entrepreneur owned enterprises to family controlled public listed companies (Khan 2002). They dominate the South East and East Asian business landscape including Malaysia with two thirds of the listed companies being family owned and controlled. They also operate as economic entities within the context of a relationship based system (Yeung & Soh 2000 & Khan 2000).
Such family run companies retain family centered management practices to control large interlocking networks of subsidiaries that include partially owned public listed firms (Claessens, Djankov, Fan, & Lang 1999). For some, CG remains a family matter with accountability only to the family (Chen 2001).

However from the CG perspective, several of them are in a state of transition. Given the prevalence of Chinese family business groups in Southern East Asia, (Khan 2000) proposed a third classification for analyzing their CG practices; referring to it as the family-based CG system (FBS). As shown in Table 3.2, the board in the FBS has limited power and the family group controls all investment decisions. There is also much information asymmetry, and the business is self monitoring as there is a non separation between the owner and management.

The family based system is appropriate in countries with incomplete markets, imperfect legal systems and where property rights are not well defined (Suehiro 1993; La Porta 1998; Williamson 1995). Enforcement of the laws that may exist could also be haphazard. This latter phenomenon is related to weakness of governance in a broader sense. Given this type of weakness, legal and institutional firms may be able to minimize transaction costs by using a flexible, relationship-oriented form of organization.

Historically and culturally, in East Asia this form has generally been identified with family business. Therefore, FBS may be the paradigmatic form of CG for the Asian countries. It also implies that Asian economies at different stages of development will have to address different problems with respect to their systems of family-based CG (Khan 2000).
Table 3.2: Description of Family-Based System of Corporate Governance

<table>
<thead>
<tr>
<th>Family-Based System (FBS)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of control-oriented finance</td>
<td>High initially</td>
</tr>
<tr>
<td>Equity markets</td>
<td>Small, less liquid</td>
</tr>
<tr>
<td>Share of all firms listed on exchanges</td>
<td>Usually small</td>
</tr>
<tr>
<td>Ownership of debt and equity</td>
<td>Concentrated</td>
</tr>
<tr>
<td>Investor orientation</td>
<td>Family groups</td>
</tr>
<tr>
<td>Shareholder rights</td>
<td>Weak for outsiders</td>
</tr>
<tr>
<td>Creditor rights</td>
<td>Strong for close creditors</td>
</tr>
<tr>
<td>Dominant agency conflict</td>
<td>Family vs. investors</td>
</tr>
<tr>
<td>Role of board of directors</td>
<td>Limited</td>
</tr>
<tr>
<td>Role of hostile takeovers</td>
<td>Almost absent</td>
</tr>
<tr>
<td>Role of insolvency</td>
<td>Potentially important</td>
</tr>
<tr>
<td>Monitoring of non-financial enterprises</td>
<td>Information asymmetry</td>
</tr>
<tr>
<td>Self-monitoring</td>
<td>Effective because of non-separation of owner and management</td>
</tr>
</tbody>
</table>


### 3.2.8 The Key Elements of a Good CG Environment

Business environment is not uniform and changes from country to country, Perceptions of what is good CG may therefore differ. In the UK for example, the Cadbury Report 1992 states that good CG must encompass four key aspects.

i. Establishing a Board of Directors with clear responsibilities and differentiating their role of directing/governance from management, which is the job of the executives.

ii. Establishing checks and balances in the governance structure with no one person having unfettered power.
Having a well balanced Board team.

Ensuring transparency of the Board on the manner in which they direct and control the companies.

**Table 3.3: The ASX CG Principles**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lay solid foundations for management and oversight</td>
</tr>
<tr>
<td>2</td>
<td>Structure the board to add value</td>
</tr>
<tr>
<td>3</td>
<td>Promote ethical and responsible decision-making</td>
</tr>
<tr>
<td>4</td>
<td>Safeguard integrity in financial reporting</td>
</tr>
<tr>
<td>5</td>
<td>Make timely and balanced disclosure</td>
</tr>
<tr>
<td>6</td>
<td>Respect the rights of shareholders</td>
</tr>
<tr>
<td>7</td>
<td>Recognize and manage risk</td>
</tr>
<tr>
<td>8</td>
<td>Encourage enhanced performance</td>
</tr>
<tr>
<td>9</td>
<td>Remunerate fairly and responsibly</td>
</tr>
<tr>
<td>10</td>
<td>Recognize the legitimate interest of stakeholders</td>
</tr>
</tbody>
</table>

*Source: MICG 2001*

Accepting that the CG environment varies between countries and acknowledging the pertinence and relevance of the Cadbury Report, the researcher concurs with the position adopted by the ASX Corporate Governance Council 2003. This is cited in the Report by the Malaysian Institute of Corporate Governance (2001) shown in Table 3.3. This states that good CG can only be achieved on the basis of ten essential principles which encompass all the issues that relate to CG in the broad sense.

The literature on these ten essential principles identifies five elements considered most critical for effective CG. They are (i) accountability (ii) transparency and disclosure (iii) responsibility (iv) business ethics and corporate social responsibility (v) effective board governance. Each of them is discussed below.
3.2.8.1 Accountability

A business corporation is an instrument through which capital is assembled for the activities of producing and distributing goods and services with a view to enhancing the profit and gain of the owner or shareholders (Keat & Young 1996). Management must therefore reassure its shareholders that it effectively and efficiently utilizes the resources of the company. This implies that it must have in place sound financial reporting and accounting standards.

3.2.8.2 Transparency and Disclosure

Transparency is an essential element for good CG (Anderson, Herring & Pawlicki 2005). In the current competitive global landscape, many businesses are actively contending for their shareholders’ attention so that they can continue to rely on them for their future growth (Tan 2007). Good disclosure practices are a means of improving accountability to raise the company’s value, as it lowers risks and uncertainty and lowers the premium (Cadbury 2002). Lower premiums in turn lead to a higher value (Tan 2007). Empirical studies indicate the power of good disclosure system (Economic Research and Resources 2002).

The quality of transparency and disclosure depends crucially on accounting and auditing standards and the financial reporting system in the corporate sector. Auditing is crucial to commerce and is an essential component of the framework for any modern economy (Zhuang et al 2000).

Good CG therefore requires:
- All transactions to be recorded in an honest and transparent manner in order to improve the corporation’s image, efficiency and effectiveness and to enhance the confidence of the shareholders.

- Company announcements to be presented in a clear way and in a form which could be understood by all its shareholders.

- Disclosure of both positive and negative information (ASX Corporate Governance Council 2003).

**3.2.8.3 Responsibility**

Principle 3 of the OECD Principles states that “corporations must abide by the laws and regulations of the countries in which they operate” (OECD 1999).

Effective CG requires legislation that clearly defines the rights of shareholders and the roles of the board of directors and professional managers must be in place. This should be matched by timely enforcement by the Regulatory authorities to protect the interests of the shareholders and safeguard the minority shareholders (Dallas & Bradley 2002).

**3.2.8.4 Strong Management and Oversight**

Stakeholder transparency is another essential element of CG (Mallin 2004). Since responsibility for this is with the Board, it must have clearly defined responsibilities for providing strategic guidance to the company and the effective oversight of management. A cornerstone of good CG is external independent directors with the roles and authority to tighten the word “independent” (Petra 2006). The presence of outside independent directors can provide a balance of authority so that no single individual has unfettered powers (ASX Corporate Governance 2003).
The company has to take risks to generate profits for its shareholders. However the extent of its risk appetite has to be a matter for the Board to establish. It has then to monitor the risk and the company’s adherence to the established policies. For this purpose, as well as to discharge the rest of their responsibilities, management must provide reliable timely and relevant reported information to Board members. As shown in Figure 3.3, which relates to the responsibilities of the boards in Malaysia, there are three key functions: namely leadership, stewardship and control (Malaysian Securities Commission, ud)

The Audit Committee is responsible for internal accountability. It should therefore comprise outside independent directors with each member being financially literate and with at least one member being a financial expert. The audit committee also must have good quality reports from the internal as well as external auditors (Chan 2001). This is necessary as the Audit Committee is best placed in the corporation to identify and act in instances where top management seeks to misrepresent reported financial results (Petra 2006).
3.2.9 Business Ethics

Managing ethics is increasingly complex process. The term ethics, from the Western perspective, refers to the rules and principles governing perceptions of right or wrong, including what goals individuals should pursue and what actions they should take (Buchholz & Rosenthal 1998). A code of ethics drives good CG. Progressive companies are therefore required to have in place a code of business ethics to describe clearly and explicitly, the nature of activities, and the behavior and conduct that is expected of all staff including the directors of the corporation (Christopher 1975).
From the Chinese management perspective however, *guanxi*, or the formation of social capital is an efficient way to conduct business in countries (Wong & Chan 1999). *Guanxi* also involves the giving of gifts and insider based decision making is a norm (Szeto, Wright & Cheng 2006). In relationships between two people, for example, “*each can ask favors of the other with the expectation that the debt incurred will be repaid sometime in the future*” (Yang 1998/9). *Guanxi* is essential to complete successfully any task in virtually any sphere of social life. Understandably the practice of *guanxi* maybe misconstrued by authorities with a Western orientation to regard *guanxi* as being a somewhat corrupt practice (Gold, Guthrie & Wank 2002/5).

### 3.2.10 Corporate Social Responsibility

While CG is regarded as the hardware and business ethics the software in business operations, corporate social responsibility (CSR) should be the peripheral linking to them together (Szeto & Wright 2000). This relationship is shown in Figure 3.4.

The traditional view is that the duty of the firm is to produce profits for their shareholders by focusing on their core business (Mendoza 2007). The basic orientation of the corporation, situated in the heart of the economic activities of a society is power and money (Koh 1998).

The noted economist Milton Friedman argued that “*business serves society best when it minds its business well and that it should take part in social activities only to the extent that these are necessary to its own well being*”. Professor Fackler of the Chicago Business School took an even more extreme position by stating that “*business fulfills its*
real social role by striving endlessly to take in more money that it pays out” (Fortune Magazine, June 1973 pp 354-364).

Figure 3.4: General Atmosphere of Business Operations

![Diagram showing the relationship between business ethics, corporate governance, and corporate social responsibility]

Source: Adapted from Szeto & Wright (2006)

However the scenario is changing with the business sector taking a greater interest in social purposes rather than purely on profit making. Drucker (1993) contended that corporations have to accept social responsibilities within the limit of their competence and without endangering their performance capacities. Business entities must therefore be also regarded as part of social institutions that contribute to society by utilizing their expertise and resources. It is an escapable priority that goes beyond moral obligations and philanthropy. It requires companies to build shared values with society for mutual sustainable benefit (Porter & Kramer 2007).
Corporate managers are therefore increasingly thinking of programs and development in terms of contributing to the well being of society as part of their obligations. In this regard and as shown in Table 3.4 there are two basic principles.

**Table 3.4: Comparison between Charity and Stewardship Principles**

<table>
<thead>
<tr>
<th></th>
<th>CHARITY PRINCIPLE</th>
<th>STEWARDSHIP PRINCIPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEFINITION</td>
<td>Business should give voluntary aid to society’s needy persons and group.</td>
<td>Business, acting as a public trustee, should consider the interest of all who are affected by business decisions and policies.</td>
</tr>
<tr>
<td>MODERN EXPRESSION</td>
<td>• Corporate philanthropy</td>
<td>• Acknowledging business and society interdependence.</td>
</tr>
<tr>
<td></td>
<td>• Voluntary actions to promote the social good.</td>
<td>• Balancing the interests and needs of many diverse groups in society.</td>
</tr>
<tr>
<td>EXAMPLES</td>
<td>• Corporate philanthropic foundation.</td>
<td>• Stakeholder approach to corporate strategic planning</td>
</tr>
<tr>
<td></td>
<td>• Private initiatives to solve social problems.</td>
<td>• Optimum long run profits, rather than short run profits.</td>
</tr>
<tr>
<td></td>
<td>• Social partnerships with the stakeholder group.</td>
<td>• Enlightened self-interest attitude.</td>
</tr>
</tbody>
</table>


First is the “charity principle”. This advocates that business corporations should give voluntary aid to society's unfortunate and needy group. The other is the “stewardship principle” which requires businesses to act as trustees of the public interest. Therefore business should act in the interests of all members of society affected by their existence. A business firm that is guided by these two principles could be considered as being socially responsible and for acting in its long term self interest (Frederik, Davies & Post 1991).

Asian firms are increasingly recognizing that it is not enough for firms to make money for their owners. A globalizing company needs to take account of social problems in its new markets, keep employees happy, lower legal costs and improve productivity (The
Economist 25 June 2004). A large number of Asian firms share the conviction that the interests of the community are as important as those of shareholders and stakeholders (Mendoza 2007).

However CSR practices tend to be largely concerned with philanthropy rather than building relationship with customers, retaining talented staff, managing risks and protecting reputation (Baker 2001). Although CSR is still a new business concept for Chinese enterprises, there are possibilities for a Chinese sense of CSR to be blended with a Western sense of socially responsible organizations (Chan, Cheng & Szeto 2002).

This is reflected in Malaysia where the larger Chinese family owned PLCs, in particular those with a global outreach, have corporate donations programs particularly for education. However the donations given are largely for social activities which concern the Chinese community. In Malaysia for example the new university Tunku Abdul Rahman is funded almost entirely by the Malaysian corporate sector (UTAR Annual Report, 2006).

### 3.2.11 CG Practices in Singapore

This section outlines significant CG development in Singapore. This is considered pertinent to the research topic as it is Malaysia’s immediate neighbor with dominant overseas Chinese business enterprises that have cross holdings in Malaysia.

Singapore, a regional financial centre, has a system of CG which has been ranked as the best in Asia (Asian Corporate Governance Association, 2005). This indicates that
Singapore has in place a CG framework that encourages good CG and high standards of corporate disclosure.

Almost 90% of the population of Singapore is of Chinese origin and they control more than 80 per cent of Singapore’s listed companies by market capitalization (East Asia Analytical Unit 1995). As shown in Table 3.5, their activities are far ranging and include trade, manufacturing, construction, banking, services and the hotel industries.

<table>
<thead>
<tr>
<th>Business Sector</th>
<th>No. of public-listed Chinese family firms</th>
<th>% of public-listed Chinese family firms</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>58</td>
<td>36.9</td>
<td>1</td>
</tr>
<tr>
<td>Property</td>
<td>17</td>
<td>10.8</td>
<td>2</td>
</tr>
<tr>
<td>Investment-holding</td>
<td>15</td>
<td>9.6</td>
<td>3</td>
</tr>
<tr>
<td>Hotel</td>
<td>13</td>
<td>8.3</td>
<td>4</td>
</tr>
<tr>
<td>Construction</td>
<td>9</td>
<td>5.7</td>
<td>5</td>
</tr>
<tr>
<td>Shipping</td>
<td>9</td>
<td>5.7</td>
<td>6</td>
</tr>
<tr>
<td>Finance</td>
<td>8</td>
<td>5.1</td>
<td>7</td>
</tr>
<tr>
<td>Retailing</td>
<td>8</td>
<td>5.1</td>
<td>8</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>8</td>
<td>5.1</td>
<td>9</td>
</tr>
<tr>
<td>Banking</td>
<td>5</td>
<td>3.2</td>
<td>10</td>
</tr>
<tr>
<td>Securities-investment</td>
<td>4</td>
<td>2.5</td>
<td>11</td>
</tr>
<tr>
<td>Insurance</td>
<td>2</td>
<td>1.3</td>
<td>12</td>
</tr>
<tr>
<td>Transport</td>
<td>1</td>
<td>0.6</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>157</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted by Yeung & Soh (2000)

A high proportion of the businesses are family owned. This distinctive feature sets the corporate agenda for the country and shapes the nature of CG issues (Mak & Chng 2000). Half a dozen wealthy Chinese families dominate market capitalization. They include:
The Lee clan which controls about 17 per cent of Singapore largest bank the Overseas Chinese Banking Corporation, Fraser & Neave, the largest manufacture of soft drinks and Centrepoint Properties which has a large land bank in business district in Singapore.

The Wee family which controls about 7 per cent of all Chinese family listed firms in the Stock Exchange of Singapore.

The Kwek family with a large number of its public listed firms on the Singapore 1,000 rankings.

The firms, controlled by the above cited cases and the other large family controlled PLCs, adhere to good CG practices. This is because they are dependent on external borrowings for their global growth and expansion. The institutional requirements of their bankers and auditing firms has made it necessary for these large family controlled firms to move beyond traditional, close-knit social and business networks. They have had to professionalize their governance systems to gain legitimacy in the international businesses community (Yeung & Soh 2000).

However the vast majority of Chinese family owned businesses still practice a family centered approach to management and governance although they have taken their firms public (Yeung & Soh 2000). A study, involving 157 PLCs family firms, revealed that family members held key positions in 90 per cent of the survey firms. In almost 85 per cent of the firms, family members held the key positions of Chairman, Chief Executive Officers and Managing Directors (Weidenbaum 1996).
There are two phases of growth of the family business in Singapore. In phase one, the family businesses are financed internally. Since the owners are also the managers there is no need to report to an outside party. This does not create any regulatory problems and self monitoring is effective. The second phase, relates to the expansion of the firms. This requires borrowing from banks and raising capital by going public. Nevertheless the family groups still control the governance aspects creating an asymmetry of information between the outside financiers and the inside owner managers (Khan 2002).

3.2.12 Summary

This section examined the literature on global CG which is now commanding increased attention due to the Asian economic financial crisis in 1997 and the corporate scandals in the United States in 2001. It examined the nature of CG from a theoretical and practical perspective. The elements of good CG including accountability, transparency, and the regulatory framework and business ethics were discussed. The codes of CG and their differences were highlighted together with an overview of CG practices in Singapore which is characterized by overseas Chinese business enterprises. The section concluded with a discussion on CSR as it has a strong bearing on CG and therefore pertinent to this research. The next section discusses the parent discipline of entrepreneurship.
3.3 Entrepreneurship

The term entrepreneurship relates to an individual, group, organization and societal phenomenon. An entrepreneur starts as an individual experience. An individual entrepreneur identifies an opportunity, develops a strategy, assembles resources and takes an initiative. This is usually in the form of starting an independent business (Jennings 1994).

Entrepreneurs play an important role in effecting change and the growth of the business. They are also responsible for most of the material progress in society (Hurley 1999). Entrepreneurship is beneficial to a country because of the positive impact on the national economy (Bartell & Payne 1995). The significant role of the entrepreneur in organizations and society becomes a holistic entrepreneurial activity and has an impact on business success (Covin & Slevin 1989).

3.3.1 Defining an Entrepreneur

The concept of the entrepreneur has evolved over time. In the 1930s Joseph Schumpeter defined an entrepreneur as an innovator who develops untried technologies. Some authorities conclude that the entrepreneur is motivated by achievements rather than profits (Alizadeh et al 1997).

McCandl (1961) examined the concept of which individuals become entrepreneurs and demonstrated a correlation between achievements, motivations and economic development in several different cultures and countries. His findings revealed that
achievement motivated individuals seem to move on to ever more challenging work, quicker to adopt new ideas, are more restless and prone to migration.

Entrepreneurs identify a commercial opportunity, introduce the market-acceptable products, and find ways to produce them with economically efficient production techniques. They act to expand the market for the products and identify sources of finance. These entrepreneurs, being individuals, exhibit the strength of their individual characteristics. These characteristics influence the type of enterprise and lead to formulation of a dynamic internal organization to achieve the strategic vision (Lafuente & Salas 1989).

Robins and Mukerji (1994, p152) defined entrepreneurship as

“undertaking a venture, pursuing opportunities, fulfilling needs and wants through innovation, and starting business. Entrepreneurs are individuals who fill this role. When we describe entrepreneurs, we use adjectives like bold, innovative, venturesome and risk taking. We also tend to associate entrepreneurs with small business”.

Not all small business owners may be entrepreneurs. In support of this Carland, Hoy, Boulton & Carland (1984) cited the example of a retiree who bought a corner shop in order to earn income to support a particular lifestyle.

The researcher considers the definition offered by Robin and Mukerji (1993) as appropriate for this research as it makes specific reference to small businesses and alludes to the key aspects of traits and characteristics as well. These are pertinent as the
nature and functioning of the Chinese business enterprises are key variables for the conduct of this research.

3.3.2 Theories on Entrepreneur’s Characteristics and Traits

Successful entrepreneurs possess specific traits or characteristics. An entrepreneur is characterized principally by traits such as hard work, self confidence, optimism, determination and a high level of energy (Hornaday 1982).

A desire to excel or to strive for success can also characterize an entrepreneur. An entrepreneur is an achievement oriented individual (McClelland 1961). This is a trait that could have been developed or acquired at an early stage in life. They have an instinct to take responsibility, find solutions to problems, set goals frequently, take calculated risks and secure concrete or objective feedback on how well they are doing (Entrepreneurship 2001).

Entrepreneurs take risks to start businesses, work tirelessly to fulfill their visions, foresee change, innovate, and are committed to achieve growth in their market place. It is growth through innovation of new products and services and new industries that become the economic contribution of small medium enterprises to a nation's economic growth (Parslow 1988).

There is a positive relationship between the need for achievement and entrepreneurs' success (Stevenson & Grumpet 1985). This need for achievement correlates positively to the performance of the enterprise. This can be attributed to an application of the Theory of Planned Behavior - a premise that an individual's beliefs, attitude and perceived
controls will predict the behavior and outcome. According to this Theory, entrepreneurs acknowledge that personal destiny is the result of their own efforts and not that of external factors such as luck, or chance (Parslow 1988).

Another important theory is the “Internal Locus of Control” (Kimberly & Evanisko 1981). The Theory advocates that entrepreneurs with high internal locus of control are more innovative and confident with their capabilities. They demonstrate the ability and confidence to overcome stressful situations in order to produce innovative solutions. The internal locus of control is a relatively important characteristic for entrepreneurial success (Mintzberg 1973).

3.3.3 The Characteristics of Successful Chinese Entrepreneurs

The literature indicates that several successful family Chinese enterprises have become conglomerates. However even after they have done so, these leaders tend to maintain modest consumptions. Frugality is a very durable characteristic. Lee Ka Shin, Asia’s richest person still lives in an unassuming house on the unfashionable South side of Hong Kong Island. Liem Sioe Liong, founder of the Salim group, the largest Chinese ethnic Chinese business enterprise in Indonesia, avoids fashionable goods and still speaks like a village elder (Gagan 1996).

Most overseas Chinese take a low profile in the commercial world and do not put much emphasis on advertising and publicity as this is regarded as a liability and not an asset. As a result, there are few, if any, examples of well known consumer goods with Chinese brand names. Chinese entrepreneurs tend to make components for others and are also
heavily involved in behind the scene operations like wholesaling, sourcing, financing, transporting and other services (Gagan 1996).

The Bangkok Bank, the premier banking institution of Southeast Asia is the flagship of the powerful Sophonpanich family. The bank does not bear the family name. In Malaysia, the Kuok group is involved in shipping, commodity trading, iron ore mining, rubber plantations, sugar and the hotel industry. None of these activities involve products that are marketed under the Kuok name (Gagan 1996).

### 3.3.4 The Evolution of Chinese Family Enterprises

Chinese businesses are almost always family firms (Berger, 1994). The family enterprise is the basic economic unit of the typically overseas Chinese community. There are several success stories with nine of every ten billionaires in Southeast Asia in 1994 being ethnic Chinese (Weidenbaum 1996).

The Chinese business enterprise family differs in fundamental ways from the usual Western business firm. The head of an expatriate Chinese company typically is a “paterfamilias”, all powerful in both social and economic spheres. He delegates key activities and position to members of the family. Within the family, his judgments are not questioned (New York Times, 1996).

Most if not all of the top management positions in the typical Chinese family business are filled by family members. Other strategic posts are usually reserved for close relatives and for those who have worked for the family for long periods of time. The
fortunate few in the latter category become “honorary” family members (Yeung & Soh 2000).

Entrepreneurs may come from being an offspring of self-employed or entrepreneurial parents. Oversea Chinese culture often places responsibility on the eldest in the family of entrepreneurial parents to oblige and be guided to become a businessman or entrepreneur (Yap 2002). Another category is staffs that had lost employment in the past and conclude that employment will never be their destiny. Consequently, they seek to develop an enterprise, obtain entrepreneurial freedom and find opportunities to create wealth. The third category is those who aspire to create new products or ventures and have the drive and commitment to achieve a satisfactory outcome (Selvanathan 2007).

Rogoff and Lee (1996) classified these three categories as follows:

i. Inheritors - inherited from family members.

ii. Operators - purchase a business, minimize risk and focused on financial goal.

iii. Creators - new ventures and dream of creating new products.

An entrepreneur begins a venture by wanting to change his/her career to achieve an ambitious goal. As the venture evolves into the growth and maturity stages, a successful entrepreneur recognizes that change is a way of life. When the enterprise grows to a larger size the entrepreneur has to address the changes induced by both the internal and external forces.

The changing situation requires the entrepreneur to provide leadership to develop the organization and to be open to change in order to meet the anticipated challenges. The
changing environment substantiates the further need for the entrepreneur to acquire management skills, for achieving sustainable competitive advantages (Cohen 1991) (Parslow 1988).

Several Malaysian Chinese family enterprises have transited to becoming successful mega corporations. The stages of their evolution are depicted on Figure 3.5. However, these evolutionary processes are not generally seen in small Chinese enterprises as they have low overheads (Blackman 1999).

**Figure 3.5 Evolution of a Chinese-Controlled Firm**

<table>
<thead>
<tr>
<th>Traditional Firm continuum</th>
<th>Western Style Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: Expertise from outside the immediate family but within the clan is brought into the firm</td>
<td></td>
</tr>
<tr>
<td>B: Senior management control weakens as the firm expands and one or two middle managers are brought in</td>
<td></td>
</tr>
<tr>
<td>C: Capital is raised from sources outside the clan network – perhaps from a bank</td>
<td></td>
</tr>
<tr>
<td>D: The firm begins to seek closer relations with the political elite</td>
<td></td>
</tr>
<tr>
<td>E: Outside professional manager are brought in</td>
<td></td>
</tr>
<tr>
<td>F: The firm is restructured and streamlined</td>
<td></td>
</tr>
<tr>
<td>G: The firm may list on the local stock exchange; capital may be raised on international bond markets</td>
<td></td>
</tr>
<tr>
<td>H: The family sells down its stock to a bare minority holding</td>
<td></td>
</tr>
</tbody>
</table>

**Source: Adapted from Backman (1999)**

The move therefore from A to F, will increase their operational costs. Furthermore, such enterprises usually raise capital from the family rather than from other sources since interest payments are considered as burdens. This risk aversion attitude probably also explains why small Chinese family businesses were less affected – as compared to the large corporations - by the 1997 Asian Financial crisis (Yap & Ong 2000).
3.3.5 Summary

This section reviewed the literature related to the parent discipline of entrepreneurship. The topics covered included the definition of the term entrepreneur, entrepreneur’s characteristic and traits and the role of entrepreneurship in overseas Chinese business communities. There was much literature on the evolution on Chinese enterprises and the stages of development of a Chinese family enterprise. The section concluded with examples of small and medium enterprises that have progressed to become conglomerates.

3.4 Culture

The word culture originated from the Latin word “cultural” which when translated means cult or worship (Mendenhall, Punnett & Ricks 1995). This is aptly applied because cult members believe in specific ways of doing things and hence developed a culture that enshrines such beliefs.

All organizations have a culture which can be defined as “a set of shared values, beliefs, attitudes, customs, norms and personalities” (David 2005 pg 224). Cultural orientation concerns the values and beliefs about a wide range of everyday matters which vary enormously across cultures. It is important to understand cultural differences as they are usually the basis upon which decision are made (Lai 1997).
3.4.1 Hofstede Cultural Values

Hofstede and the Institute for Research on Intercultural Cooperation (IRIC) in the Netherlands carried out in 1980 a comprehensive study on the value orientation of cultures. After surveying over 88,000 employees of IBM, operating in 66 countries, Hofstede identified five dimensions of cultural values. He named them “power distance” (PDI), “uncertainty avoidance” (UAI), “individualism and collectivism” (IDV), “masculinity and femininity” (MAS) and “long term and short term orientation to life” (LTO).

3.4.1.1 Power Distance Index

This is the extent to which members of a culture accept unequal distribution of power. High powered distance cultures are comfortable with considerable inequality. Asian countries generally rate high on the PDI scale with Malaysia having a PDI rating of 104, topping the list of 20 selected countries; 10 each from Europe and Asia. This implies that seniority and rankings are never challenged or questioned. This is unlike Western society, with lower PDI, which frowns on hierarchy of structure in both office and home (Irwin 1996).

3.4.1.2 Uncertainty Avoidance Index

This summarizes the extent to which people feel threatened by ambiguous situations and have created beliefs and institution in order to avoid these. A high index on the UAI scale implies that the situation is ambiguous, unknown and regarded as threatening. The Hofstede study revealed, that the cultures of Singapore, Hong Kong and Malaysia were far more tolerant of uncertainty and ambiguity than those of Japan, Greece and Italy (Irwin 1996).
3.4.1.3 High Individualism and Collectivism Index

In individualistic cultures, people look after themselves and their immediate family. In collectivist culture, people belong to groups or collectivities which look after them in exchange for loyalty. Cultures therefore vary in their tendency to encourage people to be unique and independent or conforming and dependent (Hofstede & Bond 1984 cited in Irwin 1996).

Individualist cultures predominate in the United States, Australia, Canada and Western Europe. They value candor and directness and taking independent directions.

Collectivist culture predominates in Asia. The emphasis is on family and group ties. Individuals are not encouraged to stand out from the crowd. This feature largely accounts for the close and often exclusive affiliation of Chinese business network in Asia (Irwin 1996).

3.4.1.4 Masculinity and Feminity

Masculinity predominates where dominant values relate to success, money and things. Feminity predominates where dominant values relate to the caring for others and the quality of life. This implies that sex roles tend to be differentiated and greater value is placed on masculine characteristics and behaviors. The MAS index showed that there were considerable differences between Asian countries with greater value being placed upon masculine characteristics and behavior in the West as compared to Malaysia, Singapore, Thailand and Taiwan (Hofstede & Bond 1998).
3.4.1.5 Long Term and Short Term Orientation to Life

In studies conducted subsequently in 1991, Hofstede included a Chinese culture bias in a survey which emphasized the long term and short term orientation to life (LTO) which is a value of Confucian origin called the “Chinese Value Survey” (CVS). The higher the index on the LTO scale, the greater the long term orientation i.e. the greater national values that are related to those placed upon the Confucian virtues of persistence, perseverance, respect for traditions and relationships (Irwin 1995). Asian countries understandably rated higher in LTO with China being the highest.

3.4.1.6 Cultural Orientation between the West and the East

Hofstede’s cultural values reveal significant differences between Asian approaches to problems as compared to Western approaches. It also shows the relevance of cultural differences on how different societies approach and deal with situations. A comparison of the cultural orientations between the West and the East based on Irwin (1996) and Brake, Walker and Walker (1995) are set out in Table 3.6.

It can be observed from Table 3.6 that in the West, people tend to be more egalitarian with diminished respect for status and seniority unlike their counterparts in the East. They are more individualistic rather than families oriented and tend to emphasize control rather than harmony. The emphasis is also on legality and contracts rather than relationship building which are an important feature of the Chinese business community (Blake, Walker & Walker 1995).
### Table 3.6: Cultural orientation between the West and the East

<table>
<thead>
<tr>
<th>Cultural Orientations</th>
<th>The West</th>
<th>The East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualism</td>
<td>Individualistic. Universalistic. Opinions and decisions are made by individuals,</td>
<td>Family oriented. Nepotism. Loyalty is more towards an individual i.e. parents, mentors and past teachers.</td>
</tr>
<tr>
<td>Environment</td>
<td>Control. Companies act to control their environments</td>
<td>Harmony. Business decisions adapt to environment changes. Value “getting along well” with others.</td>
</tr>
<tr>
<td>Communication</td>
<td>Low Context / Direct / Instrumental / Informal. Less importance is placed on how something is said.</td>
<td>High Context / Indirect / Formal. Subtle implications and other non-verbal actions often imply intentions.</td>
</tr>
</tbody>
</table>

Source: Adapted from Blake, Walker & Walker (1995) and Irwin (1996)

### 3.4.2 The Influence of Culture on the Overseas Chinese Business Communities

The overseas Chinese business community has distinctive cultural characteristics which have made them successful (Fong 1999, Redding 1995 and Whitley 1992). These are the special traits of industriousness, bright optimistic positive thinking, and conservative thrifty attributes expounded by ancient Chinese texts and doctrines (Sun 1996; Whitley 1992).

Seagraves (1996) states that

"Offshore Chinese are rich not merely because they are clever and industrious beyond belief. Their power is based only on a rare ability to save and invest. Their business success also stems from cultural and ethnic solidarity, underground networks, political pragmatism,"
exceptional information, and the capacity to adapt quickly - faster, even, than the Japanese" (Seagraves 1996, pp 17).

The success of overseas Chinese, under extreme adverse environments could be due to their adherence to their traditional philosophies in business management (Sun 1996). Chinese family business in Hong Kong and Taiwan are influenced by Chinese traditional culture (Whitley 1999). However other studies indicate that Chinese business successes have been determined not by the Chinese traits but by their ability to forge close ties with the indigenous elite (Gomez 1999).

The three teachings of Confucianism, Taoism and Buddhism have great influence on Chinese Organizations (Irwin 1996). The enduring strength of Chinese culture has made them practical, and given them the ability to cater to the needs of people from all walks of life (Ong 1996).

The endurance of the Chinese business could also be due to the ability to adapt to the changing business environment down the ages guided by the classics I- Ching or “Book Of Change”, Confucian, Taoism and the Military School (Yap & Ong 2000). These are examined below.

3.4.2.1 Confucianism
Confucianism founded by Confucius (551-479 BC) forms the theoretical basis for Chinese culture and philosophical thoughts (Chen 1983). Emphasizing on the importance of the family harmony and education, the Confucian heritage has shaped Chinese organizational structures such as the Chinese family owned firms, Chinese guilds, and associations. It has also facilitated transactions within the Chinese business community,
societies, kinship groups, and dialect-based associations. These serve as networking instruments for their members to gather and exchange information about market conditions and business opportunities (Redding 1993).

Chinese business activities are based on networks of personal ties. These are, buttressed by the Confucian moral precepts of guanxi and xinyong. It owns its origin to the Confucian emphasis on the need to maintain harmonious and mutually beneficial relationships. The term guanxi, usually defines the social relationships or the networks of useful personal relationships. The moral underpinnings of the term xinyong stand for trustworthiness and creditworthiness in Chinese corporate culture, or one's ability to meet business and financial obligations. It is reflective of the Confucian values of “li” or gentlemanly conduct and “jen” or benevolence. Taken together these terms, li, jen, guanxi and xinyong have served as intangible Chinese factors of production, to the Chinese. These are thrift, hard work, and discipline for successful business operations (Legge 1988; Ong 1996).

Confucianism emphasizes on the central and pivotal role of the family. There is prior research on the strengths of the Chinese family as a corporate organization. They highlight the strong identification with the goals of the founding patriarch, compliance by diligent subordinates, long lasting and stable employer-employee relationships, low transaction costs in economic exchanges, reliability of networks and linkages, intensity of managerial commitment, and strategic flexibility and adaptability to a changing business environment (Redding 1995; Chen, 1995).
3.4.2.2 I-Ching

I-Ching, dating back to 4000BC, is the most influential book on Chinese civilization. The Feng-shui derived from I-Ching, still influences Chinese corporations. Currently, I-Ching's influence on Chinese businesses remains strong. It serves as a guide for the selection of business locations in order to bring prosperity to the business. Business operators also refer to the I-Ching for the selection of an auspicious day for the opening of a new premise. Owners therefore retain an old business premise even though they move out due to expansion as they consider the original premises as an auspicious source (Ong 1994).

I-Ching emphasizes the harmony of human relationship. In practical terms, this means harmony between the employer and employee within a corporation in order to avoid conflict. Externally, this relates to a close relationship and harmony with customers. This is a characteristic of Chinese corporations.

3.4.2.3 Taoism

This emerges from the work Lao Tzu, a prominent philosopher in Chinese history. The text of Lao-Tzu consists of personal development of virtue and morality, strategies, military, administration and philosophy. It’s strategies in the art of leadership greatly influence Chinese organizations (Henricks 1990).

Lao Tzu's strategic leadership comprise of 3 elements:

i. Policies on non-interference, delegation of power and the balance of power

ii. Strategic guidelines that highlight compliance with the laws of nature

iii. Leadership qualities based on virtue, morality and humility
The text of Lao Tzu is an alternative to traditional approaches of the art of leadership. It emphasizes on the control of the state of affairs with a parallel policy of non-interference and delegation. In terms of the concept of morality, Lao-Tzu states that morality develops from the cultivation of family and environment (Henricks, 1990):

"When you cultivate it in your person, your virtue will then be genuine;  
When you cultivate it in your family, your virtue will then be overflowing;  
When you cultivate it in your village, your virtue will then be long lasting;  
when your cultivate it in your state, your virtue will then be abundant;  
When you cultivate it throughout the world, your virtue will then be widespread" (Henricks 1990, Lao-Tzu, pp130).

Lao Tzu therefore implies that the morality of leadership requires a strategy that emphasize on a soft approach to overcome hardness in the world.

3.4.2.4 The Art of War

This oldest known military treatise in the world has much relevance to Chinese strategic thinking and business application. Written in China several centuries before the birth of Christ, it is said to contain the foundation on which all modern military strategies are based. It also transcends the military context and offers valuable insights for the management of modern businesses (Chow 1994).

Sun Tzu emphasized the importance of planning and the use of intelligence for success in the battlefield. Applying this to the business world, it follows that businesses must undertake contingency planning and market intelligence for the development of business strategy. This can include surveys on competitors and customers preference.
The art of war also advocates the principle of flexibility in war. Accordingly companies must learn to be flexible in order to cope with the changing environment and competitive situation. Finally Sun Tzu stresses the need to be adaptive in order to cope with the changing war conditions. This requires a clear understanding of the relationship between strategy, structure and behavior (Bergeron & Raymond 1992).

3.4.2.5 Cultural Influences of the Overseas Chinese Business Community

More than 80 million Chinese reside outside China: largely in Taiwan, Singapore, Malaysia, The United States, Canada, Australia, The Philippines and Thailand. Besides being successful individuals, ethnic Chinese living in Asia generated more than USD450 billion in 1994 (Seagraves 1995). Their domination in every Asian economy other than Korea and Japan is manifested by them controlling 80 percent of the corporate assets and four-fifth of the largest 200 enterprises. They control 40-50 percent of corporate assets in Malaysia, as well as 90 per cent of manufacturing and 50 per cent of services in Thailand (Yeung 2000).

The overseas Chinese are creating a new breed of business conglomerates in Asia. Some prominent examples as shown in Table 3.7 include:

- The Salim Group in Indonesia which employed a total 135,000 with a turnover exceeding USD10 billion. With more than 430 affiliates Salim’s contributions to Indonesia GDP exceed 5 per cent (Sato 1993)

- The CP Group which owns the Bangkok Bank is among the top 300 companies in the world. It contributed to nearly 24,000 job opportunities worldwide (East Asian Analytical Unit, 1995).
The Kuok family in Malaysia whose commodities trading operations are global in scale. They own 30 per cent of Sucden Kerry International which is the world’s largest sugar trader (Far Eastern Economic Review, 6th February 1991).

Table 3.7: Major Ethnic Chinese and their Transnational Corporations from Southeast Asia

<table>
<thead>
<tr>
<th>Company/group name</th>
<th>Major shareholder (ethnic Chinese)</th>
<th>Country of origin</th>
<th>Major worldwide operations (geographic scope)</th>
<th>WIR ranking in 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Leong Group</td>
<td>Kwek Leng Beng</td>
<td>Singapore</td>
<td>Millennium &amp; Copthorne Hotels (worldwide)</td>
<td>15</td>
</tr>
<tr>
<td>Goodwood Park Group</td>
<td>Khoo Teck Puat</td>
<td>Singapore</td>
<td>Goodwood Park Hotel Group (Asia)</td>
<td>-</td>
</tr>
<tr>
<td>Far East Organization</td>
<td>Ng Teng Fong</td>
<td>Singapore</td>
<td>Sino Land, Hong Kong (Asia)</td>
<td>-</td>
</tr>
<tr>
<td>Fraser and Neave</td>
<td>Lee Foundation</td>
<td>Singapore</td>
<td>Asia Pacific Brewery (Asia)</td>
<td>39</td>
</tr>
<tr>
<td>Sina Mas Group</td>
<td>Oei Widjaja</td>
<td>Indonesia</td>
<td>Asia Pulp and Paper (Asia)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Asia Food, Singapore (Asia)</td>
<td>21</td>
</tr>
<tr>
<td>Salim Group</td>
<td>Liem Sioe Liong</td>
<td>Indonesia</td>
<td>First Pacific Group, Hong Kong (Asia and Europe)</td>
<td>34</td>
</tr>
<tr>
<td>Kerry Group</td>
<td>Robert Kuok</td>
<td>Malaysia</td>
<td>Shangri-la Hotels, Hong Kong (Asia)</td>
<td>16</td>
</tr>
<tr>
<td>YTL Group</td>
<td>Francis Yeoh</td>
<td>Malaysia</td>
<td>TVB, Hong Kong (Asia and North America)</td>
<td>-</td>
</tr>
<tr>
<td>Hong Leong Group</td>
<td>Quek Leng Chan</td>
<td>Malaysia</td>
<td>Guoco, Hong Kong (worldwide)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Hume Industries (worldwide)</td>
<td>-</td>
</tr>
<tr>
<td>Charoen Pokphand Group</td>
<td>Dhanin Chearavanont</td>
<td>Thailand</td>
<td>CP Pokphand (Asia and the US)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Telecom Asia (Asia)</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: UNCTAD (2005), World Investment Report 2005

A large number of scholars of ethnic Chinese business emphasize to the role of culture in explaining Chinese business and management practices (Backman 1999, Redding 2005, Whitley 1999). The distinctive traits in Chinese culture influence the spirit of the ethnic Chinese business system (Park & Luo 2001). Despite their business successes, they generally remain Chinese in a deep and significant sense. The Confucian tradition is remarkably persistent especially the core value of respect for elders, trust among friends, work ethics and a disdain for conspicuous consumptions. The Confucian legacy also
leads to the entrepreneur delegating key activities and positions to members of his family who make the strategic decisions (Weidenbaum 1996).

3.5 Malaysian Corporate Governance Practices

Malaysian CG practices date back to 1889 with the enactment of the first corporate ordinance for the then Straits Settlements which comprised British controlled Singapore, Melaka and Penang. This Ordinance required all companies with unlimited liabilities to conduct mandatory audits of the year end balance sheet. The Ordinance was extended to the Federated Malay States, comprising Selangor, Perak, Negeri Sembilan and Pahang, in 1897 (Azham 1999).

The first major change was the enactment of amendments to the Ordinance in 1940. This required further disclosures on the balance sheet, presentation of the director’s report, details of the treatment of subsidiaries as well as profit and loss accounts (Azham 1999).

Although Malaysia attained its independence in 1957 a new Companies Act to reflect the changed Malaysian situation was only enacted in 1965. This was modeled on the English Companies Act 1948 and the Australian Uniform Companies Act 1961 (Pamela, Ian, Geof, Aiman & Aishah 2002). Subsequent development in Malaysian CG practices are discussed in Sections 3.5.2 – 3.
3.5.1 The Malaysian Corporate Governance Reforms

The Malaysian Government is committed to encouraging foreign direct investment as they play a significant role in the manufacturing economy (UNCTAD 1998). The amended Promotion of Investment Act 1986 was directed at increasing foreign investment inflows (Sieh 2000). The creation of the Multimedia Super Corridor was also directed at making Malaysia a preferred investment destination for high technology industry.

Figure 3.6: Acts of Parliament governing the Capital Market

<table>
<thead>
<tr>
<th>Capital Market</th>
<th>Companies Act 1965</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Securities Industry Act 1983</td>
</tr>
<tr>
<td></td>
<td>Securities Industry Central Depositories Act 1991</td>
</tr>
<tr>
<td></td>
<td>Securities Commission Act 1993</td>
</tr>
<tr>
<td></td>
<td>Futures Industry Act 1993</td>
</tr>
<tr>
<td></td>
<td>Labuan Offshore Securities Industry Act 1993</td>
</tr>
</tbody>
</table>

Source: Bursa Malaysia

Mindful of the challenges emerging from the growth of China and its massive demand for foreign direct investment, the Malaysian Government introduced the Capital Masterplan (CMP) in 2001. As a consequence of this measure, several European, American and Japanese based Multinational Corporation (MNC) set up operations in Malaysia (Marginson 1992). Corporate management of these MNCs followed that of
their parent companies. They provide for a strong board of directors and clear rules and obligations (Yap & Ong 2000). Some authorities contend that the strong adherence to good CG enabled the MNCs to survive the 1997 Asian Financial Crisis (Yap & Ong 2000).

3.5.2 The Malaysian Code of Corporate Governance

Poor CG, identified as a cause of the Asian financial crisis in 1997, highlighted the importance of corporate governance reforms (Thomas 2002; Krugman 2003). This triggered the need for Malaysia to strengthen its CG framework. The Government established the Malaysian Institute of Corporate Governance (MICG) and a high level Finance Committee in 1998 to initiate the adoption of best practices in the industry.

The High Level Finance Committee examined the development of a Malaysian Code of Corporate Governance to enhance CG practices. For this purpose it considered 3 approaches:

- The “prescriptive approach”, where the standards of CG are set by specifying desirable practices coupled with a requirement to disclose compliance with them. The London Stock Exchange adopts a best standard practice benchmark for all listed companies.

- A “non-prescriptive” approach which simply requires the disclosure of CG practices in a company. The emphasis here is on the term “disclosure”. This recognizes that the CG needs of companies may be different and as such directors
must take this into account when addressing the issues of disclosure. The Australian Stock Exchange adopts this approach.

- The “hybrid approach”, which takes the position that good CG, is not just a matter of describing particular corporate structures and complying with a number of hard and fast rules. This must be matched by broad principles which should be applied flexibly and with common sense to the varying circumstances of individual companies. Therefore each company can have the flexibility to develop its own approach. The biggest problem of this hybrid approach is that it could encourage directors to concentrate on form rather than on the CG practices that are best suited to the companies.

Table 3.8: Corporate Governance Initiatives in Malaysia

<table>
<thead>
<tr>
<th>Year</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>True and fair certification by Directors on financial statements</td>
</tr>
<tr>
<td>1993</td>
<td>Audit Committee requirement for all PLCs by KLSE Listing Requirements</td>
</tr>
<tr>
<td>1997</td>
<td>Establishment of the new Financial Reporting Framework</td>
</tr>
<tr>
<td>1998</td>
<td>Directors and CEOs to disclose interests in listed companies</td>
</tr>
<tr>
<td>1999</td>
<td>Establishment of the Finance Committee Limit on the number of directorships held by a Director of a PLC</td>
</tr>
<tr>
<td>2000</td>
<td>Issuance of the Code on Corporate Governance - compliance and disclosure are voluntary. Principles of Conduct &amp; Best Governance practices</td>
</tr>
<tr>
<td>2001</td>
<td>Mandatory disclosure on Corporate Governance code compliance Compliance with the “Statement on Internal Control” Establishment of the Minority Shareholder Watchdog Group Mandatory Accreditation Programme for Directors</td>
</tr>
<tr>
<td>2003</td>
<td>Independent review by the Malaysian Institute of Accountants on all auditing firms</td>
</tr>
<tr>
<td>2007</td>
<td>Amendment to the Code on CG and Reporting on CSR practices</td>
</tr>
</tbody>
</table>

Source: Adapted from Malaysian Corporate Governance Survey 2002
The Malaysian Code on Corporate Governance, announced in 2000 was the outcome. Premised on the hybrid approach and prescriptive in nature, the Code was matched by amendments to the listing requirements of the Kuala Lumpur Stock Exchange and the Capital Master Plan. All of these were underpinned by the key themes of CG, transparency and disclosure (MICG 2000).

The Code sets out the broad principles of good CG for Malaysia. Companies can apply these principles flexibly in order to match the varying circumstances. Companies seeking listing in the KLSE are now required to provide a narrative statement on how they have applied the relevant principles to their particular circumstances. This is to enable investors to assess company performance and governance practices and then respond to them in an informed way in line with best CG practices. The Code also has a set of guidelines or practices to assist companies in designing their approach to CG. However, compliance to best practices remains voluntary (MICG 2000).

On the basis of this aim, the Code is divided into two parts. Part 1 provides 13 broad principles for good CG in listed companies. These principles, shown in Fig 3.7, relate to good board practices, the need for independent directors, transparent procedure for the appointment of directors, re-elections of directors, directors’ remunerations, shareholders’ right, accountability and audit. Good board practices are dependent on honest and well intentioned directors and CEOs. The transparent procedures for appointing directors are expected to enhance investor confidence in listed companies (MICG 2000).
There are 33 best practices in Part 2 of the Code. Wide ranging, they relate to all aspects of the company’s structure including the board, the audit responsibilities and the relationship between the board and shareholders.

3.5.3 The Regulatory Authorities

The Securities Commission (SC) and the Bursa Kuala Lumpur (Bursa) are the two principal regulatory authorities. Established in 1993, under the Securities Commission Act 1993, the SC and Bursa oversee the Malaysian capital market. Reporting to the
Ministry of Finance, the SC was initially concerned with Government securities for public sector investment. With the rapid development of private capital and the sharp increase in public listed companies, the SC was made responsible for all market operations (Low 2000). It now has the powers to:

i. approve initial public offers

ii. administer the Securities Industry Act 1983

iii. issue licenses for the capital/securities market and


Table 3.9 Separation of the Regulatory Functions

<table>
<thead>
<tr>
<th>Securities Commission</th>
<th>Bursa Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administers Securities Industry Act 1983 to regulate capital market.</td>
<td>Supervision of stock brokering companies and listed companies.</td>
</tr>
<tr>
<td>Licensing authority for capital and securities market.</td>
<td>Admission of membership to the exchange.</td>
</tr>
<tr>
<td>Approvals for Initial Public Offers and Issuance of Securities.</td>
<td>Approval for listing and quotation of securities.</td>
</tr>
</tbody>
</table>

Source: KLSE (Bursa Malaysia) 2002 cited in Lee 2004

Bursa, set up in 1993, is responsible for the regulation of the securities market. Although it now reports to the SC, it has its own regulatory functions. As shown in Table 3.9, Bursa plays a key role in the equity structure of the Malaysian Capital market. The key strategic objectives of the Bursa are:-
- Boosting market velocity and liquidity
- Enhancing products and services
- Improving operational scale and efficiency

### 3.5.4 Corporate Governance Performance in Malaysia

The Government’s initiatives to reform CG practices have resulted in a strong regulatory framework for CG standards. These are now comparable to those in Hong Kong, Singapore and Australia (KLSE-PwC, 2002).

More recent data indicates that:

- Malaysia is now ranked number 1 in Asia for having the most rules and regulations for CG (CLSA, 2005). This was based on three factors: adaption to international generally accepted accounting principles the political and regulatory environment and international mechanism and CG culture (Star Biz, 7 July 2006)

- Malaysia also scored well in 2004, according to a CG survey of blue-chip companies conducted by Standard & Poor

- Malaysia also make much progress in promoting the development of sound CG systems (Star Biz, 7 July 2006).

However several short-comings remain. More needs to be done to improve compliance with CG in particular to have more effective enforcement (Star Biz, 7 July 2006). Research undertaken by Mary (2004) pointed to the need for a strong policy foundation
to create a good national CG culture. A pre-requisite for creating an environment conducive to foreign investors, involves three critical elements:

- A sound legislative framework
- Timely and effective enforcement
- Good accounting and auditing practices.

Another weakness is the low level of participation by minority shareholders (Koh 2007). Shareholder activism is generally weak with minority shareholder not being able to maximize their role in ensuring good CG practices by their boards. Khoo (2003) identified the following constraints/factors:

- Prevalence of large controlling shareholders in the companies that they invest in
- Eastern social culture of no open confrontation particularly if the controlling shareholder is a high profile personality
- Minority shareholders free-riding on the controlling shareholder if the company is consistently generating good returns
- Private and individual investors prefer to move their investment out rather than confront management on issues that they disagree with.
- The high cost of instituting legal action and obtaining compensation from the companies
- The collective action problem of minority shareholders with regard to their need to seek legal recourse and to procure sufficient vote for additional strength
- Private and individual investors lacking the required knowledge to fully comprehend the disclosures and the impacts of any abusive transactions
3.5 Corporate Governance Practices in Malaysian Chinese Family Owned Business

- Low awareness of shareholders’ legal rights
- Low culture of investment over the long term. Investment motives may be driven by rumors and hearsay rather than sound fundamentals.

Furthermore, there is no formal provision for shareholder questions during an AGM. The handling of shareholder questions is left to the discretion of the board of directors. When shareholders pose questions during the AGM, the board usually does not provide much information on the company’s business plans or strategies (Khoo 2003).

3.5.5 High Ownership Concentration

A significant feature of the Malaysian corporate sector is the high ownership concentration. In an average sized company the largest five shareholders usually account for more than half the voting shares or stocks. They also hold on average about 30.3 percent of the shares. That suggests that minority shareholders are generally powerless to prevent large shareholders from dominating company decision-making (Samad 2002).

This situation has resulted in a serious agency problem between the controlling shareholders and the minority shareholders. It also creates the threat of the expropriation of minority shareholders’ rights. However, the Government’s reform initiatives are directed at creating proper corporate governance mechanisms in the management of such organizations (Khoo 2003)
3.5.6 The Interplay between Politics and the Corporate Sector

The Government’s CG reforms appear to have enhanced the respectability of the Malaysian regulatory bodies. Since these institutions report to the Government, their effectiveness therefore depends primarily on the will of key government leaders (Koh 2007). This also implies that the regulatory institutions may be used as tools by powerful politicians with vested interests.

There are generally two forms of political favoritism in Malaysia. The first is the official status awarded to companies that are run by the Bumiputras. The second is the much more informal ties that exist between leading politicians and companies. In both forms powerful politicians could exert influence on all these regulatory institutions to be lenient with favoured businessmen who breach CG regulations (Gomez 2003).

3.5.7 Some Recent Examples of Poor CG

CG concerns resurfaced in Malaysia in 2007 due to accounting irregularities in respect of some notable public listed firms. These included Southern Bank and Transmile; both are Malaysian Chinese controlled firms.

Southern Bank, originally a Chinese family owned bank, was the subject of a hostile takeover by CIMB, Malaysia second largest bank. Subsequent to the takeover, an independent audit revealed that the assets of Southern Bank had been over stated by approximately RM160 million (The Edge, June 2007).
Similarly, Transmile reported a pre tax profit of RM209.2 million for 2006. A subsequent audit found several falsified invoices and after taking these into account the firm announced that it had in reality incurred a pre tax loss of RM77 million (The Edge, June 2007). These cited examples cast doubts on the quality of CG in Malaysia.

The independence of the directors who comprise the audit committees is also being questioned. This issue also requires the audit community to take a hard look at itself. A noted financial journal commented that the problem was not the lack of legislation but the lack of enforcement (The Edge, June 2007).

3.6 The CG Practices in the Malaysian Chinese Business Community

Malaysians of Chinese origins dominate the Malaysian economy controlling more than 50 per cent of corporate assets in Malaysia. Concentration of ownership and control tends to be vested by block holders (Lee 2001).

In Malaysia, the majority of corporations evolved naturally from individual or family-owned businesses to family-controlled companies. CG was therefore largely a family matter with no element of accountability to anyone but the family (Chan 2001).

Confucian values continue to influence the present day Chinese behavior and practices of large sections of Malaysian Chinese community (Redding 1993). As such the Confucianism values centering on the family and the patriarch are significant features of several Malaysian Chinese listed firms. Family controlled businesses provide for a relationship based CG regime. Such regimes do not lend themselves to transparency and
disclosure (Backman 2001). Notwithstanding they do have their strength. This is as
manifested by the survival of Chinese family businesses in the 1997 Asian Financial
Crisis as compared to the collapses of several large organization which were based on the
Western model (Fong 1999).

3.6.1 Cross-Shareholdings

Some leading members of the Malaysian Chinese business community have created
conglomerates. Through the mechanism of cross-shareholdings they have secured
ownership of a large number of companies listed on the Kuala Lumpur Stock Exchange.
This allows family members to hold several interlocking directorship (Lee 2004). It also
permits majority shareholders to secure control of the companies with funds provided by
the minority shareholders (Malaysian Business, 16 August 1992).

Frequent asset flows between members of each family group further complicate attempts
to analyze the operations of Chinese family controlled enterprises. Their reluctance to
release conventional data is borne out on the limited amounts of information available on
the detailed operations of the oversea enterprise business. Their attitude can be summed
up by the old saying “Keep your bags packed at all times” (Kao 1993, pg 25).

Such a system creates poor CG practices such as intercompany transactions, concealment
of losses or creation of non existent deficit. Furthermore these holding companies have
no legal standing as a group (Backman 2001). “Therefore cross-shareholdings throws
the entire corporate structure of conglomerates into disarray and prevents a good
governance system in Malaysia” (Singam 2003, p.320).
3.6.2 The Pyramid Model

Some large family owned conglomerates have adopted the squat pyramid model in their corporate structure. This complex and opaque model is another strategy to control a conglomerate. Under this model a private holding company, owned entirely by a family, sits at the apex. A second tier holds the most prized assets and these are usually privately held. A third tier comprises the group’s publicly listed companies (Lee 2001).

Because of these three tiers, there is a significant divergence between the control and cash flow rights of the shareholders (Thillainathan, 1999). “Such a structure makes it easier for the families to implement the maxim: What is profitable is 100% mine; what is less so can be shared with others” (Backman 2001, p47). This pyramid structure also permits the founding group to draw capital from the outside while at the same time retaining capital within the group (Lee 2001). The pyramid structure therefore provides for poor CG.

3.6.3 Keeping it within the Family

In Malaysian Chinese family controlled PLCs, there is a significant distinction between staff who are family members and staff who are non-family members. The former are usually given the senior management positions in the firms. The children of the patriarch, in particular the eldest son are groomed to take over the business. Alternatively if they are no family members to assume management positions in the company, many Chinese
PLCs only recruit people from the same dialect group as the founding families (Backman 2001).

The situation appears to be changing. Increasingly, the overseas Chinese business enterprises are recruiting professional managers. They are also accepting a degree of public ownership, including the listing of some of the family’s companies on major stock exchange.

Despite these changes the most desirable assets are kept in a maze of private business and trusts controlled by the family. Family members continue to make the strategic decisions. The tendency of these firms is to engage in business relationships with people from the same clan or village in China or those who speak the same dialect (Givens 1995).

3.6.4 Emerging Trends

The Malaysian economy is now characterized by significant institutional changes in terms of rising marketization, deregulation, and liberalization in various sectors of the Malaysian economy. These, threaten the monopolistic positions enjoyed by many leading ethnic Chinese capitalists in the domestic economy and prompts them to change and transform (Carney & Gedajlovic 2002).

To stay abreast, Chinese businesses have to innovate, design and produce new items to take advantage of the advances in science and technology. This requires extensive laboratories, scientists and large scale financing. Going public is therefore a key to obtaining the funds required for research and development. Chinese family businesses
are therefore giving emphasis to becoming public held corporations and becoming international or going global (Gomez & Hsio 2004).

The listing requirement requires greater accountability, disclosure and transparency. Firms applying for listing are required to follow the accounting standards and business norms of the Malaysian capital market. To comply with these, much of the secretiveness of the family firm has to be sacrificed. In doing so, these enterprises are “transforming into a form of hybrid capitalism that encapsulates both some elements of the past and new elements brought in through its globalizing actors” (Yeung 2006, p.240).

Another driver of change is the return of family members who have been educated in the West. Benefiting from a combination of Confucian work ethics and Western training, these children are more inclined to transform the entrepreneur firms to modern professionally managed organizations. The older generation of Chinese frequently describes a three generation model. The first generation works very hard, saves and invests its earnings. The second generation expands the business substantially, increasing both risk and profitability in the process. The third generation, taking the accomplishment of the past for granted, enjoys the fruits of the labor of its ancestors and dissipates the family fortune (Weidenbaum 1996).

3.6.5 Summary

The discussion in this section, focused on CG performance in Malaysia. It then examined the CG practices of the Malaysian business community. The literature indicated that culture was a major influencing factor on MCBC’s CG practices. Other factors included
the mechanism of cross-shareholdings, keeping assets within the family, and the use of
the pyramid model by Chinese families to retain control of public listed firms in which
they have a major interest. These acted against good CG practices.

3.7 Secondary Data Analysis: Findings, Research Gaps, &
Research Questions

The literature review served to identify the key research issues. It was also aimed at
placing the research problem in its proper context. This sub-section has two purposes.
First, to analyze the secondary data and to identify the key research issues. Second, to
identify the research gaps and on the basis of these to determine the research questions.

The reviewed literature pointed to the growing importance of CG following the Asian
These led to CG reforms world wide. In Malaysia all corporations are now required to
give greater importance to corporate disclosure, responsibility, accountability,
transparency, business ethics and corporate social responsibility. They also have to
appoint independent directors, respect the rights of shareholders and provide greater
authority to the audit committee.

It was evident from the literature that the successful Malaysian Chinese controlled PLC
hinged on a strong entrepreneurial spirit. The founding fathers of such firms were risk
takers. They also had the ability to adapt to the changing political environment.

Despite their progress and their transition from small enterprises to large PLCs, the
controlling shareholders remained influenced by Chinese culture which is largely
premised on the works of Confucius, Taoism and Sun Tzu. Consequently, although the firms have become public, a family centered approach to management and government prevails.

Table 3.10: Identification of Research Gaps

<table>
<thead>
<tr>
<th>Research Issue</th>
<th>Review Findings</th>
<th>Identified Gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Corporate governance Practices</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurship traits</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Malaysian Corporate governance practices</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Enforcement of corporate governance Framework</td>
<td>No</td>
<td>How effective is CG enforcement</td>
</tr>
<tr>
<td>Cultural Influences</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Cultural influences on Malaysian Chinese enterprises</td>
<td>No</td>
<td>Impact of culture on good CG</td>
</tr>
<tr>
<td>Appropriate measures strategies to enhance corporate governance practices</td>
<td>No</td>
<td>Types of measure required to promote good corporate governance</td>
</tr>
</tbody>
</table>

Source: Developed from the literature review

The literature also revealed that the tradition notion that the duty of the firm is solely to produce profits for their shareholders no longer applies. It is now necessary for firms to accept social responsibilities. However the majority of Malaysian family controlled PLCs do not appear to emphasize on CSR.

Although there was much scholarship on the parent disciplines of CG, entrepreneurship and culture, the pertinent literature in respect of the research topic was inadequate. It appeared that there was little prior research on the key research issues. As such there
were several gaps in the existing body of knowledge on the research topic and these are shown in Table 3.10.

3.7.1 Research Questions

While Malaysia appears to have a good CG framework, the literature indicates weak enforcement. This is a central issue as legislation is of little practical value if enforcement is weak (Perkins 2004). Since the literature reviewed does not provide the reasons for the weak enforcement, this constitutes the first research gap. Accordingly the research question to bridge this gap is:

*Research Question 1: How adequate are the Malaysian government's policies for the enforcement of the Malaysian regulatory framework for CG?*

Culture has a big impact on the business management and practices of the Chinese business community. The Confucian virtues of persistence, perseverance, respect for traditions and relationships continue to play important roles in guiding Chinese business philosophy. However the changing business environment characterized by new technology and products makes it necessary for Chinese family owned PLCs enterprises to become more open and progressive in order to meet the emerging challenges. This also requires them to seek capital and financing from banks and international investors who give emphasis to good CG and socially responsible business practices. As there are gaps in the existing body of knowledge on these issues, which are pertinent to the research topic, two other research questions are appropriate to bridge these gaps.
Research Question 2: How important are the cultural and management practices of Malaysian Chinese controlled PLCs for good CG and socially responsible business practices?

Research Question 3: What are the desired approaches for improving the CG practices of Malaysian Chinese controlled PLCs?

3.7.2 Research Objectives

Based on the research questions, which emerged from the existing body of knowledge, this research aims to achieve the following objectives:

i. To determine the adequacy of the Malaysian Government’s policies and enforcement of the Malaysian CG framework

ii. To determine the impact of the cultural and management practices of Malaysian Chinese controlled public listed companies towards good CG and socially responsible business practices

iii. To formulate the desired approaches for improving the CG practices of Malaysian Chinese controlled public listed companies.

3.7.3 Research Propositions

Based on the research questions and the objectives, the three research propositions to be tested by this research are:
i. Malaysia has a balanced and effectively enforced CG framework

ii. The culture and management practices of Malaysian Chinese family controlled PLCs provide for good CG and social responsibility practices

iii. Malaysian Chinese family controlled PLCs are adopting appropriate measure to enhance their CG practices.

3.8 Conclusion

This Chapter reviewed the literature pertinent to the parent and immediate disciplines of the research. The former comprised corporate governance, entrepreneurship, and culture. The latter related to the Malaysian CG framework and CG practices by the Malaysian Chinese business community. There was much literature on the parent disciplines and the Malaysian CG framework. However there was limited scholarship on the effectiveness of the CG framework and the CG practices of the MCBC. The resulting gaps in the existing body of knowledge permitted the development of three research questions, the research objectives and the crafting of the three research propositions. The next chapter details the research methodology for the testing of the research propositions.
Chapter 4
Research Methodology and Design

4.1 Introduction
Chapter 1 introduced the research problems and presented an overview of the study. Chapter 2 sets the country context while the previous chapter reviewed the literature relevant to the research topic from the perspectives of the parent and immediate disciplines. The former comprised CG, entrepreneurship and culture. The latter related to the MCBC, their business culture, management practices and the adoption of CG including CSR practices.

The review identified gaps in the available literature. These provided the foundation for reaffirming the relevance of the research questions and the research objectives. The research propositions, developed in Chapter 3, are restated below for easy reference.

Research Proposition 1: *Malaysia has a balanced and effectively enforced corporate governance framework.*

Research Proposition 2: *The culture and management practices of Malaysian Chinese family controlled PLCs are supportive of good CG and CSR practices.*

Research Proposition 3: *Malaysian Chinese family controlled PLCs are adopting appropriate measures to enhance their CG practices.*
4.1 Introduction
4.2 Taxonomy of Research
4.3 Research Paradigms
4.4 Research Design
4.5 Data Collection Procedures
4.6 Data Quality
4.7 Attitude Measurement
4.8 Data Analysis
4.9 Ethical Issues
4.10 Conclusion

4.1.1 Chapter Structure
4.3.1 Positivist
4.3.2 Constructivist
4.3.3 Critical Theory
4.3.4 Realist
4.3.5 The Preferred Paradigm

4.4.1 Exploratory Studies
4.4.2 Descriptive Studies
4.4.3 Explanatory Studies
4.4.4 Preferred Study Method

4.5.1 Secondary Data
4.5.2 Knowledgeable Person Survey
4.5.3 Focus Group
4.5.4 Sample Survey
4.5.5 Ethical Issues
4.5.6 Data Editing, Tabulation and Analysis

4.6.1 Reliability
4.6.2 Validity

4.7.1 Rating Scales
4.7.2 The Likert Scale

4.8.1 Qualitative Data
4.8.2 Quantitative Data

Source: Developed for this Research
Chapter 4 outlines the methodology for this research. It then elaborates on the methodology for the collection of primary data. Chapter 4 is organized into 10 sections as shown in Figure 4.1.

This section links the methodology chapter to the literature review and provides an overview of the chapter. Section 4.2 outlines the taxonomy of business research. Section 4.3 discusses the different research paradigms. It then justifies the use of combining inductive and deductive approaches to provide more perspectives on the research topic.

Section 4.4 presents the research design for the study with a discussion on the three types of research; namely exploratory, descriptive and explanatory. Taking into account the aims and purposes of the research, it then justifies the adoption of a two stages approach. This involved a combination of exploratory and descriptive research.

Section 4.5 details the data collection methods. An experience survey and a focus group are used for the collection of qualitative data and a sample survey for quantitative data. The discussion includes the criteria used for the selection of the survey participants and the procedures for developing and administering the questionnaires.

Section 4.6 focuses on the measures taken to enhance the trustworthiness of the research. These include the use of multiple sources of evidence to reduce errors and improve the reliability and validity of the findings.

Section 4.7 presents the analysis procedures for the data emerging from the experience surveys, focus group and the sample survey. Section 4.8 discusses the use of the Likert Scale for attitude measurement.
Section 4.9 details the procedures for addressing ethical issues to safeguard the rights of the respondents. Section 4.10 sets out the conclusions of this chapter.

4.2 The Taxonomy of Business Research

“Research is simply the process of finding solutions to a problem after a thorough study and analysis of the situational factors” (Sekaran 2000, p.2). Business research helps “decision-makers” shift from intuitive information gathering to systematic and objective investigation (Zikmund 2000, p.6). In other words, a systematic and objective enquiry gives logic to research.

Although business research covers a wide range of phenomena, its conduct is guided by a research approach or paradigm. Kuhn (1970) referred to a paradigm as the entire constellation of beliefs, values, and techniques shared by a scientific community. Neuman (2006, pg 81) defined it as “A general organizing framework for theory and research that includes basic assumptions, key issues, models of quality research, and methods for seeking answers”. Paradigm issues are crucial and a researcher must be clear about the paradigm that is best suited to guide his or her approach (Neuman 2006).

A paradigm comprises ontological, epistemological, and methodological assumptions. Taken together they frame the nature of the research and the role of the researcher in the scientific inquiry (HICSS 2003).

Ontology is the fundamental assumption that is made about the nature of reality specifying what and how it exists (Guba & Lincoln 1994; Parkhe 1993). Epistemology refers to the “process of knowing and the relationship between the researcher and that
which is to be known” (Guba & Lincoln 1994, p.108). On the other hand, methodology determines how the researcher goes about investigating that which is to be known (Guba & Lincoln 1994; Zikmund 2000).

There are several paradigms to guide research and these are discussed in the next subsection.

### 4.3 The Research Paradigms

Guba and Lincoln (1994) summarized the various types of paradigms into the four paradigms of positivism, constructivism, critical theory and realism. The differences between them are shown in Table 4.1.

#### 4.3.1 The Positivist paradigm

This paradigm is quantitative in nature. It is interested in the external world and in measuring through objective methods, rather than inferring subjectively through sensation, reflection or intuition (Easterby-Smith, Thorpe & Lowe 1991). “This approach to investigating human and social behaviour originated as a reaction to metaphysical speculation” (Easterby-Smith, Thorpe & Lowe 1991 p.23).

The ontology of positivism asserts that only science is able to discover the true nature of reality (Perry, Aizadeh & Riege 1997). This paradigm supports the notion that reliable knowledge can only be attained through “instances of patterns of sensation” (Lincoln & Guba 1985, p.23).
Data are usually collected in a structured manner with the researcher testing theory in value-free generalizations. In other words, the data and its analysis are value-free and data does not change because it is being observed. From the perspective of epistemology, the researcher views the world through a “one way mirror” and is more concerned with the confirmation of a theory and not so much with the discovery and development of theory (Guba & Lincoln 1994).

### Table 4.1: Principal Research Paradigms and Associated Views

<table>
<thead>
<tr>
<th>paradigm</th>
<th>Positivism paradigm</th>
<th>Constructivism paradigm</th>
<th>Critical theory paradigm</th>
<th>Realism paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Also known as</td>
<td>Quantitative paradigm</td>
<td>The combination is also known as the qualitative or the interpretive paradigm</td>
<td>Social realities are apprehensible based on historically situated structures.</td>
<td>Critical realism - reality is apprehensible but can only be imperfectly comprehended.</td>
</tr>
<tr>
<td>Ontology</td>
<td>Science is able to discover the true nature of reality. Apprehensible reality whose nature can be known and characterized.</td>
<td>Relativism - truth is subjective, resulting in a state of multiple realities.</td>
<td>Critical realism - reality is apprehensible but can only be imperfectly comprehended.</td>
<td></td>
</tr>
<tr>
<td>Epistemology</td>
<td>There is a single apprehensible reality whose nature can be characterized.</td>
<td>Relativism - truth is subjective, resulting in a state of multiple realities.</td>
<td>Focuses on transformation of social, political, cultural, economic, ethnic and gender values.</td>
<td>Critical realism - reality is apprehensible but can only be imperfectly comprehended.</td>
</tr>
<tr>
<td>Common methodologies and process</td>
<td>Quantitative methods.</td>
<td>Principally qualitative.</td>
<td>Principally qualitative.</td>
<td>Principally quantitative</td>
</tr>
</tbody>
</table>

Source: Adapted from Perry, Riege & Brown (1999); Master (1999); Perry, Alizedah & Riege (1997); Guba & Lincoln (1994); Hunt (1993); Lincoln & Guba (1985).

The positivist paradigm has some weakness with respect to research on social issues. Stemming from treating respondents as independent objects, it “ignores their ability to reflect on problem situations, and act upon this” (Robson 1993, p. 60).
This research required an inductive theory building approach as there was a lack of theory. As such this paradigm was not considered appropriate for this research. Furthermore there are a number of elements influencing the attitudes of the Malaysian Chinese business community towards corporate governance practices. A controlled environment, as required for positivist research, would not have enabled this researcher to gain better insights into the research problem.

4.3.2 The Constructivist paradigm

The constructive paradigm views the truth as subjective rather than objective. For a constructivist, truth is a construction which refers to a particular belief system held in a particular context (Perry, Aizadeh & Riege 1997). Realities appear as multiple realities which are socially and experientially based intangible mental constructions of individual persons. Meaning has more value than measurement, with perception being the most important reality (Guba & Lincoln 1994).

In the epistemology of this paradigm, the researcher is an involved participant (Guba & Lincoln, 1994, Perry, Aizadeh & Riege, 1997). In a sense, the researcher adopts a subjective attitude by offering suggestions and comments to the research participants. This paradigm was also considered to be inappropriate as this research emphasizes on the behavior of Chinese corporate bodies and not on human feeling and emotions.

4.3.3 Critical Theory paradigm

The critical theory paradigm was developed by the Frankfurt School in the German tradition of philosophical and political change. Critical theory researchers aim at
critiquing and transforming social, political, cultural, economic, ethnic and gender values (Guba & Lincoln, 1994).

The epistemology involves a very close and interactive link between the researcher and the object of the research. Therefore the main tool is the interpretive capacity of the researcher (Guba & Lincoln, 1994). This research was undertaken for two main reasons. First, to meet the academic requirements for a doctoral degree and to expand the body of knowledge on the research topic. Second, for findings which can be generalized and serve as a basis for the formulation of strategies by the Government and the MCBC. Since the critical theory paradigm focuses on a particular organization or body, it does not permit the findings to be generalized. Largely for this reason, the paradigm was not considered appropriate for this research.

4.3.4 The Realist paradigm

The realist paradigm, also qualitative in nature, holds that reality is socially constructed rather than objectively determined. It concerns the creation of the knowledge about the external reality by trying to understand and explain why people have different experiences and behaviour (Easterby-Smith, Thorpe & Lowe 1991). Realists believe that there is a “real” world to discover even if it is only imperfectly and probabilistically apprehensible (Guba & Lincoln, 1994; Merriam, 1988). A realist also acknowledges that although there is only one reality, an objective account of events depends on the triangulation of several perception of that reality for better picture of the phenomena (Perry, Aizadeh & Riege, 1997).
This research deals with a real world and a complex situation and has to obtain information from those involved with the subject area (Guba & Lincoln, 1994). Viewed from this perspective, this paradigm is partially appropriate for this research. However, being qualitative in approach, with a small survey sample, the findings are not generally suited to meet the criteria of reliability and validity. These necessitate a larger sample size and the collection of quantifiable data.

4.3.5 The Preferred Paradigm

The four reviewed paradigms can be grouped into two approaching frameworks: the quantitative paradigm or the deductive paradigm and the qualitative paradigm or the inductive paradigm (Perry, Riege & Brown 1999)

- The main strength of the quantitative paradigm is that it can provide an objective, value free coverage of a range of situations. On the debit side, it is rather inflexible and ineffective in understanding processes or the significance that people attach to actions.

- The qualitative paradigm has the ability to look at change processes, understand peoples meaning, adjust to new emerging issues and ideas and contribute to theory generation. However data collection requires much resource. Furthermore the analysis as well as a interpretation of data could be difficult.

A study can make use of both approaches. Hussey and Hussey (1997 p.72) suggest that “it is not unusual in business research to use a mixture of approaches as it permits a broader and complementary perspective on the research”. Since each of the paradigms
has strengths and weakness, there is therefore a growing acceptance of the need to mix both approaches (Miles & Huberman 1984).

Furthermore, the weakness of the qualitative paradigm is the strength of the quantitative paradigm and vice versa. This reinforces the justification for integrating both approaches to provide a more complete picture of the research issues being addressed (Strekler et al 1992). Perry (1995) developed a table reflecting the aspects of unified thesis and this is shown in Table 4.2.

<table>
<thead>
<tr>
<th>Qualitative Research</th>
<th>Quantitative Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Problem</td>
<td>Research Problem</td>
</tr>
<tr>
<td>How?</td>
<td>Who (how many)?</td>
</tr>
<tr>
<td>Why?</td>
<td>What (how much)?</td>
</tr>
<tr>
<td>Literature Review</td>
<td>Literature Review</td>
</tr>
<tr>
<td>Exploratory – what are the variables involved</td>
<td>Explanatory – what are the relationships between the variables</td>
</tr>
<tr>
<td>Constructs are messy</td>
<td>Which have been previously measured?</td>
</tr>
<tr>
<td>Research issues are developed</td>
<td>Hypotheses developed</td>
</tr>
<tr>
<td>Paradigm</td>
<td>Paradigm</td>
</tr>
<tr>
<td>interpretive</td>
<td>positivist</td>
</tr>
<tr>
<td>Methodology</td>
<td>Methodology</td>
</tr>
<tr>
<td>For example, case study research or action research</td>
<td>For example, survey or experiment</td>
</tr>
</tbody>
</table>

Source: Adapted from Perry, 2000

Guided by the cited authorities, this research uses a combination of qualitative and quantitative approaches. Based on Table 4.2 this research may be classified as largely qualitative in nature.

4.4 The Research Design

A research design specifies a framework or blueprint for the research. The research design also specifies the research methods chosen, determines the information needed as
well as defines the sampling method, sample size, measurement and data analysis processes (Emory & Cooper 1991). Having determined the research approach, the next issue that requires addressing is the identification of an appropriate research design. This is necessary to give focus to the study and to guide the data collection process in line with the objectives of the study.

The type of research design is generally determined by the purpose of the study (Neuman 2006). It could be to explore a new area, describe a particular situation or to explain why something occurs (Babbie 1998). Some intended studies or research may have multiple purposes but one purpose is usually dominant (Hussey & Hussey, 1997).

Table 4.3: Types of Research Methods

<table>
<thead>
<tr>
<th></th>
<th>Exploratory Research</th>
<th>Descriptive Research</th>
<th>Explanatory Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>Discovery of ideas and insight</td>
<td>Describe market characteristics or functions</td>
<td></td>
</tr>
<tr>
<td>Characteristics</td>
<td>Flexible, versatile</td>
<td>Marked by the prior formulation of specific hypothesis</td>
<td>Manipulation of one or more independent variables</td>
</tr>
<tr>
<td>Methods</td>
<td>Expert surveys, Pilot surveys, Secondary data, Qualitative research</td>
<td>Secondary data survey, Panels, Observational and Other data</td>
<td>Experiments</td>
</tr>
</tbody>
</table>

Source: Adapted from Neuman (2006)

There are three main types of research; exploratory, descriptive and explanatory. The objectives, characteristics and the data collection methods for each are shown in Table 4.3 and elaborated below.
4.4.1 Exploratory Approach

There are often situations in the business world when not much is known about the problems at hand, or when no information is available on how similar problems or research issues have been solved in the past. In such cases “extensive preliminary work needs to be done to gain familiarity of the situation, and to understand what is occurring, before developing a model and setting up a rigorous design for comprehensive investigation” (Sekaran 2000, p.123). This preliminary work is especially necessary “when the researcher has limited amount of experience with or knowledge about the research issues” (Zikmund 1997, p.102).

An exploratory study is usually undertaken to gain available background information about the research subject. Normally, unstructured and qualitative, exploratory studies are also used as inputs for further research (Denzin & Lincoln 2003). An exploratory study tends to be highly flexible with the researchers following clues, ideas and hunches (McDaniel & Gates 1996) That gives them the latitude needed to probe creatively into unanticipated observations or into areas about which the researcher lacks the information necessary to construct a logical model (Rubin & Babbie 1994).

The output of exploratory research is qualitative and may serve as a basis for subsequent quantitative research (Zikmund, 1997). The qualitative output of exploratory research often reveals some patterns regarding the phenomenon of interest. This forms a basis for developing theories for subsequent quantitative testing (Sekaran 2000).
Exploratory research is therefore often framed up as a pilot study and usually undertaken in advance of a subsequent and more detailed study. Data collection methods for explanatory research are the literature review, pilot studies, expert surveys case studies, focus group and personal interviews (Zikmund 2000).

4.4.2 Descriptive Research

Descriptive studies, present a picture of the specific details of a situation, social setting or relationship. The major purpose of descriptive research, as the term implies, is to describe and seek answers to “who”, “what”, “when”, “where” and “how” questions (Zikmund 2003) Descriptive studies are less ambiguous and are carried out against a backdrop of prior knowledge of the central research problem.

Descriptive research however does not attempt to give an explanation for the cause of its findings. It only attempts to give the descriptive information that is needed to address a research problem even though the cause is not uncovered (Zikmund 2000). Descriptive research is therefore undertaken when the researcher wants to be able to describe a phenomenon more clearly by offering a profile of the factors. For these reasons, and as pointed by Sekaran (2000), the findings of descriptive research help to

i. Understand the characteristics of a group in a given situation

ii. Think systematically about aspects in a given situation

iii. Offer ideas for further probe and research

iv. Help make certain simple decisions
Descriptive researchers also have the advantage of determining the extent of differences in the needs, perceptions, attitudes and characteristics of the different groups participating in a survey. The common data collection methods used for descriptive research include surveys, expert panels and observational data (Cavana, Delahaye & Sekaran 2001).

Unlike exploratory research that is characterized by flexibility, descriptive research has a “formal research design and attempts to obtain a complete and accurate description of a situation” (Boyd, Westfall & Stasch 2004, p.129).

### 4.4.3 Explanatory Research

Explanatory studies, using experimental methods, aim to establish a cause-effect relationship between two or more variables. This may involve testing a hypothesis to determine the worth of a theory and its ability to make predictions about social phenomena. Although explanatory research has the advantage of greater reliability and internal validity, the sterile value free environment that they create may not be suitable for marketing and management research (McDaniel & Gates 1996).
4.4.4 The Justification for a Combined Method

As revealed by the findings of the literature review, in Chapter 2, there are gaps in the existing body of knowledge on the research topic. Therefore an important objective of the research was to define the research problem, as shown in Table 4.4, in order to identify the research questions and the research objectives.

Table 4.4: The Process of Problem Definition

<table>
<thead>
<tr>
<th>Source from Zikmund (1997)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify research gaps</td>
</tr>
<tr>
<td>Determine the unit of analysis</td>
</tr>
<tr>
<td>Isolate and identify the problem</td>
</tr>
<tr>
<td>Background of the problem</td>
</tr>
<tr>
<td>Ascertain objectives</td>
</tr>
<tr>
<td>Research Questions and objectives</td>
</tr>
</tbody>
</table>

Viewed from this perspective, this research is largely exploratory as it can assist (Zikmund 1997) with:

i. diagnosing a situation to determine the dimensions of the research problem for decision making
ii. The screening of alternatives to determine the best alternative among several possible options

iii. Discovering new ideas

However, exploratory research has two main limitations. Since it adopts a qualitative approach this could result in a subjective interpretation of the findings. Secondly the use of small sample sizes impedes the projectibility and the generalizability of the findings. To overcome these limitations, the researcher adopted a two stage approach in line with Miles & Huberman (1984) and Perry (1995)).

The first stage of this research was exploratory. The use of qualitative methods permitted the collection and analysis of useful information from the interviews and the focus group for gaining insights into the research problem.

However the objectives of this research extended beyond the mere identification of the research problem. Another aim was to extend or to generalize the findings. For this purpose, the second stage relied on descriptive research. Quantifiable data was collected, through a survey using a structured questionnaire, with a Likert Scale being used for the attitude measurement of the survey responses. However as shown in Figure 4.2, which outlines the research design, this study remains largely exploratory in nature.
4.5 Data Collection Procedures

This section discusses the techniques of gathering primary data for the testing of the research propositions that were crafted in Chapter 2. The choice of the data instruments depends on the availability of facilities, time, costs, the degree of accuracy required, the expertise of the researcher, and other resources associated with the gathering of the data (Sekaran 2000).

As stated in Section 4.4, the study adopted “a combined approach” in order to collect qualitative as well as quantitative data. The instruments used for this purpose are shown in Figure 4.3 and discussed in the subsequent sub-sections.
4.5.1 Secondary Data Collection

The main advantage of using secondary data is that it is not time-consuming and less costly (Ghauri & Gronhaug 2002). Data is quickly accessible and of high-quality (Stewart & Kamins 1993). Analysing secondary data can lead to unforeseen or unexpected new discoveries (Dale, Arber & Proctor 1988). Furthermore, secondary data provides a source of data that can be easily reviewed by others (Denscombe 1998).

The secondary data was collected through the literature review as detailed in Chapters 2 and 3. They comprised documented secondary data including archival research, written and non-written documents (Bryman 1989).
The collected secondary data permitted a discussion on prior research and other available literature on the significant research issues. These included the extent of corporate governance and CSR practices by the Malaysian Chinese business community. The review facilitated the identification of the theoretical framework for the study and the research gaps in the existing body of knowledge. These permitted the crafting of the research propositions for testing by the study.

4.5.2 The Knowledgeable Persons Survey

This exploratory research technique involved the gathering of data from a small group of individuals with expert knowledge about issues relating to the research problem. It normally involves personal interviews to seek advice and guidance on the aims and procedures for the conduct of a research study (Cavana, Delahaye & Sekaran 2001).

The researcher is a Managing Director of a public listed company. Over the years he established a wide range of professional contact with members of the public and private sectors, the academia community and associations representative of the business community.

Using his contacts the researcher was able to identify five knowledgeable persons who agreed to be associated with this research. As they requested anonymity, only their positions can be stated. They comprise a retired senior civil servant, a former president of a trade association, two retired managing directors of public listed companies and a serving Chairman of a PLC. These experienced persons also helped with the pre-testing and the finalization of the questionnaire.
4.5.3 The Focus Groups

A focus group is special quantitative research technique. For a focus group meeting, a researcher gathers together six to 12 people in a room with a moderator to discuss a research issue (Kitzinger 1995). In order to permit open expression, the moderator should ensure that no one person dominates the discussion. Most focus group meetings last for about 90 minutes (Neuman 2006)

A focus group meeting was used to collect qualitative data. This was based on its advantages of:

- Providing for flexible formats that encourage discussion on pertinent issues
- Generating information in a way, which allows researchers to identify salient issues (Morgan & Kreuger 1993).
- Being easy to execute and suited for quick analysis,
- Being appropriate for obtaining in-depth views for concept screening and refinement.
- Generating synergism and a wider range of insights and ideas on the investigated issues (Vaughn, Schumm & Sinagub 1996).

4.5.3.1 Selection and Composition of the Focus Group

The value of a focus group meeting depends on its composition. Some authorities recommend the need for homogeneity within each group in order to capitalize on people’s shared experiences (Kitzinger 1995). Guided by this, the membership of the group was confined to those at the Directors or General Manager level.
For the selection process, the researcher established contacts with the Secretary General of the Malaysian Institute of Corporate Governance, a senior official of the Malaysian Stock Exchange and a senior official of the Malaysian Chinese Chamber of Commerce. Each of them suggested three names with contact details for consideration by the researcher. The researcher’s supervisor also suggested two candidates from the academic world. The researcher approached all eleven candidates and eight of them accepted the invitation to participate in the focus group.

They comprised of:

- Two Managing Directors of PLCs controlled by Chinese family interests
- Two independent Directors of Chinese PLCs and
- Two academics with a strong research background on corporate governance issues
- A knowledgeable person with rich and varied experience on Malaysian corporate governance matters
- A member of an association representing Chinese business enterprises,

4.5.3.2 Planning and Conducting the Focus Group Meeting

The researcher telephoned each member of the Focus Group to reconfirm their participation and to decide on the time, date and the venue of the focus group meeting, A Discussion Guide as well as a “Consent Statement Form” for signature by each member was then sent to the members. The former, attached as Appendix 1, listed the
discussion topics and the expected contributions from each member. The Consent Form attached as Appendix 2 set out the ethical issues and clearly stated that:

- Their participation was voluntarily
- They retained the right to withdraw from the focus group.
- The discussions would be kept confidential and only made known to Southern Cross University.

The researcher acted as a moderator for the one hour meeting. The members were encouraged to give their frank views on each of the discussions topics. This resulted in a free flowing discussion with the members expressing their views and comments on the range of issues related to research topic. Those that were outside the scope of the discussions items were treated as “Unplanned Data”. These were also analyzed as discussed in Section 5.5.

4.5.4 The Sample Survey

A survey is a common and inexpensive way of gathering primary data (Zikmund 1997, p.49). Zikmund 2000, p.202) defined a survey as a “method of primary data collection based on communication with a representative sample of people”. A survey involves asking respondents to supply information and is a quick, inexpensive, efficient and accurate way of assessing information about the population (Zikmund 2000). By summarizing the information collected, it is a useful method for measuring the behaviour or large groups of people (Krueger & Villaverde 2002).
4.5.4.1 The Survey Instruments

Data collection methods through surveys can be divided into two types, interviews and questionnaire (Jackson 1998). Interviews can be “face to face” or telephone interviews. Questionnaires could be sent through mail, fax, Internet or hand delivered (Ticehurst & Veal 2000).

4.5.4.2 Interview Surveys

An interview is a form of direct and verbal interaction between the interviewer and the respondent. It is designed to obtain the desired information for satisfying the objectives of a particular study (Cooper & Schindler 2003). Although the interviews survey has strengths, the researcher decided against its use as

- Personal interview surveys are costly and time consuming for research that covers a wide area (Cooper & Schindler 2003)
- Bias may be introduced in framing questions and the interpretation of responses by interviewers (Kumar 1996)

4.5.4.3 Questionnaire Surveys

The questionnaire survey is a technique of collecting data in which each person is required to respond to the same set of questions in a predetermined order (De Vaus 2002). Questionnaire surveys usually involve the quantification of response data.

Questionnaire surveys have several advantages (Ticehurst & Veal 2000) as they:

- are useful for situations when structured data are required from a representative sample
- are an ideal means of providing quantified information

- provide a transparent set of research procedures on how information has been collected and how it has been analyzed

- provide relatively complex information in an easily understandable form

- are an effective means of gathering a wide range of complex information

However the questionnaire surveys also have their disadvantages. Questionnaires, that are not properly worded, may result in the misinterpretation of the questions (Sekaran 2000). The main setback of this technique is that the response rate could be low. Factors that may influence a low response rate, as identified by Platek (1977), could relate to:

- Inappropriate selection of participants

- The timing of the survey conduct

- Poor or complex questionnaire design

- The time burdens on the respondents

- Misgivings by the participants about the content of the survey

The questionnaire survey was selected for this research as the advantages outweighed the disadvantages. Furthermore it was considered more appropriate as a larger sample size was considered necessary to improve the trustworthiness and generalize the research findings.
4.5.4.4 Sampling

Sampling can be defined as the

“process of selecting a sufficient number of elements from the population so that by studying the sample and understanding the characteristics of the sample subjects, it would be possible to generalize the properties or characteristics to the population elements” (Sekaran 1999 p.268).

There are two methods for selecting samples; the probability and the non-probability methods.

- **Probability sampling** or random sampling gives every member of the population an equal chance of being included in the sample. This method was not adopted as there only a few people who are knowledgeable about CG practices

- **Non-probability sampling** methods which include
  
  i. “convenience” sampling where the persons chosen for the survey are the ones that are most conveniently available (Zikmund 1997)

  ii. “judgment” sampling where the researcher chooses respondents who are in the best position to provide information by virtue of their knowledge or expertise (Sekaran 1999).

  iii. “quota” sampling where the researcher ensures that certain groups of people, who are knowledgeable about the research problem are adequately represented in the research through the assignment of a fixed quota for each sub group.
Taking all factors into account, in particular the nature of the study, the researcher adopted a combination of judgmental sampling and the non-probability sampling. This permitted the sample to comprise participants who were knowledgeable about the research issues. It also enables the sample size to reflect the varied groups of people who were associated with the different aspects of CG.

4.5.4.5 The Target Population and the Sample Size

The target population chosen for this research was Malaysian Chinese PLCs as they are subjected to the disclosure and reporting requirements of the Companies Act 1965, the Bursa Malaysia Listing Requirements, the Malaysian Code of Corporate Governance, the Malaysian Accounting Standards and the International Accounting Standards. In order to secure a broad spectrum of data, four groups were targeted for the survey sample. Categorized as A, B, C & D they were:

A. PLCs on the Main Board of Bursa Malaysia which were previously Chinese family businesses with the family still retaining a controlling interest.

B. Small and medium sized PLCs on the Second Board and MESDAQ, of Bursa Malaysia which were previously Chinese family businesses with the family still retaining a controlling interest

C. Representatives of the regulatory authorities including the Malaysian Securities Commission, Malaysian Stock Exchange Bhd, Malaysian Institute of Accountants, Institute of Internal Auditors and the Malaysian Institute of Corporate Governance. These bodies and agencies are responsible for assuring that PLCs adhere to good CG practice.
D. The Fund Managers, since investors are prepared to pay a premium for shares of companies that have good corporate governance practices (Lee 2002). As these fund managers manage both domestic and foreign funds, they represent shareholders' interests and are knowledgeable of CG governance practices worldwide.

The size of the sample is important to establish the repetitiveness of the sample for the generalizability of the findings. Too large a sample size could lead to errors. Sample sizes, larger than 50 and less than 500 are appropriate for most research (Roscoe 1975).

Guided by this, 60 persons were invited to participate in the survey. In order to benefit from the advantages of quota sampling, the breakdown of the respondents, by way of each of the five groups A, B, C & D is shown in Figure 4.4.

**Group A** comprised 20 members from PLCs listed on the Main Board of the Kuala Lumpur Stock Exchange. All of them are controlled by Chinese directors and shareholders.

**Group B** comprised 20 representatives of Chinese controlled PLCs that were either on the Second Board or in MESDAQ. There were largely in the construction and the technology sectors.

**Group C** comprised 10 representatives of the regulatory bodies including the Securities Commission and the Bursa Malaysia.

The final **Group D** consisted of the 10 Fund Managers, both foreign and Malaysian.
4.5.4.6 Recruiting the Survey Participants

Mindful of the ethical issues, the researcher did not use data bases for identifying and selecting the survey participants. Using his business and personal contacts, he secured meetings with the representatives of the Securities Commission, the Malaysian Stock Exchange and the Association of Banks. They were informed of the purposes of the survey and were requested to assist with the identification of persons who might be interested in participating.

After receiving their suggestions on potential participants, the researcher telephoned each of the suggested participants. They were briefed of the purpose of the survey and their expected roles. The researcher assured them that their rights would be protected and that the information provided would be kept confidential. They were also informed of the need to sign a Survey Consent Form.
All 60 persons expressed their interest to participate in the survey. Each of them signed the Consent Form.

4.5.4.7 Designing the Questionnaire

When designing a questionnaire, “it is important to do it slowly and carefully and also to remember why the research is being done” (Ticehurst & Veal 2000 p.143). A good questionnaire design can minimize bias in research (Sekaran 2000). Before designing a questionnaire, researchers identify any information from previous research on related topics (Ticehurst & Veal 2000). Five key factors were taken into accounts for designing an appropriate questionnaire for this research. They were namely relevancy, accuracy, minimizing bias, sequencing of the questions and the length of the questionnaire.

i. Relevancy
The questionnaire should only include questions if they relate to the research process. Therefore every question must be linked back to the research question as shown in Figure 4.5. Questions in a questionnaire should also relate to the information needs for the purpose of relevancy. Wrong and irrelevant questions were therefore not included in the questionnaire.

ii. Accuracy
This means that the information to be obtained from the questionnaire survey must be reliable and valid (Zikmund, 1997). For the purpose of accuracy, the researcher took full account of the target respondents’ educational background, cultural characteristics and grasp of English-, the language used in the questionnaire, in the phrasing the questions. Care was taken with the wording to avoid ambiguity. Double barreled questions which lent themselves to different possible responses were avoided. Loaded questions that had
racial overtones were also avoided. The questions were kept simple and short. As respondents tend to mechanically circle the points towards one end of the scale, the questions were worded both positively and negatively to overcome this shortcoming.

### Figure 4.5: Questionnaire Design Process

![Diagram of Questionnaire Design Process]

Source: Adapted by Ticehurst & Veal (2000)

#### iii. Minimizing Bias

In order to minimize bias, the researcher opted for closed ended questions. This permitted the respondent to choose and provide answers that were closest to his or her own view points (Zikmund 1997). Leading questions that suggested or implied certain
answers were avoided. Irritating or ego threatening questions were also avoided to minimize the possibility of bias (Sekaran 2000)

iv. **Sequencing the Questions**

A good questionnaire forms an integrated whole with questions that flow smoothly. The order of the questions presented may influence respondent answers (Neuman 2006). For the purpose of questionnaire design the researcher used a funnel sequence which can be defined as “organizing survey questions in a questionnaire from general to specific questions” (Neuman 2006, p.294). Guided by this, the questionnaire started with questions that were general and relatively easy to answer. The purpose was to build the confidence of the respondent by demonstrating that the survey was genuine and would not act against them. The most difficult questions were left to the end of the questionnaire.

v. **The Layout and Length of the Questionnaire**

The following guidelines, suggested by Zikmund (1997) and Sekaran (2000), were kept in mind for designing the layout of the questionnaire. The researcher gave attention to the following:

- That the questions are not over crowded to enhance readability
- The tick boxes were in 10 point size so as not to over crowd each page
- The title of the survey and the researchers name were printed as a footnote on each page
- All the pages were numbered
Guided by the cited authorities, the questionnaire consisted of fifteen close-ended questions. The questions were pre-tested to identify any vagueness, ambiguity and sensitive issues in the questionnaire (Youngman 1978).

4.5.4.8 Pilot Testing the Questionnaire

A questionnaire must benefit from a trial run to ensure its success. The trial run or pilot test is to evaluate the validity and the reliability of the instructions, the questions and the response systems (Bell 1999).

The five knowledgeable persons, who participated in the knowledgeable person survey, were requested to complete and assess the draft questionnaire.

The researcher met with each of them separately, handed them the questionnaire for completion and then posed the following questions:

- Were the questions relevant to the research issues?
- Were they adequate to assess the Malaysian corporate governance framework?
- Were there any questions that were ambiguous and difficult to comprehend?
- Were there any questions that touched on very sensitive issues?
- Was the questionnaire lengthy?

Useful comments were received from the knowledgeable persons. They suggested that some of the questions be recast in order to make them simpler and easier to understand. They considered this necessary as several representatives of Chinese controlled PLCs, who were a targeted group of the survey, were not very proficient in English.
Guided by the comments, the questions were further refined and re-casted as ‘assertive statements to elicit a range of responses that could be measured through use of the Likert scale.

4.5.4.9 The Questions / Statements

The 15 questions re-casted as Statements and attached to the Consent Statement Forms, were as follows:

Research Proposition 1 (RP1):

*Malaysia has a balanced and effectively enforced corporate governance framework.*

**Statement 1**

The Malaysian Code of Corporate Governance is adequate to promote good corporate governance practices.

**Statement 2**

Malaysian PLCs do not adhere closely to the Principles of the Malaysian Code of corporate governance.

**Statement 3**

The expanded roles of Independent Directors in Board meetings and quarterly reporting have improved the corporate governance practices of Malaysian PLCs.

**Statement 4**

The disclosure based reporting framework of Malaysian PLCs provide for adequate transparency and accountability.

**Statement 5**

Malaysian regulatory bodies are selective in taking corrective actions for Malaysian PLCs that are in breach of the legal corporate governance requirements.
Research Proposition 2 (RP2):

The culture and management practices of Malaysian Chinese family controlled PLCs provide for good corporate governance and corporate social responsibility practices.

Statement 6
The family centered management approach of Malaysian Chinese controlled PLCs does not provide for the required transparency and accountability to safeguard the interests of minority shareholders.

Statement 7
The corporate governance practices of Malaysian Chinese controlled PLCs are inline with the Principles of the Malaysian Code of Corporate Governance.

Statement 8
Malaysian Chinese controlled PLCs attach much importance to enhancing corporate governance practices.

Statement 9
The cultural characteristics of Malaysian Chinese controlled PLCs are constraints for the adoption of good corporate and social responsibility practices.

Statement 10
The senior management of Chinese controlled PLCs are generally unaware of the importance of good corporate governance and corporate social responsibility practices for their growth and expansion.

Research Proposition 3 (RP3):

Malaysian Chinese family controlled PLCs are adopting appropriate measures to enhance their CG practices
Statement 11
The senior management of Chinese controlled PLCs are fully familiar with the Principles of the Malaysian Code of Corporate Governance.

Statement 12
The senior management of Chinese controlled PLCs fully comply with the accounting and auditing requirements stipulated by the Malaysian regulatory authorities.

Statement 13
The Independent Directors of Chinese controlled PLCs have the necessary powers and authority to effectively discharge their stewardship and auditing functions.

Statement 14
The majority shareholders of Chinese controlled PLCs fully comply with the requirements of the Securities Commission as regards disclosure and accountability.

Statement 15
The majority shareholder of Chinese controlled PLCs pay little regard to safeguarding the interests of the minority shareholders.

4.5.4.10 Administration of the Questionnaire

Invitation letters, to participate in the survey were sent to each of the identified participants. A Consent Statement was also attached for their signature. This provided the details of the research and stressed the importance attached to their participation. This was followed up with personal phone calls and e-mails. Upon receipt of their confirmation, the questionnaires were sent by courier to each of them with the request that they be completed and returned within a period of two weeks.
4.5.4.11  The Survey Responses

All the survey participants were located in a Klang Valley. The questionnaire had only 15 closed end statements for which responses were sought. Furthermore, a number of telephone calls were made to check on the status of the questionnaire. Due to the combination of these factors, all 60 participants completed the questionnaire.

4.6  Data Quality

This section discusses the measures taken to improve the quality and trustworthiness of the research. These relate to the issues of reliability, validity and creditability.

4.6.1 Reliability

Reliability applies to a measure, which yields similar results on other occasions or similar observations by other observers, thus providing consistent results (Easterby-Smith, Thorpe & Lowe 2002). Qualitative researches accept that “different researchers or researchers using alternative measures will get distinctive results” (Neuman 2006, p.196). This is because most qualitative researchers give emphasis to capturing an inside view of those being studied in order to gain useful insights on the research topics. Consequently, reliability may be threatened by respondents' error and by respondents' bias (Robson 2002).
The measures taken, in line with (Cooper & Schindler 2003), to eliminate errors and bias included:

- The careful wording of the questionnaire blocks and the careful placing of them within the whole interview.

- The pre-testing of the questionnaire to ensure that the wording of the statements were easily understood by the respondents

- Selecting focus group and survey participants who were comparable in terms of maturity, seniority and length of experience in their respective organizations

- The use of the Discussion Guide for the focus groups which provided the participants with much prior information on the research issues

### 4.6.2 Validity

Reliability is necessary for validity and they are usually complementary concepts (Neuman 2006). Validity is often divided into external, internal and construct validity (Cooper & Schindler 2000 and Zikmund 2000).

External validity permits a study's findings to be generalized (Cooper & Schindler 2003). The keys to external validity are how the survey samples are chosen and the degree to which the results can be generalized to the external environment (Zikmund 2000). The response rate of the survey is also important (Sekaran 2000). For this research external validity was secured by the use of a relatively large survey sample with a high response rate. These resulted in a higher probability of valid conclusions being drawn.
Internal validity refers to the correctness and reliability of the study results (Yin 1994). In quantitative research, internal validity is concerned with the cause-and-effect relationships between the variables (Yin 1993). In qualitative research, internal validity is normally not a major concern because qualitative research usually tries to identify the variables involved in a phenomenon and not the cause-and-effect relationships between the variables. However, in qualitative research, internal validity is still necessary to eliminate or minimize ambiguity and contradiction (Zikmund 2000).

The internal validity of this research was addressed by ensuring that the content and the findings, emerging from the survey and the focus groups, adequately addressed the research issues and questions.

Construct validity is concerned with the development of correct operational measures for the concepts under review (Cooper & Emory 1995; Yin 1994). The measures taken to increase the construct validity of the research findings were:

- The operationalisation of the concepts based on the constructs identified in the literature review in Chapters 2 and 3.
- The use of triangulation for error checking.
- The use of open-ended questions in the focus groups.
- the examination of supplementary data sources including, annual reports, internal newsletters and training documentation and finally
- the collection of quantitative data which was measured on a five point Liken scale as discussed in the next sub section
4.7  Attitude Measurement Scales

There are often situations in which the researcher wants “to measure how an individual feels and thinks about something” (Neuman 2006, p.206). Scales are often used in survey research to measure the data emerging from the questionnaire.

Three different attitude rating scales were considered to measure the responses to the Questionnaire namely the simple attitude, category and the Likert. The pros and cons of each are shown in Table 4.5.

Table 4. 5: Features of the Different Attitude Rating Scales

<table>
<thead>
<tr>
<th>TYPE</th>
<th>NATURE</th>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple Attitude</td>
<td>Either agree or disagree to a single statement or question</td>
<td>Ease of responses</td>
<td>Could not provide for the fine distinction in the attitudes of the respondents. Could not represent a neutral reply.</td>
</tr>
<tr>
<td>Category Scale</td>
<td>Indicate response category</td>
<td>Flexible and sensitive measure</td>
<td>Items may be ambiguous with few categories. Only gross distinctions can be made.</td>
</tr>
<tr>
<td>Liken Scale</td>
<td>Statements evaluated on a five points scale</td>
<td>Easy to administer. Able to draw distinctions in the attitudes of the respondents.</td>
<td>Difficult to judge what a single score means</td>
</tr>
</tbody>
</table>

Source: Zikmund, 2000

The Likert scale permits the participants to express attitudes or other responses. As shown in Figure 4.6, respondents can select one of five ranges of attitude: from "Strongly Agree" to "Strongly Disagree" with scores assigned to the alternative responses. The five point Likert scale was selected as it was considered most appropriate for

- Drawing distinctions in the attitudes of the survey participants.

- The survey as it used statements to seek respondents' reactions.
Figure 4.6: Assigned Scores for The Likert Scale

<table>
<thead>
<tr>
<th>Statement ..........</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Developed for this Research

4.8 Data Analysis

Data analysis gives meaning to the data that has been collected. As stated in Section 4.4 the research design comprised two stages. First, the exploratory stage requiring qualitative data with the second, being descriptive requiring quantifiable data.

This required two methods of data analysis. The first was for the qualitative data emerging from the focus group. The other, for the quantifiable data collected through the survey. The analysis process for each is outlined below.

4.8.1 Analysis of the Qualitative Data

Qualitative data are in the form of text, written words, phrases, or symbols describing or representing people, actions and events in social life (Neuman 1994). As qualitative data cannot be represented by numerical values, this makes statistical analysis difficult (Yin 1993). Furthermore qualitative data tend to be imprecise, diffused and context based.

Guided by Miles & Huberman 1984, Sekaran (2000), Neuman (2006) the researcher took a three step approach for the qualitative data analysis activity namely data reduction, data display and content analysis.
Data Reduction

Data was reduced through summarizing and coding procedures. The detailed notes on the interviews with the knowledgeable persons and the focus group meeting were reduced to one page summaries. The data was then coded in order to reduce them into small manageable piles. Open coding, using a coding sheet, made it possible to identify common themes emerging from the summaries of the personal interviews and the focus group meeting.

Data Display

The data display involved displaying the already reduced data in a manner that helped with the analysis process. After the data was coded it was displayed in the form of diagrams and matrix display.

Content Analysis

Content analysis is a technique for examining the content of communication media including interviews (Neuman 2006). Content analysis was used to locate patterns in the display tables for inducing conclusions on each of research propositions.

4.8.2 Analysis of the Quantitative Data

The questionnaire survey achieved a 100 per cent response rate. The data from all 60 responses were coded and transcribed which is the process of coding to convert responses into a form that a computer can analyze (Malhotra 1999). The data corresponding to the values in the Likert Scale were entered for each statement in the
questionnaire. It was then checked for accuracy, through three rounds of visual and hardcopy inspections.

The computer program SPSS Windows version 15.0 was used to calculate the frequency of the “Strongly Agree”, “Agree”, “Neutral”, “Disagree” and “Strongly Disagree” responses to each statement. Using descriptive statistics the mean, standard deviations and the cross tabulation of the results by groups, were also calculated.

4.9 Ethical Issues

Research ethics refer to the "appropriate" behaviour of the researcher in relation to the norms of the society (Wells 1994; Zikmund 2000). It relates to the three parties involved in this research: the researcher, the respondents and Southern Cross University. All the participants in the focus group and sample survey signed Consent Statements which detailed the purpose of the research and clearly stated that:

- Participation was voluntary.
- The participant retained the right to withdraw at any time.
- Confidentiality would be maintained.

The Consent Forms for the focus group and sample survey are attached in Appendix 3 and 5 respectively.

The researcher, on his part maintained objectivity, presented the true research findings and obtained the approval of the Ethics Committee of Southern Cross University.
(Approval Number ECN-08-025) before the commencement of the primary data collection exercise.

### 4.10 Conclusion

This Chapter discussed the research methodology and the need to combine inductive and deductive approaches. It then justified the need for a two stage approach; the first, being exploratory and the second, being descriptive research in order to generalize the research findings. The data collection techniques were detailed. These were a focus group and a sample survey using a structured questionnaire. The procedures for data analysis, improving the quality of the research and addressing ethical issues were also discussed. The next chapter presents the analyses of the collected data.
Chapter 5
Data Analysis

5.1 Introduction

Chapter 4 discussed the preferred methodology, the design and the data collection instruments for this research. These were a focus group for the collection of qualitative data and a questionnaire survey to obtain pertinent quantifiable data.

The focus group involved eight participants. Their views and comments on the key research issues provided valuable insights on the CG practices and CSR practices in Malaysian PLCs. The participants were:

i. Two Managing Directors of PLC’s controlled by Chinese family interests;

ii. A member of an Association representing Chinese enterprises;

iii. Two Independent Directors of PLC’s controlled by Chinese family interests;

iv. Two academics with a strong research background on CG and CSR issues.

v. A knowledgeable person with rich and varied experience on Malaysian CSR matters.

The questionnaire survey involved sixty participants. Selected through a combination of judgmental and quota sampling, they were categorized into four groups as follow:

i. 20 representatives of Main Board PLC’s
ii. 20 representatives from the Second Board and Mesdaq PLC’s

iii. 10 Regulators and Government officials

iv. 10 financial professionals from professional bodies and companies.

The collected data permitted the testing of the three research propositions, which emerged from the findings of the literature review. Each research proposition had five related questions which were re-casted as statements. The participants’ responses to each of the statements were measured by a five-point Likert rating scale.

The tabulated survey data was analyzed by using the Statistical Package for Social Science (SPSS) and the outputs are shown below:

i. Case Summaries for each Statement

ii. Cross Tabulations for each Statement

iii. Combined Responses for Each Proposition

iv. Combined Re-coded Response for Each Proposition

The other outputs from the SPSS, shown for each of the Proposition were:

v. Survey Responses Ratings for all the Groups.

vi. Survey Frequency Tables for each Statement

The analysis process for each research proposition involved three stages:
i. First, the taking of detailed notes to record the views expressed by the Focus Group participants. These were then edited and analyzed with the purpose of identifying common themes and patterns.

ii. The analysis of the quantifiable data, from the Questionnaire Survey, comprised two key steps. First, the analysis of the responses to each of the five statements related to each research proposition. This was based on Case Summaries and Group Cross Tabulations. The second step involved the analysis of the Combined Responses to each Proposition. Presented by way of pie and bar charts they reflect the breakdown of the overall responses and the composition by Group type.

iii. The final stage was the testing of each research proposition. This was achieved by matching the findings of the Questionnaire Survey with the findings of the Focus Group. The views of the Focus Group did not always concur with the findings of the Survey. In such situations the researcher treated the findings as “mixed” or “no concrete agreement”.

This Chapter presents the findings that emerged from the analyses of the views expressed by the Focus Group and the responses to the Questionnaire Survey. It has five sections as shown in Figure 5.1

Section 5.1 introduces the Chapter. The subsequent three sections namely 5.2-5.4 analyze the data pertinent to each research Proposition.
Section 5.5 presents the Unplanned Data. These were useful information, comments and views of the Focus Group participants on the topics and issues that were not covered by the research propositions and statements.

The final section sets out the conclusion of this chapter.

![Figure 5.1: Structure of Chapter 5](image)

**5.2 Testing of Research Proposition 1: Malaysia has a balanced and effectively enforced corporate governance framework**

Statements 1-5, in the Questionnaire Survey, are related to this Proposition and they are presented below.

Statement 1. *The Malaysian Code of Corporate Governance is adequate to promote good corporate governance practices.*

Statement 3. *The expanded roles of Independent Directors in Board meetings and for quarterly reporting have improved the corporate governance practices of Malaysian Public Listed Companies.*

Statement 4. *The disclosure based reporting framework of Malaysian Public Listed Companies provides for adequate transparency and accountability.*

Statement 5. *The Malaysian regulatory bodies are selective in taking corrective action for Malaysian Public Listed Companies that are in breach of the legal corporate governance requirements.*

### 5.2.1 Analysis of the Focus Group Meeting on Proposition 1

As stated in Section 4.1, the Focus Group benefited from the participation of eight senior and knowledgeable persons associated with CG practices in Malaysia. They offered a wide spectrum of candid views and these permitted the researcher to gain useful insights on each of the discussion topics.

The Focus Group participants were in agreement on the following:

i. That Malaysia has a balanced regulatory framework for CG practices. This was borne out by the Malaysian Code of Corporate Governance, the amended Companies Act and the Securities Commission Act. The cited legislations served to improve the CG practices of the PLC’s as they more clearly state the expanded
responsibilities of the Independent Directors. The penalties that Independent Directors could incur have also made them more conscious of their legal requirement to discharge their CG responsibilities.

ii. Malaysian PLC’s in general do not adhere closely to the principles of the Malaysian Code of Corporate Governance. However, the disclosure based framework is adequate to provide transparency and accountability.

iii. Enforcement practices remain uneven. The regulatory authorities appeared to be selective in dealing with PLCs that do not comply with statutory requirements.

The Focus Group members were however divided on some pertinent issues.

i. Some members maintained that transparency and timely disclosure should underpin good CG practices. Firms that emphasize on proper and timely disclosure practices should benefit from investor confidence and consequently higher share prices. However several Malaysian PLCs have yet to give more attention to the key issues of transparency and disclosure.

ii. The responsibility for good CG practices cannot rest solely with the firm. The regulators, the professional bodies, the financial industry and investors in general should contribute to the exercise.

iii. Although Malaysia does have a good CG framework, its effectiveness was eroded by weak regulatory and enforcement measures. Some members considered it important to move away from the approach of merely imposing penalties and highlight that good CG generates rewards in terms of investor appeal and higher share prices.
iv. Another member commented that the Company Annual Reports tended to only highlight achievements and present “the good news” and not the “mistakes” made by firms. These could include poor management decisions, the inability to achieve sales and marketing targets and wrong investment decisions.

v. One member cited an example of a PLC which originated as a family owned business and in which the family retained control through cross holdings. Although this situation resulted in a lack of transparency and disclosure, the firm was a favorite of the local investment banking community. This implied that the bankers were colluding with the majority shareholders of the PLC. Such practices acted against the best interests of the firm and the minority shareholders.

vi. The current practice of appointing independent Directors and External Auditors should be reviewed by the authorities. It was suggested that they be appointed by a select committee consisting of representative from the regulators, and professional bodies. Furthermore, the appointments should be on a rotational basis, with the duration of each appointment not exceeding two financial years.

5.2.2 Survey Responses for Research Proposition 1: Malaysia has a balanced and effectively enforced corporate governance framework

This section analyses the survey data relating to Research Proposition 1. Five Statements (1-5) in the survey questionnaire related to this Proposition. The data relating to each
Statement are first analyzed. The findings relating to all the five Statements are then considered together for the testing of the survey responses to the Proposition.

5.2.2.1 Statement 1: The Malaysian Code of Corporate Governance is adequate to promote good corporate governance practices

The Case Summary and the Group Cross Tabulation for Statement 1 are shown in Tables 5.1 and 5.2. The analyses of these statistical tables revealed the following:

i. A rejection of this Statement by the survey participants. This is borne out by a mean of 2.72.

ii. The high standard deviation of 1.398 for the Regulators Group. This indicated marked differences among Group members to Statement 1.

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
<td>20</td>
<td>2.75</td>
<td>.967</td>
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<td>33.7%</td>
</tr>
<tr>
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<td>.851</td>
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<td>33.7%</td>
</tr>
<tr>
<td>Regulators</td>
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<td>17.2%</td>
</tr>
<tr>
<td>Others</td>
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<td>2.50</td>
<td>1.080</td>
<td>16.7%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>2.72</td>
<td>1.010</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data

As shown in Table 5.2, 50% of the members within each of the four Groups disagreed with Statement 1.

The findings emerging from the analysis of the survey responses revealed that the respondents were of the view that Malaysian PLC’s adhere closely to the Principles of the Malaysian Code of Corporate Governance.
It is noteworthy that members of the Regulators Group were the “least uncertain” as reflected by only 1.7% taking a neutral position. They therefore had firm strong positions and views on the effectiveness on the Malaysian Code of Corporate Governance for promoting good CG practices.

Source: Survey Data
5.2.2.2 Statement 2: Malaysian Public Listed Companies do not adhere closely to the principles of the Malaysian Code of Corporate Governance.

The Case Summaries and the Group Cross Tabulations that relate to Statement 2 are shown in Tables 5.3 and 5.4. The analyses of these statistical tables revealed the following:

i. An overall mean of 3.25. This indicated general agreement to Statement 2.

ii. However there were divergent views within Groups. This is reflected by the standard deviation which ranged from a low of 0.716 for the Groups comprising the representatives from the Main and Second Boards to a high of 0.949 for the Regulators.

### Table 5.3: Case Summaries - Statement 2

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
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<td>3.25</td>
<td>.716</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Second Board</td>
<td>20</td>
<td>3.25</td>
<td>.716</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
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<td>Regulators</td>
<td>10</td>
<td>3.30</td>
<td>.949</td>
<td>16.7%</td>
<td>16.9%</td>
</tr>
<tr>
<td>Others</td>
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<td>3.20</td>
<td>.919</td>
<td>16.7%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>3.25</td>
<td>.773</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data

As shown in Table 5.4, which presents the Cross Tabulations, the strongest support for Statement 2 emerged from the representatives of the Main Board and the Second Board since 16 of them supported it. Significantly 21 participants or 35% of the total respondents, preferred to remain neutral. Of this number, 18 were from the Main and Second Boards. Only one Regulator adopted a neutral position.
## Table 5.4: Group Type * Statement 2 Crosstabulation

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Board</strong></td>
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<td>8</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
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<td>45.0%</td>
<td>40.0%</td>
<td></td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>25.0%</td>
<td>42.9%</td>
<td>29.6%</td>
<td></td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>5.0%</td>
<td>15.0%</td>
<td>13.3%</td>
<td></td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>Second Board</strong></td>
<td>Count</td>
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<td>9</td>
<td>8</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>15.0%</td>
<td>45.0%</td>
<td>40.0%</td>
<td></td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>25.0%</td>
<td>42.9%</td>
<td>29.6%</td>
<td></td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
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<td>15.0%</td>
<td>13.3%</td>
<td></td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>Regulators</strong></td>
<td>Count</td>
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<td>1</td>
<td>6</td>
<td></td>
<td>10</td>
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<tr>
<td></td>
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<td>30.0%</td>
<td>10.0%</td>
<td>60.0%</td>
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<td>100.0%</td>
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<td></td>
<td>% within Statement</td>
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<td>22.2%</td>
<td></td>
<td>16.7%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>5.0%</td>
<td>1.7%</td>
<td>10.0%</td>
<td></td>
<td>16.7%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>Count</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
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<td>20.0%</td>
<td>50.0%</td>
<td></td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>25.0%</td>
<td>9.5%</td>
<td>18.5%</td>
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<td>16.7%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
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<td>3.3%</td>
<td>8.3%</td>
<td></td>
<td>16.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Count</td>
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<td>27</td>
<td></td>
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</tr>
<tr>
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<td>% within Statement</td>
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<td>100.0%</td>
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<td></td>
<td>% of Total</td>
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<td>45.0%</td>
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<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data
5.2.2.3 Statement 3: The expanded roles of Independent Director in Board meetings and quarterly reporting have improved the corporate governance practices of Malaysian Public Listed Companies.

The Case Summaries and the Group Cross Tabulations for Statement 3 are shown in Tables 5.5 and 5.6. The analyses of these statistical tables revealed the following:

i. Survey participants rejected Statement 3 as borne out by a mean of 2.88.

ii. In contrast however the Group “Others” with a mean of 3.50 was in agreement with Statement 3.

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
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<td>2.90</td>
<td>1.071</td>
<td>33.3%</td>
<td>33.5%</td>
</tr>
<tr>
<td>Second Board</td>
<td>20</td>
<td>2.70</td>
<td>1.129</td>
<td>33.3%</td>
<td>31.2%</td>
</tr>
<tr>
<td>Regulators</td>
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<td>2.60</td>
<td>1.075</td>
<td>16.7%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>3.50</td>
<td>1.080</td>
<td>16.7%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>2.88</td>
<td>1.106</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data

As shown in the Group Cross Tabulations in Table 5.6, the Statement was rejected. This was largely due to the negative responses from the two Groups comprising members of the Main Board and Second Board. There was significant disagreement among members of the Regulators Group since only 30% agreed with the Statement with another 10% being uncertain.

The findings emerging from the analysis of the survey responses revealed that the respondents disagreed with the Statement that the expanded roles of Independent Directors in Board meetings and quarterly reporting have improved the CG practices of Malaysian PLC’s.
Table 5.6: Group Type * Statement 3 Crosstabulations

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Board</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
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<td>4</td>
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</tr>
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<td>40.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
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<td>30.8%</td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
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<td>6.7%</td>
<td>13.3%</td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Second Board</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
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<td>7</td>
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</tr>
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<td>35.0%</td>
<td>100.0%</td>
<td></td>
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<td>37.5%</td>
<td>26.9%</td>
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<td>5.0%</td>
<td>11.7%</td>
<td>33.3%</td>
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<td><strong>Regulators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
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<td>11.5%</td>
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<td></td>
</tr>
<tr>
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<td>8.3%</td>
<td>1.7%</td>
<td>5.0%</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
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<tr>
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<td>.0%</td>
<td>30.8%</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
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<td>.0%</td>
<td>13.3%</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td></td>
<td></td>
<td></td>
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<td>Count</td>
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<td>8</td>
<td>26</td>
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<td>% within Group Type</td>
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<td>43.3%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement</td>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>11.7%</td>
<td>31.7%</td>
<td>13.3%</td>
<td>43.3%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data
5.2.2.4 Statement 4: The disclosure based reporting framework of Malaysian Public Listed Companies provide for adequate transparency and accountability.

The Case Summaries and the Group Cross Tabulations that relate to Statement 4 are shown in Tables 5.7 and 5.8. The analyses of these statistical tables revealed the following:

i. An overall mean of 3.18 as shown in the Case Summaries. There was therefore, a general agreement to this Statement.

ii. The Regulators Group registered the highest level of agreement with a mean of 3.30.

iii. Members of the Main Board accounted for the second highest mean at 3.25. Furthermore, they had the lowest deviation (0.910) which implied a concerted agreement that the disclosure based framework provided for transparency and accountability.

As evident from the Group Tabulations shown in Table 5.8, more than a third of the respondents who concurred with the Statement were representatives of the Main and Second Boards. Furthermore 60% of the respondents in the Regulators Group also agreed with Statement 4.

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
<td>20</td>
<td>3.25</td>
<td>.910</td>
<td>33.3%</td>
<td>34.0%</td>
</tr>
<tr>
<td>Second Board</td>
<td>20</td>
<td>3.20</td>
<td>1.152</td>
<td>33.3%</td>
<td>33.5%</td>
</tr>
<tr>
<td>Regulators</td>
<td>10</td>
<td>3.30</td>
<td>.949</td>
<td>16.7%</td>
<td>17.3%</td>
</tr>
<tr>
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<td>2.90</td>
<td>1.197</td>
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<td>15.2%</td>
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<tr>
<td>Total</td>
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<td>1.033</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data
The findings from the analysis of the survey responses revealed that the respondents disagreed with the Statement that the disclosure based reporting framework of Malaysian PLCs provide for adequate transparency and accountability.

### Table 5.8: Group Type * Statement 4 Crosstabulations

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Board</strong></td>
<td></td>
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<td>.0%</td>
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<td>33.3%</td>
</tr>
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<td></td>
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<td>Count</td>
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<td>5.0%</td>
<td>1.7%</td>
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<td>.0%</td>
<td>16.7%</td>
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<tr>
<td><strong>Others</strong></td>
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<td></td>
<td></td>
</tr>
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<td>Count</td>
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<td>50.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% within Statement</td>
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<td>.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td>% of Total</td>
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<td>.0%</td>
<td>8.3%</td>
<td>.0%</td>
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<tr>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
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<tr>
<td>% of Total</td>
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<td>6.7%</td>
<td>51.7%</td>
<td>3.3%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data
5.2.2.5 Statement 5: The Malaysian regulatory bodies are selective in taking corrective action for Malaysian Public Listed Companies that are in breach of the legal corporate governance requirements.

The Case Summaries and the Group Cross Tabulations for this Statement are shown in Tables 5.9 and 5.10. The analysis of these statistical tables revealed the following:

i. An overall mean of 3.67. This indicated a general agreement to this Statement.

ii. A standard deviation of 0.896, as reflected in the Case Summaries. It can be inferred therefore that there was least disagreement within each Group.

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
<td>20</td>
<td>3.55</td>
<td>.999</td>
<td>33.3%</td>
<td>32.3%</td>
</tr>
<tr>
<td>Second Board</td>
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<td>3.85</td>
<td>.813</td>
<td>33.3%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Regulators</td>
<td>10</td>
<td>3.60</td>
<td>.843</td>
<td>16.7%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>3.60</td>
<td>.966</td>
<td>16.7%</td>
<td>16.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60</td>
<td>3.67</td>
<td>.896</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data

The Group Tabulations, in Table 5.10 show that more than half (37) of the survey participants agreed with the Statement. This was largely due to the positive responses from the Groups comprising the Main and Second Boards. However, a relatively large number or 26.7% of the participants chose to adopt a neutral stance.
Table 5.10: Group Type * Statement 5 Crosstabulations

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Count</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
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<td>Main Board</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>4</td>
<td>4</td>
<td>9</td>
<td>3</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% within Statement</td>
<td>20.0%</td>
<td>20.0%</td>
<td>45.0%</td>
<td>15.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>6.7%</td>
<td>6.7%</td>
<td>15.0%</td>
<td>5.0%</td>
<td>33.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Board</td>
<td></td>
<td></td>
<td></td>
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<td>20</td>
</tr>
<tr>
<td>Regulators</td>
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<td>1</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% within Statement</td>
<td>5.0%</td>
<td>25.0%</td>
<td>50.0%</td>
<td>20.0%</td>
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<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>1.7%</td>
<td>8.3%</td>
<td>16.7%</td>
<td>6.7%</td>
<td>33.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
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</tr>
<tr>
<td>% within Group Type</td>
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<td>27</td>
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<tr>
<td>% within Statement</td>
<td>11.7%</td>
<td>26.7%</td>
<td>45.0%</td>
<td>16.7%</td>
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<td></td>
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<tr>
<td>% of Total</td>
<td>11.7%</td>
<td>26.7%</td>
<td>45.0%</td>
<td>16.7%</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data
5.2.3 Analysis of the Combined Survey Responses for Research Proposition 1

The Combined Survey Responses to Research Statements 1, 2, 3, 4 and 5 for Research Proposition 1 are presented in Figures 5.2, and 5.3.

Figure 5.2 presents the results of the Combined and Re-coded responses in terms of only Agree, Uncertain and Disagree. It can be seen that 46.67% of the combined responses reflected agreement with the statements. Only, a third or 32.67% expressed disagreement. It is also significant that the uncertain responses amounted of 22.7%. The researcher believes this could be due to the cultural characteristics of the members of the Groups. Furthermore, some of the statements could have been sensitive in nature and as such this could have inhibited the respondents from expressing their candid views.

**Figure 5.2: Results of the Combined and Re-coded Responses**

![Pie chart showing the distribution of responses](chart.png)

Source Survey Data

Figure 5.3 depicts the Combined Survey Responses from the perspectives of the different Groups. It indicates agreement to the Proposition by a majority of the participants of
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each Group. It is also noteworthy that only a small number in each of the Groups expressed strong disagreement to the Proposition.

Figure 5.3: Composition by Group Type

Source: Survey Data

5.2.4 Testing of Research Proposition 1

As discussed in Section 5.2.1 the Focus Group considered the five Statements related to this Proposition. Although some members were not supportive of some statements, there was nevertheless overall agreement on the Proposition.

The situation was similar with the Questionnaire Survey participants. While, they did not accept Statements 1 and 3, they supported the remaining Statements. On balance therefore there was support for this Proposition. Taking account of the findings of the
Focus Group meeting and the Questionnaire Survey, the researcher deems this Proposition to be accepted.

5.3 Testing of Research Proposition 2: The culture and management practices of Malaysian Chinese family controlled PLCs provide for good corporate governance and social responsibility practices

Statements 6-10, in the Questionnaire Survey, are related to this Proposition and they are presented below.

Statement 6. *The family centered management approach of Malaysian Chinese controlled Public Listed Companies does not provide for the required levels of transparency and accountability to safeguard the interests of minority shareholders.*

Statement 7. *The corporate governance practices of Malaysian Chinese controlled Public Listed Companies are in line with the Principles of the Malaysian Code of Corporate Governance.*

Statement 8. *Malaysian Chinese controlled Public Listed Companies attach much importance to enhancing corporate governance practices.*

Statement 9. *The cultural characteristics of the Malaysian Chinese controlled Public Listed Companies are constraints for the adoption of good CG and CSR practices.*

Statement 10. *The senior management of Chinese controlled Public Listed Companies are generally unaware of the importance of good*
5.3.1 Analysis of the Focus Group Meeting on Proposition 2

As stated in Section 4.1, the Focus Group benefited from the participation of eight senior and knowledgeable persons associated with CG practices in Malaysia. They offered a wide spectrum of candid views and these permitted the researcher to gain useful insights on each of the discussion topics. These were based on the five Statements related to Proposition 2.

The participants agreed on the following:

i. That the Malaysian Chinese family controlled PLCs should introduce appropriate management practices and operating procedures that provide for better levels of transparency and accountability.

ii. The CG practices of the Malaysian Chinese family controlled PLCs are generally inline with the Code of Corporate Governance. However their adopted attitude is generally one of mere compliance as required by the Regulators. They have yet to be appreciative of the value of good CG practices.

iii. Malaysian Chinese family controlled businesses, including those that had attained MNC status, continue to retain much of their traditional Chinese family business culture. Business practices remain “guanxi” based and the agreements made are largely influenced by personal ties.

iv. The decision making structure is often paternalistic in nature and confined to a small inner circle of loyal and trusted family-members. Some of the more
progressive firms, in particular those that have adventured abroad, have incorporated Western management techniques into this Chinese management styles. However, they tend to retain their traditional practices of geomancy (feng shui) and belief in astrology to ensure success.

Some members of the focus group also expressed individual views on other key issues as presented below:-

i. The Boards of Directors of firms which are part of a cross-holding or pyramid shareholding structure are generally weak. In such instances Board members, whether Executive or Independent Directors, often serve in a number of such boards regardless of the possible conflict of interest situations.

ii. Chinese family owned PLC’s have progressed because of policies based on the culture of “know who” rather than “know how”. This erodes good CG practices.

5.3.2 Survey Responses for Research Proposition 2: The culture and management practices of Malaysian Chinese family controlled PLCs provide for good corporate governance and social responsibility practices

This section analyses the survey data relating to Research Proposition 2. Five statements (6-10) in the survey questionnaire related to this proposition. The data relating to each statement are first analyzed. The findings relating to all the five statements are then considered together for testing the survey responses to the proposition.
5.3.2.1 Statement 6: The family centered management approach of Malaysian Chinese controlled Public Listed Companies do not provide for the required transparency and accountability to safeguard the interests of minority shareholders.

The Case Summaries and the Group Cross Tabulations for this Statement are shown in Tables 5.11 and 5.12. The analyses of these statistical tables revealed the following:

i. An overall mean of 3.42. This reflected general agreement to this Statement.

ii. A high standard deviation of 1.080 for the Group “Others”. This indicated marked differences among Group members to the Statement even though the Group had the highest mean of 3.50.

Table 5.11: Case Summaries - Statement 6

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
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</thead>
<tbody>
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<td>Main Board</td>
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<td>.940</td>
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<tr>
<td>Second Board</td>
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<td>3.40</td>
<td>.940</td>
<td>33.3%</td>
<td>33.2%</td>
</tr>
<tr>
<td>Regulators</td>
<td>10</td>
<td>3.40</td>
<td>.843</td>
<td>16.7%</td>
<td>16.6%</td>
</tr>
<tr>
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<td>3.50</td>
<td>1.080</td>
<td>16.7%</td>
<td>17.1%</td>
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<td>.926</td>
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</tbody>
</table>

Source: Survey Data

As shown in Table 5.12 about 50% of the “Regulators” adopted a neutral position. However, 40% of the agreed with the Statement, with a much smaller number (10%) expressing disagreement.

Significantly all the respondents in the Group, “Others” had firm views on the issue. None of them ticked the box “Uncertain” in the Questionnaire in respect of the Statement.
### Table 5.12: Group Type * Statement 6 Crosstabulations

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Count</th>
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<th>Agree</th>
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<td>% within Statement</td>
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<td>3.3%</td>
<td>33.3%</td>
<td>33.3%</td>
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<td>8</td>
<td>2</td>
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<td>20</td>
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<tr>
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<td>% within Group Type</td>
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<td>10.0%</td>
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<td>13.3%</td>
<td>3.3%</td>
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<td>10</td>
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<td>30.0%</td>
<td>10.0%</td>
<td></td>
<td>100.0%</td>
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<td>8.3%</td>
<td>29.4%</td>
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</tr>
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<td></td>
<td>% of Total</td>
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<td>8.3%</td>
<td>5.0%</td>
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<td>16.7%</td>
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<td>6</td>
<td>1</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>30.0%</td>
<td>.0%</td>
<td>60.0%</td>
<td>10.0%</td>
<td></td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
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<td>.0%</td>
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<td>16.7%</td>
<td>16.7%</td>
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<td></td>
<td>% of Total</td>
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<td>.0%</td>
<td>10.0%</td>
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<td>16.7%</td>
<td>16.7%</td>
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<tr>
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<td>60</td>
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<tr>
<td></td>
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<td>41.7%</td>
<td>10.0%</td>
<td></td>
<td>100.0%</td>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
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<tr>
<td></td>
<td>% of Total</td>
<td>20.0%</td>
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<td>41.7%</td>
<td>10.0%</td>
<td>100.0%</td>
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</tr>
</tbody>
</table>

Source: Survey Data

5.3.2.2 Statement 7: The corporate governance practices of Malaysian Chinese controlled Public Listed Companies are inline with the Principles of the Malaysian Code of Corporate Governance.

The Case Summaries and the Group Cross Tabulations for this Statement are shown in Tables 5.13 and 5.14. The analyses of these statistical tables revealed an overall mean of 3.35 or general agreement to this Statement. However there were divided views within
Groups. This was evident by the standard deviations which ranged from a low of 0.733 for the Main Board group to a high of 0.843 for the Regulators group.

Table 5.13: Case Summaries - Statement 7

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
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<td>32.8%</td>
</tr>
<tr>
<td>Second Board</td>
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<td>3.40</td>
<td>.681</td>
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<td>33.8%</td>
</tr>
<tr>
<td>Regulators</td>
<td>10</td>
<td>3.40</td>
<td>.843</td>
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<td>16.9%</td>
</tr>
<tr>
<td>Others</td>
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<td>3.30</td>
<td>.823</td>
<td>16.7%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>3.35</td>
<td>.732</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data

As shown in Table 5.14, the strongest support for this Statement emerged from the Second Board. In parallel the Group had the highest number (40%) of members who adopted a neutral position.

It is also noteworthy that 60% of the Regulators were in agreement with the Statement. Only two disagreed and the other two chose to remain neutral. Significantly, none of the Regulators supported the Statement.
<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Board</strong></td>
<td>Count</td>
<td>3</td>
<td>8</td>
<td>9</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>15.0%</td>
<td>40.0%</td>
<td>45.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>33.3%</td>
<td>38.1%</td>
<td>30.0%</td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>5.0%</td>
<td>13.3%</td>
<td>15.0%</td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Second Board</strong></td>
<td>Count</td>
<td>2</td>
<td>8</td>
<td>10</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>10.0%</td>
<td>40.0%</td>
<td>50.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>22.2%</td>
<td>38.1%</td>
<td>33.3%</td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>3.3%</td>
<td>13.3%</td>
<td>16.7%</td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Regulators</strong></td>
<td>Count</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>20.0%</td>
<td>20.0%</td>
<td>60.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>22.2%</td>
<td>9.5%</td>
<td>20.0%</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>3.3%</td>
<td>3.3%</td>
<td>10.0%</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>Count</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>20.0%</td>
<td>30.0%</td>
<td>50.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>22.2%</td>
<td>14.3%</td>
<td>16.7%</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>3.3%</td>
<td>5.0%</td>
<td>8.3%</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Count</td>
<td>9</td>
<td>21</td>
<td>30</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>15.0%</td>
<td>35.0%</td>
<td>50.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>15.0%</td>
<td>35.0%</td>
<td>50.0%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data
5.3.2.3 Statement 8: Malaysian Chinese controlled Public Listed Companies attach much importance to enhancing corporate governance practices.

The Case Summaries and the Group Cross Tabulations for this Statement are shown in Tables 5.15 and 5.16. The analysis of these statistical tables revealed that the survey participants rejected the Statement as borne out by a mean of 2.43. Significantly the Group “Others” registered the lowest mean at 2.20 and the lowest standard deviation at 0.422. This clearly indicated that all members of the Group were not supportive of the Statement.

### Table 5.15: Case Summaries - Statement 8

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
<td>20</td>
<td>2.40</td>
<td>.598</td>
<td>33.3%</td>
<td>32.9%</td>
</tr>
<tr>
<td>Second Board</td>
<td>20</td>
<td>2.60</td>
<td>.940</td>
<td>33.3%</td>
<td>35.6%</td>
</tr>
<tr>
<td>Regulators</td>
<td>10</td>
<td>2.40</td>
<td>.516</td>
<td>16.7%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>2.20</td>
<td>.422</td>
<td>16.7%</td>
<td>15.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60</td>
<td>2.43</td>
<td>.698</td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data

As shown in Table 5.16, more than 60% of the participants of the Groups comprising the Main Board and the Second Board were also of the view the Malaysian Chinese family controlled PLCs should give more attention to improving their GC practices.
<table>
<thead>
<tr>
<th>Group Type</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
<td>Count</td>
<td>13</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>20</td>
</tr>
</tbody>
</table>
|            | % within Group Type| 65.0%    | 30.0%     | 5.0%  | .0%            | 100.0%
|            | % within Statement | 33.3%    | 33.3%     | 100.0%| .0%            | 33.3% |
|            | % of Total         | 21.7%    | 10.0%     | 1.7%  | .0%            | 33.3% |
| Second Board | Count              | 12       | 6         | 0     | 2              | 20    |
|            | % within Group Type| 60.0%    | 30.0%     | .0%   | 10.0%          | 100.0%
|            | % within Statement | 30.8%    | 33.3%     | .0%   | 100.0%         | 33.3% |
|            | % of Total         | 20.0%    | 10.0%     | .0%   | 3.3%           | 33.3% |
| Regulators | Count              | 6        | 4         | 0     | 0              | 10    |
|            | % within Group Type| 60.0%    | 40.0%     | .0%   | .0%            | 100.0%
|            | % within Statement | 15.4%    | 22.2%     | .0%   | .0%            | 16.7% |
|            | % of Total         | 10.0%    | 6.7%      | .0%   | .0%            | 16.7% |
| Others     | Count              | 8        | 2         | 0     | 0              | 10    |
|            | % within Group Type| 80.0%    | 20.0%     | .0%   | .0%            | 100.0%
|            | % within Statement | 20.5%    | 11.1%     | .0%   | .0%            | 16.7% |
|            | % of Total         | 13.3%    | 3.3%      | .0%   | .0%            | 16.7% |
| Total      | Count              | 39       | 18        | 1     | 2              | 60    |
|            | % within Group Type| 65.0%    | 30.0%     | 1.7%  | 3.3%           | 100.0%
|            | % within Statement | 100.0%   | 100.0%   | 100.0%| 100.0%         | 100.0%
|            | % of Total         | 65.0%    | 30.0%     | 1.7%  | 3.3%           | 100.0%

Source: Survey Data
5.3.2.4 Statement 9: The cultural characteristics of Malaysian Chinese controlled Public Listed Companies are constraints for the adoption of good corporate social responsibility practices.

The Case Summaries and the Group Cross Tabulations for this Statement are shown in Tables 5.17 and 5.18. The analyses of the statistical tables revealed that the Statement was rejected by the survey participants as borne out by a mean of 2.62. However there were high levels of disagreement within the Groups. This is manifested by the standard deviation exceeding 1.0 with the highest being recorded by the Regulators.

Table 5.17: Case Summaries - Statement 9

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
<td>20</td>
<td>2.60</td>
<td>1.142</td>
<td>33.3%</td>
<td>33.1%</td>
</tr>
<tr>
<td>Second Board</td>
<td>20</td>
<td>2.90</td>
<td>1.165</td>
<td>33.3%</td>
<td>36.9%</td>
</tr>
<tr>
<td>Regulators</td>
<td>10</td>
<td>2.40</td>
<td>1.265</td>
<td>16.7%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>2.30</td>
<td>1.059</td>
<td>16.7%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>2.62</td>
<td>1.151</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data

Table 5.18 shows that, a total of 36 respondents disagreed with the Statement as compared to the 21 who were supportive. The majority of the firms who were not supportive were from the Main and the Second Boards.
Table 5.18: Group Type * Statement 9 Crosstabulations

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Board</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
<td>3</td>
<td>9</td>
<td>1</td>
<td>7</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>15.0%</td>
<td>45.0%</td>
<td>5.0%</td>
<td>35.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% within Statement</td>
<td>33.3%</td>
<td>33.3%</td>
<td>33.3%</td>
<td>35.0%</td>
<td>.0%</td>
<td>33.3%</td>
</tr>
<tr>
<td>% of Total</td>
<td>5.0%</td>
<td>15.0%</td>
<td>1.7%</td>
<td>11.7%</td>
<td>.0%</td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>Second Board</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
<td>1</td>
<td>10</td>
<td>0</td>
<td>8</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>5.0%</td>
<td>50.0%</td>
<td>.0%</td>
<td>40.0%</td>
<td>5.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% within Statement</td>
<td>11.1%</td>
<td>37.0%</td>
<td>.0%</td>
<td>40.0%</td>
<td>100.0%</td>
<td>33.3%</td>
</tr>
<tr>
<td>% of Total</td>
<td>1.7%</td>
<td>16.7%</td>
<td>.0%</td>
<td>13.3%</td>
<td>1.7%</td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>Regulators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
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<td>3</td>
<td>1</td>
<td>3</td>
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<td>10</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>30.0%</td>
<td>30.0%</td>
<td>10.0%</td>
<td>30.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% within Statement</td>
<td>33.3%</td>
<td>11.1%</td>
<td>33.3%</td>
<td>15.0%</td>
<td>.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td>% of Total</td>
<td>5.0%</td>
<td>5.0%</td>
<td>1.7%</td>
<td>5.0%</td>
<td>.0%</td>
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<td>1</td>
<td>2</td>
<td>0</td>
<td>10</td>
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<tr>
<td>% within Group Type</td>
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<td>50.0%</td>
<td>10.0%</td>
<td>20.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% within Statement</td>
<td>22.2%</td>
<td>18.5%</td>
<td>33.3%</td>
<td>10.0%</td>
<td>.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td>% of Total</td>
<td>3.3%</td>
<td>8.3%</td>
<td>1.7%</td>
<td>3.3%</td>
<td>.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
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<td>Count</td>
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<td>3</td>
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<td>60</td>
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<td>45.0%</td>
<td>5.0%</td>
<td>33.3%</td>
<td>1.7%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% within Statement</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>15.0%</td>
<td>45.0%</td>
<td>5.0%</td>
<td>33.3%</td>
<td>1.7%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data
5.3.2.5 **Statement 10**: The senior management of Chinese controlled Public Listed Companies are generally unaware of the importance of good corporate governance and corporate social responsibility practices for their growth and expansion.

The Case Summaries and the Group Cross Tabulations for the Statement are shown in Tables 5.19 and 5.20. The analysis of these statistical tables revealed an overall mean of 3.05 which indicates that a large number of participants had no firm views on the Statement. However, the members of the Second Board, with a mean of 3.30, were more inclined to support the Statement.

<table>
<thead>
<tr>
<th>Table 5.19: Case Summaries - Statement 10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group Type</strong></td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>Main Board</td>
</tr>
<tr>
<td>Second Board</td>
</tr>
<tr>
<td>Regulators</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

**Source: Survey Data**

As shown in Table 5.20, none of the survey participants registered a “Strongly Disagree” response. However, three participants expressed strong agreement with another 26 expressing there support. On balance however, the analysis revealed a situation of neither agreement nor disagreement.
Table 5.20: Group Type * Statement 10 Crosstabulations

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
<td>Count</td>
<td>11</td>
<td>0</td>
<td>8</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>55.0%</td>
<td>.0%</td>
<td>40.0%</td>
<td>5.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>37.9%</td>
<td>.0%</td>
<td>30.8%</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>18.3%</td>
<td>.0%</td>
<td>13.3%</td>
<td>1.7%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Second Board</td>
<td>Count</td>
<td>7</td>
<td>2</td>
<td>9</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>35.0%</td>
<td>10.0%</td>
<td>45.0%</td>
<td>10.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>24.1%</td>
<td>100.0%</td>
<td>34.6%</td>
<td>66.7%</td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
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<td>3.3%</td>
<td>15.0%</td>
<td>3.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Regulators</td>
<td>Count</td>
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<td>4</td>
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</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>60.0%</td>
<td>.0%</td>
<td>40.0%</td>
<td>.0%</td>
<td>100.0%</td>
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<td>% within Statement</td>
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<td>15.4%</td>
<td>.0%</td>
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<td>10.0%</td>
<td>.0%</td>
<td>6.7%</td>
<td>.0%</td>
<td>16.7%</td>
</tr>
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<td>0</td>
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<tr>
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<td>50.0%</td>
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</tr>
<tr>
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<td>% within Statement</td>
<td>17.2%</td>
<td>.0%</td>
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<td>.0%</td>
<td>16.7%</td>
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<td>60</td>
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<td>% within Group Type</td>
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<td>3.3%</td>
<td>43.3%</td>
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<td>100.0%</td>
</tr>
<tr>
<td></td>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
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<tr>
<td></td>
<td>% of Total</td>
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<td>3.3%</td>
<td>43.3%</td>
<td>5.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data
5.3.3 Analysis of the Combined Survey Responses to Research Proposition 2

The Combined Survey Responses to Research Statements 6, 7, 8, 9 and 10 for Research Proposition 2 are presented in Figures 5.4, and 5.5.

It can be seen from Figure 5.4, which presents the results of the Combined and Recoded responses – in terms of only “Agree”, “Uncertain” and “Disagree” – that only 38% of the combined responses reflected agreement for the Statements. A higher number or almost 42% disagreed. The “Uncertain” responses amounted to 20.33%.

This breakdown clearly indicated that the participants had mixed responses to all five Statements.

Figure 5.4: Results of Combined and Re-coded Responses

Source Survey Data
Figure 5.5 depicts the Combined Survey Responses from the perspectives of the different Groups. It shows that the members of the Second Board were equally divided with 35% expressing agreement and a similar number expressing disagreement. The differences were more marked with members of the Main Board since 43% expressed disagreement and only 36% supported the Proposition.

Figure 5.5: Composition by Group Type

![Graph showing survey responses by group type.]

Source: Survey Data

5.3.4 Testing of Research Proposition 2

As discussed in Section 5.3.1, the Focus Group considered the five Statements related to this Proposition. Although some members agreed to some of the Statements there was overall disagreement on the Proposition.

The situation was similar with the Questionnaire Survey participants. While, they agreed with Statements 6 and 7 and were neutral on Statement 10, they did not support the
remaining Statements. On balance therefore, the survey participants did not accept Proposition 2.

Taking account of the findings of the Focus Group meeting and the Questionnaire Survey, the researcher rejected Proposition 2.

5.4 Testing of Research Proposition 3: Malaysian Chinese family controlled PLCs are adopting appropriate measures to enhance their CG practices

Statements 11-15, in the Questionnaire Survey, are related to this Proposition and they are presented below.


Statement 12. *The senior management of Chinese controlled Public Listed Companies fully comply with the accounting and auditing requirements stipulated by the Malaysian regulatory authorities.*

Statement 13. *The Independent Directors of Chinese controlled Public Listed Companies have the necessary powers and authority to effectively discharge their stewardship and auditing functions.*

Statement 14. *The majority shareholders of Chinese controlled Public Listed Companies fully comply with the requirements of the Securities Commission as regards disclosure and accountability.*
Statement 15. *The majority shareholders of Chinese controlled Public Listed Companies pay little regard to safeguarding the interests of the minority shareholders.*

5.4.1 Analysis of the Focus Group Meeting on Proposition 3

As stated in Section 4.1 the Focus Group benefited from the participation of eight senior and knowledgeable persons associated with CG practices in Malaysia. They offered a wide spectrum of candid views and these permitted the researcher to gain useful insights on each discussion topic. These were based on the five Statements related to the Proposition.

The participants were in agreement that:

i. The senior management of Malaysian Chinese family controlled PLCs should be encouraged to become fully familiar with the various listing requirements. One modality for this is an accreditation program by the Securities Commission.

ii. The current practice of Independent Directors being appointed by the controlling shareholders often results in them being regarded as proxies of the controlling shareholders. This practice could constrain them from discharging their responsibilities associated with their stewardship role in the firm.

iii. Controlling shareholders generally meet the minimal statutory requirements with regard to CG practices as they do not consider them beneficial to their firms.
iv. Controlling shareholders also hold the view that minority shareholders are only interested in the price of their shares with little interest in complying with CG practices.

v. Malaysian Chinese family controlled PLCs initially rely on internally generated funds for growth. External funds, secured through the listing of their firms, are only considered necessary after the firms can no longer rely on internal resources for further expansion.

The participants had divided views on two pertinent issues. First the implications of the NEP on the operations of the Malaysian Chinese family controlled PLCs. One member started that the realities of the situation necessitated the PLCs to be pragmatic. Consequently they had to adopt strategic approaches which focus on including new non Chinese business partners who are well connected with the ruling political party.

Second was the requirement, under the present Code of CG, to report disclosure only to Bursa Malaysia. One member suggested the PLCs should also publish their CG practices in the major local dailies. The local media should also ensure that coverage of such disclosures are properly examined and reported.

5.4.2 Survey Responses for Research Proposition 3: Malaysian Chinese family controlled PLCs are adopting appropriate measures to enhance their CG practices

This section presents the analyses of the survey data relating to Research Proposition 3. Five Statements (11-15) in the Survey Questionnaire related to this Proposition. The data relating to each Statement are first analyzed. The findings relating to all the five
Statements are then considered together for testing the survey responses to the Proposition.

5.4.2.1 Statement 11: The senior management of Chinese controlled Public Listed Companies is fully familiar with the Principles of the Malaysian Code of Corporate Governance

The findings of the survey for Statement 11 are shown in Tables 5.21 and 5.22 and summarized as follows:-

i. A rejection of this Statement by the survey participants. This is borne out by a mean of 2.90.

ii. Low standard deviations (below 1.00). This indicated greater unanimity among members in each Group.

Table 5.21: Case Summaries - Statement 11

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
<td>20</td>
<td>2.85</td>
<td>.875</td>
<td>33.3%</td>
<td>32.8%</td>
</tr>
<tr>
<td>Second Board</td>
<td>20</td>
<td>2.85</td>
<td>.745</td>
<td>33.3%</td>
<td>32.8%</td>
</tr>
<tr>
<td>Regulators</td>
<td>10</td>
<td>2.90</td>
<td>.876</td>
<td>16.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>3.10</td>
<td>.994</td>
<td>16.7%</td>
<td>17.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60</td>
<td>2.90</td>
<td>.838</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data

As shown in Table 5.22, about 38% of the respondents disagreed with the Statement. They were largely from the Groups representing the Main Board and Second Board. It is also noteworthy that nine of the 20 participants in the Second Board Group were uncertain as to whether Malaysian Chinese family controlled PLCs adopt good CG practices.
### Table 5.22: Group Type * Statement 11 Crosstabulations

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Board</strong></td>
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<td>20</td>
</tr>
<tr>
<td></td>
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<td>25.0%</td>
<td>30.0%</td>
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</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>39.1%</td>
<td>23.8%</td>
<td>40.0%</td>
<td>.0%</td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
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<td>8.3%</td>
<td>10.0%</td>
<td>.0%</td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>Second Board</strong></td>
<td>Count</td>
<td>7</td>
<td>9</td>
<td>4</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>35.0%</td>
<td>45.0%</td>
<td>20.0%</td>
<td>.0%</td>
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<td>26.7%</td>
<td>.0%</td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
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<td>6.7%</td>
<td>.0%</td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>Regulators</strong></td>
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<td>3</td>
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<td>10</td>
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<td>30.0%</td>
<td>.0%</td>
<td>100.0%</td>
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<td></td>
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<td>.0%</td>
<td>16.7%</td>
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<td></td>
<td>% of Total</td>
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<td>5.0%</td>
<td>5.0%</td>
<td>.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>Count</td>
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<td>2</td>
<td>1</td>
<td>10</td>
</tr>
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<td></td>
<td>% within Group Type</td>
<td>30.0%</td>
<td>40.0%</td>
<td>20.0%</td>
<td>10.0%</td>
<td>100.0%</td>
</tr>
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<td></td>
<td>% within Statement</td>
<td>13.0%</td>
<td>19.0%</td>
<td>13.3%</td>
<td>100.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>5.0%</td>
<td>6.7%</td>
<td>3.3%</td>
<td>1.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Count</td>
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<td>60</td>
</tr>
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<td></td>
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<td>25.0%</td>
<td>1.7%</td>
<td>100.0%</td>
</tr>
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<td></td>
<td>% within Statement</td>
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</tr>
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<td>25.0%</td>
<td>1.7%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data
5.4.2.2 Statement 12: The senior management of Chinese controlled Public Listed Companies fully comply with the accounting and auditing requirements stipulated by the Malaysian regulatory authorities

The survey findings of for Statement 12 are shown in Tables 5.23 and 5.24 and summarized as follows:-

i. An overall mean of 3.48 or a general agreement to this Statement.

ii. The Regulators Group registered the highest mean of 4.10 and the lowest standard deviations (0.876) indicating more cohesive agreement within the Group.

Table 5.23: Case Summaries - Statement 12

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<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
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</tr>
<tr>
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<td>1.040</td>
<td>33.3%</td>
<td>30.1%</td>
</tr>
<tr>
<td>Regulators</td>
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<td>4.10</td>
<td>.876</td>
<td>16.7%</td>
<td>19.6%</td>
</tr>
<tr>
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<td>.919</td>
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<td>18.2%</td>
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<td><strong>Total</strong></td>
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<td>3.48</td>
<td>1.000</td>
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<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data

Table 5.24 shows that 90% of the participants in the Regulators Group agreed with this Statement while only 10% disagreed. It is also significant that more than half of the Main Board members agreed with the Statement. Equally noteworthy is the relatively high level of disagreement expressed by the Second Board members. The overall pattern of responses indicates that there were differences between Groups on the level of compliance by Chinese with the accounting and auditing requirements.
### Table 5.24: Group Type * Statement 12 Crosstabulations

<table>
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<th>Group Type</th>
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<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Board</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
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<td>10</td>
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<td></td>
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</tr>
<tr>
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<td>33.3%</td>
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</tr>
<tr>
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<td>6.7%</td>
<td>16.7%</td>
<td>1.7%</td>
<td></td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Second Board</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
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<td>6</td>
<td>2</td>
<td></td>
<td>20</td>
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<td>% within Group Type</td>
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<td>30.0%</td>
<td>10.0%</td>
<td>100.0%</td>
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<td>% within Statement</td>
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<tr>
<td>% of Total</td>
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<td></td>
<td>33.3%</td>
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<tr>
<td><strong>Regulators</strong></td>
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<td></td>
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<td></td>
</tr>
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<td>6</td>
<td>3</td>
<td></td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>% within Group Type</td>
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<td>.0%</td>
<td>60.0%</td>
<td>30.0%</td>
<td>100.0%</td>
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</tr>
<tr>
<td>% within Statement</td>
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<td>7.1%</td>
<td>.0%</td>
<td>22.2%</td>
<td>37.5%</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>1.7%</td>
<td>.0%</td>
<td>10.0%</td>
<td>5.0%</td>
<td></td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>11</td>
<td>27</td>
<td>8</td>
<td></td>
<td>60</td>
<td></td>
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<tr>
<td>% within Group Type</td>
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<td>23.3%</td>
<td>18.3%</td>
<td>45.0%</td>
<td>13.3%</td>
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<td></td>
</tr>
<tr>
<td>% within Statement</td>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>23.3%</td>
<td>18.3%</td>
<td>45.0%</td>
<td>13.3%</td>
<td></td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data
5.4.2.3 **Statement 13:** The Independent Directors of Chinese controlled Public Listed Companies have the necessary powers and authority to effectively discharge their stewardship and auditing functions.

The Case Summary and the Group Cross Tabulation for Statement 13 are shown in Tables 5.25 and 5.26. The analyses of the statistical tables reveal the following:

i. A rejection of this Statement by the survey participants as reflected by the mean of 2.53.

ii. The Group “Others” registering a mean of 3.00 and a high standard deviation of 1.247. This manifested a wide division of thought within the Group on this Statement.

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
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<td>2.30</td>
<td>.979</td>
<td>33.3%</td>
<td>30.3%</td>
</tr>
<tr>
<td>Second Board</td>
<td>20</td>
<td>2.60</td>
<td>.940</td>
<td>33.3%</td>
<td>34.2%</td>
</tr>
<tr>
<td>Regulators</td>
<td>10</td>
<td>2.40</td>
<td>.966</td>
<td>16.7%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>3.00</td>
<td>1.247</td>
<td>16.7%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>2.53</td>
<td>1.016</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

**Source:** Survey Data

As shown in Table 5.26, more than 56% of the Survey participants disagreed with the Statement. As regards the remaining participants, the numbers that supported the Statement were equal to the numbers that remained neutral. Significantly none of the Regulators Group disagreed with this Statement. This implies that they were of the view that the existing legislation provides adequate powers to the Independent Directors to effectively discharge their stewardship and auditing functions.
Table 5.26: Group Type * Statement 13 Crosstabulations

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Board</strong></td>
<td>Count</td>
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<td></td>
<td></td>
<td></td>
<td>20</td>
</tr>
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<td></td>
<td>4</td>
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<td>4</td>
<td>3</td>
<td>0</td>
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</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>20.0%</td>
<td>45.0%</td>
<td>20.0%</td>
<td>15.0%</td>
<td>.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>50.0%</td>
<td>34.6%</td>
<td>30.8%</td>
<td>25.0%</td>
<td>.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>6.7%</td>
<td>15.0%</td>
<td>6.7%</td>
<td>5.0%</td>
<td>.0%</td>
</tr>
<tr>
<td><strong>Second Board</strong></td>
<td>Count</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20</td>
</tr>
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<td></td>
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<td>4</td>
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<tr>
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</tr>
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</tr>
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</tr>
<tr>
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<td>Count</td>
<td></td>
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</tr>
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<td>% within Group Type</td>
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<td>10.0%</td>
<td>20.0%</td>
<td>.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
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</tr>
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<td>1.7%</td>
<td>3.3%</td>
<td>.0%</td>
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<tr>
<td><strong>Others</strong></td>
<td>Count</td>
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<td></td>
<td></td>
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</tr>
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<td>2</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
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<td>30.0%</td>
<td>20.0%</td>
<td>30.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>12.5%</td>
<td>11.5%</td>
<td>15.4%</td>
<td>25.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>1.7%</td>
<td>5.0%</td>
<td>3.3%</td>
<td>5.0%</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Count</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>60</td>
</tr>
<tr>
<td></td>
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<td>13</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
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<td>43.3%</td>
<td>21.7%</td>
<td>20.0%</td>
<td>1.7%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>13.3%</td>
<td>43.3%</td>
<td>21.7%</td>
<td>20.0%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Source: Survey Data
5.4.2.4 Statement 14: The majority shareholders of Chinese controlled Public Listed Companies fully comply with the requirements of the Securities Commission as regards disclosure and accountability

The Case Summaries and the Group Cross Tabulations for Statement 14 are shown in Tables 5.27 and 5.28. The analysis of the statistical Tables revealed the following:

i. An overall mean of 3.80 which indicated a general agreement to this Statement.

ii. Low standard deviation (0.632) implying that all members within all the Groups were supportive of this Statement.

Table 5.27: Case Summaries - Statement 14

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
<td>20</td>
<td>3.70</td>
<td>.571</td>
<td>33.3%</td>
<td>32.5%</td>
</tr>
<tr>
<td>Second Board</td>
<td>20</td>
<td>3.80</td>
<td>.616</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Regulators</td>
<td>10</td>
<td>4.00</td>
<td>.667</td>
<td>16.7%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>3.80</td>
<td>.789</td>
<td>16.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>3.80</td>
<td>.632</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data

As shown in Table 5.28, three quarters of the participants supported the Statement. It is also significant that 22% of them adopted a neutral position, with the largest number being members of the Main Board Group.
Table 5.28: Group Type * Statement 14 Crosstabulation

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Board</strong></td>
<td>Count</td>
<td>0</td>
<td>7</td>
<td>12</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>35.0%</td>
<td>60.0%</td>
<td>5.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>.0%</td>
<td>53.8%</td>
<td>30.0%</td>
<td>20.0%</td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>11.7%</td>
<td>20.0%</td>
<td>1.7%</td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>Second Board</strong></td>
<td>Count</td>
<td>1</td>
<td>3</td>
<td>15</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>5.0%</td>
<td>15.0%</td>
<td>75.0%</td>
<td>5.0%</td>
<td>100.0%</td>
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<tr>
<td></td>
<td>% within Statement</td>
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<td>37.5%</td>
<td>20.0%</td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
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<td>5.0%</td>
<td>25.0%</td>
<td>1.7%</td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>Regulators</strong></td>
<td>Count</td>
<td>0</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>10</td>
</tr>
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<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>20.0%</td>
<td>60.0%</td>
<td>20.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>.0%</td>
<td>15.4%</td>
<td>15.0%</td>
<td>40.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>3.3%</td>
<td>10.0%</td>
<td>3.3%</td>
<td>16.7%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>Count</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>10.0%</td>
<td>10.0%</td>
<td>70.0%</td>
<td>10.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement</td>
<td>50.0%</td>
<td>7.7%</td>
<td>17.5%</td>
<td>20.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>1.7%</td>
<td>1.7%</td>
<td>11.7%</td>
<td>1.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Count</td>
<td>2</td>
<td>13</td>
<td>40</td>
<td>5</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>3.3%</td>
<td>21.7%</td>
<td>66.7%</td>
<td>8.3%</td>
<td>100.0%</td>
</tr>
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<td>% within Statement</td>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>3.3%</td>
<td>21.7%</td>
<td>66.7%</td>
<td>8.3%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data
5.4.2.5 Statement 15: The majority shareholder of Chinese controlled Public Listed Companies pay little regard to safeguarding the interests of the minority shareholder

The Case Summaries and the Group Cross Tabulations for Statement 15 are shown in Tables 5.29 and 5.30. The analyses of the statistical tables revealed the following:

i. An overall mean of 3.30 or a general agreement to this Statement.

ii. The participants in the Main Board Group recording the highest mean of 3.45. This Group also had the lowest standard deviation of 0.759.

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>% of Total N</th>
<th>% of Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Board</td>
<td>20</td>
<td>3.45</td>
<td>.759</td>
<td>33.3%</td>
<td>34.8%</td>
</tr>
<tr>
<td>Second Board</td>
<td>20</td>
<td>3.25</td>
<td>.967</td>
<td>33.3%</td>
<td>32.8%</td>
</tr>
<tr>
<td>Regulators</td>
<td>10</td>
<td>3.10</td>
<td>.876</td>
<td>16.7%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>3.30</td>
<td>.949</td>
<td>16.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>3.30</td>
<td>.869</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data

Table 5.30 shows that 60% of the participants in the Main Board group as well as the Others group agreed with this Statement. The corresponding figure for the Groups, Second Board and Others were however lower at 45% and 40% respectively.
### Table 5.30: Group Type * Statement 15 Crosstabulations

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Board</strong></td>
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<td>5</td>
<td>12</td>
<td>0</td>
<td>20</td>
<td><strong>Count</strong></td>
</tr>
<tr>
<td>% within Group Type</td>
<td>15.0%</td>
<td>25.0%</td>
<td>60.0%</td>
<td>.0%</td>
<td>100.0%</td>
<td><strong>% within Group Type</strong></td>
</tr>
<tr>
<td>% within Statement</td>
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<td>38.5%</td>
<td>38.7%</td>
<td>.0%</td>
<td>33.3%</td>
<td><strong>% within Statement</strong></td>
</tr>
<tr>
<td>% of Total</td>
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<td>8.3%</td>
<td>20.0%</td>
<td>.0%</td>
<td>33.3%</td>
<td><strong>% of Total</strong></td>
</tr>
<tr>
<td><strong>Second Board</strong></td>
<td>6</td>
<td>4</td>
<td>9</td>
<td>1</td>
<td>20</td>
<td><strong>Count</strong></td>
</tr>
<tr>
<td>% within Group Type</td>
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<td>20.0%</td>
<td>45.0%</td>
<td>5.0%</td>
<td>100.0%</td>
<td><strong>% within Group Type</strong></td>
</tr>
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<td>% within Statement</td>
<td>40.0%</td>
<td>30.8%</td>
<td>29.0%</td>
<td>100.0%</td>
<td>33.3%</td>
<td><strong>% within Statement</strong></td>
</tr>
<tr>
<td>% of Total</td>
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<td>6.7%</td>
<td>15.0%</td>
<td>1.7%</td>
<td>33.3%</td>
<td><strong>% of Total</strong></td>
</tr>
<tr>
<td><strong>Regulators</strong></td>
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<td>3</td>
<td>4</td>
<td>0</td>
<td>10</td>
<td><strong>Count</strong></td>
</tr>
<tr>
<td>% within Group Type</td>
<td>30.0%</td>
<td>30.0%</td>
<td>40.0%</td>
<td>.0%</td>
<td>100.0%</td>
<td><strong>% within Group Type</strong></td>
</tr>
<tr>
<td>% within Statement</td>
<td>20.0%</td>
<td>23.1%</td>
<td>12.9%</td>
<td>.0%</td>
<td>16.7%</td>
<td><strong>% within Statement</strong></td>
</tr>
<tr>
<td>% of Total</td>
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<td>5.0%</td>
<td>6.7%</td>
<td>.0%</td>
<td>16.7%</td>
<td><strong>% of Total</strong></td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>15</td>
<td>13</td>
<td>31</td>
<td>1</td>
<td>60</td>
<td><strong>Count</strong></td>
</tr>
<tr>
<td>% within Group Type</td>
<td>25.0%</td>
<td>21.7%</td>
<td>51.7%</td>
<td>1.7%</td>
<td>100.0%</td>
<td><strong>% within Group Type</strong></td>
</tr>
<tr>
<td>% within Statement</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td><strong>% within Statement</strong></td>
</tr>
<tr>
<td>% of Total</td>
<td>25.0%</td>
<td>21.7%</td>
<td>51.7%</td>
<td>1.7%</td>
<td>100.0%</td>
<td><strong>% of Total</strong></td>
</tr>
</tbody>
</table>

*Source: Survey Data*
5.4.3 Analysis of the Combined Responses to Research Proposition 3

The combined survey responses to Research Statements 11, 12, 13, 14 and 15 for Research Proposition 1 are summarized and presented in Figure 5.6 and 5.7.

It can be seen from Figure 5.6 which presents the results of the Combined and Recoded responses – in terms of only “Agree”, “Uncertain” and “Disagree” – that 47% of the combined responses reflected agreement with the Statements. Only 29% disagreed. The “Uncertain/Neutral” responses were also relatively high (23%). This could be attributed to the sensitive nature of the statements and the cultural characteristics of the Groups.

Figure 5.6: Results of Re-coded Responses

Source Survey Data

Figure 5.7 depicts the Combined Survey Responses form the perspectives of the different Groups. It clearly shows that within each Group a large number expressed support for the Proposition. It is also significant that the numbers who were “Uncertain” were also high particularly in respect of the participants from the Main and Second Boards.
5.4.4 Testing of Research Proposition 3

As discussed in Section 5.4.1 the Focus Group considered the five Statements related to this Proposition. Although some members were not supportive of some Statements, there was nevertheless overall agreement on the Proposition.

The situation was similar with the Questionnaire Survey participants. While they did not accept Statements 11 and 13, they supported the remaining Statements. On balance therefore there was support for Proposition 3.

Taking account of the findings of the Focus Group meeting and the Questionnaire Survey, the researcher deems Proposition 3 to be accepted.
5.5 Unplanned Data

As discussed in Section 3.8, the literature review revealed several gaps in the existing body of knowledge. These formed the basis for developing the research questions and the crafting of the tested research propositions. Every endeavor was made by the researcher to include in this research all the issues that merited investigation.

However, some focus group members raised important issues which were not reflected in the questionnaire survey. They are therefore treated as “Unplanned” data and presented below:

i. The introduction of a CG rating systems for all PLC. These ratings which measure a company’s CG practices should be introduced by the Bursa Malaysia. Furthermore BM should publicize the findings in order to reward those companies that achieved high ratings in terms of their CG practices.

ii. A member of the Group suggested that non PLCs should also be encouraged to practice good CG. This was on the grounds that a CG framework has several stakeholders including suppliers and consumers. They could be adversely affected by a firm’s negative CG practices regardless of whether it is a PLC or non PLC.

iii. Appropriate measures should be taken by the Government to make the business operations of pyramid holdings and cross holdings more transparent. This was necessary for PLCs which were components of pyramids as those who control such pyramids are usually not on the board of directors.

iv. Another significant issue was a need to differentiate CG from corporate responsibility. It was suggested out that the adoption of corporate responsibility
practices, with stronger penalties for Directors who are in breach of rules, would compel them to discharge their obligations in line with statutory requirements.

5.6 Conclusion

This chapter presented and analyzed the views of the focus group and the responses to the questionnaire survey. The findings permitted the testing of the three research propositions. The chapter also identified the unplanned data that emerged during the research.

The next and final chapter discusses the conclusions that can be drawn with the testing of each research proposition. It then discusses the implications on the research problem, theory development, policy and practice.
Chapter 6
Conclusion

6.1 Introduction

Chapter 1 introduced the topic for this research namely “How do good corporate governance practices impact on Chinese family owned businesses”. It outlined the background, justification and the organization of the thesis. The justification was based on the objectives set for the thesis namely:

i. To determine the adequacy of the Malaysian Government’s policies and enforcement of the Malaysian CG framework

ii. To determine the impact of the cultural and management practices of Malaysian Chinese controlled PLCs towards good CG and socially responsible business practices

iii. To formulate the desired approaches for improving the CG practices of Malaysian Chinese controlled PLCs.

To achieve these objectives, Chapter 2 provided the background information about Malaysia. It also presented the geographical, historical, economic and political setting for the research.

Chapter 3 continued the literature review with a discussion on the parent and immediate disciplines. The former comprised entrepreneurship, culture and corporate governance. The immediate disciplines were Malaysian CG practices and the CG of the Malaysian Chinese business community. The Chapter concluded with the identification of the
research gaps. The research questions were then developed as a basis for the crafting of the three research propositions that were tested by this research.

**Figure 6.1: Chapter Structure**

Chapter 4 discussed the research paradigm, the research design and the data collection techniques that were used to collect qualitative and quantifiable data. It set out the conduct of the focus group and the questionnaire survey. It then examined the measures
taken to provide for research quality namely reliability and validity and the procedures to
deal with these issues. The Chapter concluded with a discussion on the data analysis
processes and the pertinent, business ethical issues.

Chapter 5 described the data analysis process in accordance with the established
framework of data analysis and techniques. The general conclusions of the Focus Group
meeting and the Questionnaire Survey were described.

These analytical approaches yielded new insights on the research issues that enabled the
researcher to:

i. Draw conclusions and offer recommendations on each research proposition to
   address the research problem

ii. discuss the implications of this research on new theory development

iii. Examine the contributions of this research by way of recommendations for
    consideration by policy makers and the owners/senior management of Chinese
    family controlled PLCs.

iv. Highlight the areas that merit further research.

Accordingly this chapter is divided into seven sections as shown in Figure 6.1. Section
6.2 presents the conclusion and recommendation on each of the three propositions. For
this purpose, the findings of the literature review and the analysis of the primary data
were taken fully into account.

Based on the outcomes, Section 6.3 addresses the research problem and provides the
overall conclusions of this Chapter. Section 6.4 presents the implications of this research
on new theory development. The next Section 6.5 presents the contributions of this research for policy and practice by the Government bodies and Chinese family owned PLCs. Section 6.6 provides the limitations for this research. Section 6.7 addresses the areas that warrant further research. The final Section 6.8 sets out the conclusions.

### 6.2 Conclusions on the Research Propositions

This Section presents the conclusions in respect of each of the three research propositions. They are listed below for ease of reference.

Research Proposition 1. *Malaysia has a balanced and effectively enforced corporate governance framework.*

Research Proposition 2. *The culture and management practices of Malaysian Chinese family controlled PLCs provide for good corporate governance and social responsibility practices.*

Research Proposition 3. *Malaysian Chinese family controlled PLCs are adopting appropriate measures to enhance their CG practices.*

#### 6.2.1 Research Proposition 1: Malaysia has a balanced and effectively enforced corporate governance framework

The literature revealed that there was much information on global CG practices. There was also much prior research on the measures introduced by the Government to improve CG practices. These were considered necessary to avoid a repetition of the problems incurred by the Malaysian corporate sector following the Asian Financial Crisis in 1997.
Another push factor for enhancing CG was the Government’s objectives to make Malaysia a preferred destination for FDIs.

However there were gaps in the existing body of knowledge on whether the Malaysian CG framework was balanced and effective. These were shown in Table 3.9.

**Figure 6.2: Research Proposition 1 Response Pattern**

<table>
<thead>
<tr>
<th>Issues</th>
<th>Literature Review</th>
<th>Focus Group</th>
<th>Questionnaire Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Malaysian Code of CG is adequate for good CG practices</td>
<td>Known</td>
<td>Agree</td>
<td>Disagree</td>
</tr>
<tr>
<td>PLC do not adhere to the Malaysian Code</td>
<td>Unknown</td>
<td>Agree</td>
<td>Agree</td>
</tr>
<tr>
<td>The expanded roles of Independent Directors have improved CG practices.</td>
<td>Unknown</td>
<td>Agree</td>
<td>Disagree</td>
</tr>
<tr>
<td>Disclosure based reporting provides for transparency and accountability</td>
<td>Unknown</td>
<td>Divided</td>
<td>Agree</td>
</tr>
<tr>
<td>Malaysian regulatory bodies are selective in taking corrective actions.</td>
<td>Unknown</td>
<td>Agree</td>
<td>Agree</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*

Sections 5.2.1, 5.2.2 and 5.2.5 presented the findings of the Focus Group and the Questionnaire Survey in respect of Proposition 1. Based on the findings depicted in Figure 6.2 the following conclusions can be drawn:

i. Malaysia has a balanced regulatory framework for CG practices. However Malaysian PLCs generally do not adhere closely to the Principles of the Malaysian Code of Corporate Governance.

ii. The CG reforms more clearly explain the expanded responsibilities of the Independent Directors. Significantly, the survey respondents were of the view
that the expanded powers given to Independent Directors have not resulted in parallel improvements in CG practices. They did however agree that the disclosure based framework is adequate to provide transparency and accountability.

iii. Although transparency and timely disclosure should underpin good CG practices several Malaysian PLCs have neglected these key issues.

iv. The responsibility for good CG practices cannot rest solely with the firm. The regulators, the professional bodies, the financial industry and investors in general should contribute to the exercise

v. Enforcement practices remain uneven and weak. The regulatory authorities are selective in dealing with PLCs that do not comply with statutory requirements

6.2.2 Research Proposition 2: The culture and management practices of Malaysian Chinese family controlled PLCs provide for good corporate governance and social responsibility practices.

The literature revealed much information on Chinese culture and its impact on business practices. Earlier research revealed a growing trend for Chinese family owned business to incorporate Western management practices.

However as shown in Table 3.9 there were gaps in the existing body of knowledge on the extent to which culture influences management practices of Malaysian Chinese family controlled PLCs.
Figure 6.3: Research Proposition 2 Response Pattern

<table>
<thead>
<tr>
<th>Issues</th>
<th>Literature Review</th>
<th>Focus Group</th>
<th>Questionnaire Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>The family centered management approach of Malaysian Chinese PLCs acts against transparency and accountability</td>
<td>Known</td>
<td>Agree</td>
<td>Agree</td>
</tr>
<tr>
<td>The CG practices of Malaysian Chinese controlled PLCs are inline with the Principles of the Malaysian Code of CG.</td>
<td>Unknown</td>
<td>Agree</td>
<td>Agree</td>
</tr>
<tr>
<td>Malaysian Chinese PLCs attach importance to enhancing CG practices</td>
<td>Unknown</td>
<td>Disagree</td>
<td>Disagree</td>
</tr>
<tr>
<td>The cultural characteristics of the Malaysian Chinese PLCs constraints the adoption of good CG and CSR practices</td>
<td>Unknown</td>
<td>Divided</td>
<td>Disagree</td>
</tr>
<tr>
<td>Chinese PLCs are unaware of the importance of good CG and CSR practices for growth and expansion</td>
<td>Unknown</td>
<td>Divided</td>
<td>Neutral</td>
</tr>
</tbody>
</table>

Source: Developed for this research

Sections 5.3.1, 5.3.2 and 5.3.5 presented the findings of the focus group and the questionnaire survey in respect of Proposition 2. On the basis of the findings, depicted in Figure 6.3 the following conclusions can be drawn.

i. Some Chinese controlled PLCs have incorporated Western management techniques into their Chinese management style. However the decision making structure often remains paternalistic in nature and confined to a small inner circle of friends and family. This does not provide for transparency and disclosure.

ii. The culture and management practices of the Chinese family owned businesses results in them subscribing to regulatory requirements only as a matter of compliance.
iii. Chinese family own PLC’s have progressed because of policies based on the culture of “know who” rather than “know how” which act against good CG practices

iv. Malaysian Chinese family controlled PLCs should introduce appropriate management practices and operating procedures that provide for better levels of transparency and accountability.

6.2.3 Research Proposition 3: Malaysian Chinese family controlled PLCs are adopting appropriate measures to enhance their CG practices.

The literature revealed a paucity of information on CG practices of Chinese family controlled PLCs. The literature did however indicate that PLCs are required to provide a CG compliance statement in their Annual Report.

However as shown in Table 3.9 there were gaps in the existing body of knowledge on whether Malaysian Chinese family controlled PLCs are adopting appropriate measures to enhance their CG practices

Sections 5.4.1, 5.4.2 and 5.4.5 presented the findings of the focus group and the questionnaire survey in respect of Proposition 3. On the basis of the findings, depicted in Figure 6.4 the following conclusions can be drawn on Proposition 3.

i. Controlling shareholders generally only meet the minimal statutory requirements with regard to CG practices since they are not considered as being beneficial to their firms.
ii. The current practice of Independent Directors being appointed by the controlling shareholders could result in them being merely proxies of the controlling shareholders. This practice also erodes their capacity and competence for discharging their stewardship functions in the firms.

iii. The majority shareholders of Chinese controlled PLCs tend to only look after their own interest. Therefore they pay little regard to safeguarding the interests of the minority shareholders.

iv. PLCs should also publish their CG practices in the major local dailies. The local media should also ensure that such disclosures are properly examined and reported.

Figure 6.4: Research Proposition 3 Response Pattern

<table>
<thead>
<tr>
<th>Issues</th>
<th>Literature Review</th>
<th>Focus Group</th>
<th>Questionnaire Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese controlled PLCs are fully familiar with the Principles of the Malaysian Code of CG</td>
<td>Known</td>
<td>Disagree</td>
<td>Disagree</td>
</tr>
<tr>
<td>Chinese PLCs fully comply with the accounting and auditing requirements stipulated by the Malaysian regulatory authorities</td>
<td>Unknown</td>
<td>Agree</td>
<td>Agree</td>
</tr>
<tr>
<td>The Independent Directors of Chinese PLCs are empowered and authorized to discharge their stewardship and auditing functions</td>
<td>Unknown</td>
<td>Disagree</td>
<td>Disagree</td>
</tr>
<tr>
<td>Chinese PLCs fully comply with the requirements of the Securities Commission</td>
<td>Unknown</td>
<td>Divided</td>
<td>Agree</td>
</tr>
<tr>
<td>Chinese PLCs pay little regard to safeguarding the interests of the minority shareholders.</td>
<td>Unknown</td>
<td>Agree</td>
<td>Agree</td>
</tr>
</tbody>
</table>

Source: Developed for this research
6.3 Conclusions on the Research Problem

Chapter 3 noted there was an increasing interest in good CG practices in the business community. The discussions also revealed that there was little detailed information and limited prior research on the CG practices of the Malaysian Chinese business community. Accordingly there were gaps in the existing body of knowledge, as presented in Table 3.10. This confirms the relevance of the research problem “How do good corporate governance practices impact on Chinese family-controlled businesses in Malaysia?”.

Table 6.1: Investigation of the research issues and outcomes

<table>
<thead>
<tr>
<th>Research Issue</th>
<th>Review Findings</th>
<th>Research Gaps</th>
<th>Research Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Corporate governance Practices</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Entrepreneurship traits</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Malaysian Corporate governance practices</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enforcement of corporate governance Framework</td>
<td>No</td>
<td>How effective is CG enforcement</td>
<td>Yes</td>
</tr>
<tr>
<td>Cultural Influences</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural influences on Malaysian Chinese enterprises</td>
<td>No</td>
<td>Impact of culture on good CG</td>
<td>Yes</td>
</tr>
<tr>
<td>Appropriate measures strategies to enhance corporate governance practices</td>
<td>No</td>
<td>Types of measure required to promote good corporate governance</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Developed from this research

The combined outputs of the literature review, analysis of the research data and the conclusions regarding the research propositions provided useful perspectives on the research gaps. These, as set out in Table 6.1, permit a clearer definition of the research
problem. Although the study is largely exploratory with its findings being mainly judgmental, they are an essential step towards extending the existing body of knowledge.

The findings also highlighted three key issues that relate to the research problem. First is the organizational culture of Chinese controlled PLCs. The findings indicate that Chinese culture exerts influence on the management and operations of Chinese controlled PLCs. Stemming from the teachings of Confucius it is common practice to appoint trusted family members to senior positions in the firm. The Confucian legacy emphasizes the central and pivotal role of the family (Redding 1993). The legacy also leads to the entrepreneur delegating key activities and positions to family members who make the strategic decisions (Weidenbaum 1996). Family controlled businesses therefore provide for a relationship base CG regime which does not lend itself to transparency and disclosure.

Second, the majority of Chinese family controlled PLCs are part of a cross holding or pyramid structure. In such situations the “real” owners control the operations of the firm although their names do not often appear on the organizational charts. Accordingly there is a lack of disclosure and the operations are non transparent. This re-enforces the findings of the Focus Group and the Questionnaire Survey that CG practices in Malaysian Chinese family controlled PLCs can and should benefit from such improvements.

Finally is the research issue of the Malaysian CG policy framework. This is viewed as a major supportive factor for effective CG practices. However as also evident from the findings of the literature review and the views expressed by the participants in the Focus
Group and the Questionnaire Survey, there are several shortcomings from the aspect of enforcement and these inhibit the adoption of good CG practices by the Chinese PLCs.

6.4 Research Implications for Theory

The discussion in Section 3.2.3 centered on the base theories of CG namely Agency Theory and Stewardship Theory. The former theory suggests that the top management acquire a significant ownership of the firm in order to secure a positive relationship (Mallin 2004). Stewardship theory adopts a different approach. It suggests that the board and the Chief Executive Officer, acting as stewards, tend to be more motivated to act in the best interest of the corporation than in their own self interest. The theory argues that over time senior executives tend to view the corporation as an extension of themselves (Clarke 2004).

However what is considered to be good CG practices in the US, Australia and Europe may not necessarily be appropriate for the deferring dynamics of Asian markets including Malaysia (Wallace & Zinkin 2005). Consequently there are two principal CG structures. The first, as shown in Table 3.1, being the Equity-Market System (EMS) and the second being the Bank-Led System (BLS). In the EMS, which underpins the Anglo-American CG systems, the focus is on the shareholder.

However, neither of the two systems appears appropriate for the several Chinese family controlled businesses in Malaysia which evolved naturally from entrepreneur owned enterprises to family controlled public listed companies (Khan, 2002). Given the prevalence of Chinese family business groups in Malaysia, Khan, (2002) proposed a third classification for analyzing their CG practices referring to it as the family-based CG
system (FBS). As shown in Table 3.2, the board in the FBS has limited power since the family group controls all investment decisions. As there is also a non-separation between the owner and management, this creates a situation of information asymmetry.

The findings of this research reinforce the position of Khan. However as revealed by the findings, there are two other important elements which should be incorporated in the FBS to make it more applicable and appropriate to CG practices of Malaysian Chinese family controlled PLCs. These are:

i. **Management control** since family run companies retain family centered management practices to control partially owned PLCs

ii. **Organizational culture** since Chinese family owned PLCs tend to operate within the context of a relationship based system. These businesses also tend to retain much of their traditional Chinese based business culture. Chinese business practices remains “*guanxi*” based and the agreement made are largely influenced by personal ties. Furthermore Chinese family owned PLCs have progressed because of policies based on culture of “know who” rather than “know how”. Organizational culture is therefore an important issue which requires incorporation into theory.

Therefore, an important outcome of this research is a modified family based system of CG based on the model developed by Khan and shown on Table 3.2. The modified system, as shown in Figure 6.5 above incorporates the two discussed factors of management control and organizational culture to more appropriately describe the CG practices of the Malaysian Chinese family controlled PLCs.
Figure 6.5: Corporate-Governance System Modified Family-Based System (FBS)

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Family Based System</th>
<th>Modified Family Based System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of control-oriented finance</td>
<td>High initially</td>
<td>High initially</td>
</tr>
<tr>
<td>Equity markets</td>
<td>Small, less liquid</td>
<td>Small, less liquid</td>
</tr>
<tr>
<td>Share of all firms listed on exchanges</td>
<td>Usually small</td>
<td>Usually small</td>
</tr>
<tr>
<td>Ownership of debt and equity</td>
<td>Concentrated</td>
<td>Concentrated</td>
</tr>
<tr>
<td>Investor orientation</td>
<td>Family groups</td>
<td>Family groups</td>
</tr>
<tr>
<td>Shareholder rights</td>
<td>Weak for outsiders</td>
<td>Weak for outsiders</td>
</tr>
<tr>
<td>Creditor rights</td>
<td>Strong for close creditors</td>
<td>Strong for close creditors</td>
</tr>
<tr>
<td>Dominant agency conflict</td>
<td>Family vs. investors</td>
<td>Family vs. investors</td>
</tr>
<tr>
<td>Role of board of directors</td>
<td>Limited</td>
<td>Limited</td>
</tr>
<tr>
<td>Role of hostile takeovers</td>
<td>Almost absent</td>
<td>Almost absent</td>
</tr>
<tr>
<td>Role of insolvency</td>
<td>Potentially important</td>
<td>Potentially important</td>
</tr>
<tr>
<td>Monitoring of non-financial enterprises</td>
<td>Information asymmetry</td>
<td>Information asymmetry</td>
</tr>
<tr>
<td>Self-monitoring</td>
<td>Effective because of non-separation of owner and management</td>
<td>Effective because of non-separation of owner and management</td>
</tr>
<tr>
<td>Management Control</td>
<td></td>
<td>Family centered management practices</td>
</tr>
<tr>
<td>Organizational Culture</td>
<td></td>
<td>“Guanxi” based and the agreement made are largely influenced by personal ties</td>
</tr>
</tbody>
</table>

Source Adapted from Khan (1999)

6.5 Implications for Policy and Practice

Chapter 1 detailed the justification for this research. Its importance lies in its contribution to the domain of public policies and corporate practices for enhancing the corporate governance of Chinese family controlled PLCs. The empirical findings of this research have implications for both.
6.5.1 Implication for Policy

As discussed in Chapter 3 the Malaysian government is committed to enhancing CG practices. There are two main drivers for this. First is to make the country a preferred investment destination. Second is to avoid a repeat of the problems emerging from the Asian Financial Crisis since poor CG was identified as a cause of the crisis (Wallace & Zinkin 2005).

The Government introduced reform measures to improve CG practices. However, CG concerns resurfaced in Malaysia in 2007 due to accounting irregularities in respect of some notable Chinese controlled PLCs. This makes it necessary to critically review existing policies in order to make them better suited to improve the quality of transparency, regulatory framework and auditing standards in Chinese family controlled businesses.

The research findings revealed that while Malaysia does have a good CG framework its effectiveness is eroded by weak regulatory and enforcement measures. It is therefore important that the Government:

i. Improve the enforcement machinery

ii. Move away from the practice of being selective in taking corrective action for Malaysian PLCs that breach the legal CG requirements.

iii. Give consideration to the creation of a single regulatory body to regulate the Public-listed companies. Presently, companies are regulated by the Securities Industry Act, by the Companies Act 1963, the Bank Negara rulings and other related laws, with overlapping functions
iv. Introduce measures to improve transparency and disclosure in PLCs which are part of pyramid or cross holdings.

v. Review the practice of appointing Independent Directors and External Auditors. Rather than be appointed by the principal shareholders of the PLCs they should be appointed by a select committee consisting of representative from the Regulators, Professional bodies and Non Government Organization (NGO) that are relevant to the company’s business. These appointments should be on a rotation basis and each appointment should not exceed two financial years.

vi. Consider alternatives to the current practice of merely imposing penalties. It could highlight that good CG generates rewards in terms of investor appeal and higher share prices.

vii. Encourage the PLCs to improve the content of the Company Annual Reports. They should not only reflect achievements but also present the “mistakes” made by the firms. These could include poor management decisions, the inability to achieve sales and marketing targets and wrong investment choices.

viii. Take measures to prevent banks from colluding with the majority shareholders of the PLC as this may not be in the best interests of the firm and the minority shareholders.

ix. Introduce a CG rating systems for all PLCs the Bursa Malaysia. Furthermore BM should publicize the findings in order to reward those companies that achieve high ratings in terms of their CG practices.
x. Encourage non PLCs to practice good CG since a CG framework includes stakeholders such as suppliers and consumers. They could be adversely affected by a firm’s negative CG practices regardless of whether it is a PLC or non PLC.

xi. Give attention to also accepting corporate responsibility. It may be necessary to introduce stronger penalties for Directors who are in breach of socially responsible practices.

6.5.2 Implication for Practice

The Malaysian economy is now characterized by significant institutional changes in terms of rising marketization, deregulation, and liberalization in various sectors of the Malaysian economy. These threaten the monopolistic positions enjoyed by many leading ethnic Chinese capitalists in the domestic economy and prompt them to change and transform (Carney & Gedajlovic 2002). Chinese family businesses are therefore giving emphasis to becoming public held corporations and becoming international or going global (Gomez 2004)

As revealed by the reviewed literature the listing requirements require greater accountability, disclosure and transparency. Firms seeking listing are required to follow accounting standards and business norms of the Malaysian capital market. To achieve improvements in CG, much of the secretiveness of the family firm has to be sacrificed (Yeung 2004). Based on the findings of this research Malaysian Chinese family controlled PLCs should

i. Introduce appropriate management practices and operating procedures that provide for better levels of transparency and accountability.
ii. Move away from an attitude of merely complying with the minimum requirement of good CG. They should become appreciative of the value of good CG practices.

iii. Employ qualified non relatives and friends, regardless of ethnicity to fill senior management positions to provide for more objective reporting.

iv. Encourage staff to benefit from training on the importance of good CG and CSR practices for their growth and expansion.

v. Increase the powers of Independent Directors to enable them to more effectively discharge their stewardship and auditing functions

vi. Fully comply with the accounting and auditing requirements

vii. Become fully familiar with the various listing requirements and to publish their CG practices.

6.6 Research Limitations

The limitations associated with this research were identified in Chapter 1. Two other limitations emerge during the conduct of the study and these are presented below.

i. The successful Chinese controlled PLCs that were included in the Questionnaire Survey were not compared or contrasted to the less successful firms. The researcher recognizes that this could be a limitation.

ii. As reflected in the body of Chapter 5, some of the issues that were discussed in the Focus Group meeting were somewhat sensitive. This may have influenced the views expressed by the Focus Group participants.
6.7 Issues for Further Research

This final section of the thesis provides a synopsis for further research in the discipline of Malaysian CG practices. A key objective of this research was to explore how Malaysian Chinese family controlled PLCs practice CG. Since there was limited prior research on this topic it was deemed necessary to conduct a study which was largely exploratory. The justification for this was provided in Chapter 4.

An exploratory research, which is qualitative, suffers from the difficulty of extending or generalizing the findings. Accordingly it would be appropriate to undertake follow up research which is quantitative in nature in order to test the findings of this research.

The literature review also underlined the dominant role of Chinese family controlled PLCs in other South East Asian countries. As CG is of global interest, similar research could be undertaken in neighboring countries to broaden our understanding of the CG practices of Chinese family controlled PLCs in other business environments. Such further investigation could follow either a quantitative or qualitative methodology.
6.8 Conclusion

This final chapter of the thesis presents the conclusions that were derived from the analysis of the data relating to each of the three research propositions. It then drew conclusions on the research problem, discussed the theoretical implications and offered a modified Family Based System model to more appropriately describe the CG practices of Malaysian Chinese PLCs. Based on the findings, recommendations were crafted for consideration by government policy makers and the senior management of Chinese controlled PLCs. The chapter then outlined the limitations that emerged during the course of the study and provided a synopsis of the opportunities for further research.
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Appendix 1

HREC Approval

HUMAN RESEARCH ETHICS COMMITTEE (HREC) NOTIFICATION

To: Professor Selvanathan Goh Kian Seng
   Graduate College of Management
   selvanathan@unity.edu.my, gkoh@dvm.com.my

From: Secretary, Human Research Ethics Committee
       Graduate Research College, R. Block

Date: 10 April 2008

Project: Corporate Governance as practiced in Chinese Family-Controlled Businesses in Malaysia
         Approval Number ECN-08-025

The Southern Cross University Human Research Ethics Committee has established, in accordance with the National Statement on Ethical Conduct in Human Research – Section 5.5 Processes of Research Governance and Ethical Review, a procedure for expedited review by a delegated authority.

Thank you for submitting "Review and Ratification of External Ethics Application" to the HREC. This application was considered by the DEIA HREC sub-committee, Tweed Campus, and it has been approved subject to the standard conditions of approval.

Standard Conditions in accordance with the National Statement on Ethical Conduct in Human Research (National Statement) (NS).

1. Monitoring
   NS 5.5.1 – 5.5.10
   Responsibility for ensuring that research is reliably monitored lies with the institution under which the research is conducted. Mechanisms for monitoring can include:
   (a) reports from researchers;
   (b) reports from independent agencies (such as a data and safety monitoring board);
   (c) review of adverse event reports;
   (d) random inspections of research sites, data, or consent documentation; and
   (e) interviews with research participant or other forms of feedback from them.

   The following should be noted:

   (a) All ethics approvals are valid for 12 months unless specified otherwise. If research is continuing after 12 months, then the ethics approval MUST be renewed. Complete the Annual Report Renewal form and send to the Secretary of the HREC.
Appendix 01

Southern Cross University
A new way to think

(b) NS 5.5.5

Generally, the researcher’s provide a report every 12 months on the progress to date or outcome in the case of completed research specifically including:
- The maintenance and security of the records.
- Compliance with the approved proposal
- Compliance with any conditions of approval.
- Any changes of protocol to the research.

Note: Compliance to the reporting is mandatory to the approval of this research.

(c) Specifically, that the researchers report immediately and notify the HREC, in writing, for approval of any change in protocol. NS 5.5.3

(d) That a report is sent to HREC when the project has been completed.

(e) That the researchers report immediately any circumstance that might affect ethical acceptance of the research protocol. NS 5.5.3

(f) That the researchers report immediately any serious adverse events/effects on participants. NS 5.5.2

2. Research conducted overseas

NS 4.8.1 - 4.8.2

That if research is conducted in a country other than Australia, all research protocols for that country are followed ethically and with appropriate cultural sensitivity.

3. Complaints

NS 5.6.1 - 5.6.7

Institutions may receive complaints about researchers or the conduct of research, or about the conduct of a Human Research Ethics Committee (HREC) or other review body.

Complaints may be made by participants, researchers, staff of institutions, or others. All complaints should be handled promptly and sensitively.

Complaints about the ethical conduct of this research should be addressed in writing to the following:

Ethics Complaints Officer
HREC
Southern Cross University
PO Box 157
Lismore, NSW, 2480
Email: sue.kelly@scu.edu.au

All complaints are investigated fully and according to due process under the National Statement on Ethical Conduct in Human Research and this University. Any complaint you make will be treated in confidence and you will be informed of the outcome.
All participants in research conducted by Southern Cross University should be advised of the above procedure and be given a copy of the contact details for the Complaints Officer. They should also be aware of the ethics approval number issued by the Human Research Ethics Committee.

Sue Kelly
Secretary HREC
Ph: +61 2 6626 9139
sue.kelly@scu.edu.au

Dr Carmen Cox
Chair, DBA HRESC
(07) 55969321
carmen.cox@scu.edu.au
Appendix 2

Information Sheet – Focus Group

SOUTH CROSS UNIVERSITY
INFORMATION SHEET ON A FOCUS GROUP MEETING
FOR A DOCTOR OF BUSINESS ADMINISTRATION RESEARCH THESIS

TITLE OF THESIS
Corporate Governance and Corporate Social responsibilities as Practiced in Chinese Family-Controlled Businesses in Malaysia

My name is Khan Seng Goh and this research aims to examine the corporate governance practices of Malaysian Chinese controlled public listed companies and offer recommendations that will ensure their sustainability.

Through your participation, this research will study the Corporate Governance and Corporate Social Responsibilities practices of the Malaysian Chinese Family-controlled business. It examines factors influencing these practices, issues and challenges of these practices and the generalizability of the results.

In the Focus Group, you will be joined by representatives from the following:

i. Two Managing Directors of Public Listed Companies controlled by Chinese family interest;
ii. A member of an Association representing Chinese old enterprises;
iii. Two Independent Directors of Public Listed Companies controlled by Chinese family interest;
iv. An Academician with a strong research background on corporate governance and corporate social responsibilities issues.

Procedures to be followed

I will serve as the facilitator and moderator of the 45 minute focus group meeting which will be held on ___________ at _______ in the ________ hotel, in Kuala Lumpur. All participants would be encouraged to speak candidly on the discussion topics which relate to the issues that relate to the corporate governance practices of Malaysian Chinese Family Controlled Businesses. I look forward to all participants expressing their in-depth views. As the facilitator, I will be more of a listener, introduce discussion topics, summarize the views expressed and take notes.

Participation is purely voluntary and no financial remuneration or incentive will be offered for taking part in this research. There is no cost to you apart from your time.

Possible Discomforts and Risks

There are no foreseeable risks or discomforts above those associated with the time taken to participate in the focus group meeting.

Responsibilities of the Researcher

It is our duty to make sure that any information given by you is protected. Your name and other identifying information will not be attached to data collected. Your name will only be used to facilitate an appointment for the focus group meeting. Any identifying information will be destroyed after your participation in the study.

It is essential that you sign a consent form before you participate in the focus group meeting. Due to this necessity, a procedure has been set in place to ensure that your personal details can at no time be matched, identified or tracked back to the data collected on your performance in this research exercise.

All signed consent forms will be held in safe storage at the University for a period of five years before being destroyed. The information will be presented as overall data. The research findings may be submitted for publication.
Responsibilities of the Participant

If there is anything that might unduly affect your participation in the Focus Group, you are asked not to participate. You may leave the Focus Group voluntarily without any explanation.

Freedom of Consent

You are free to withdraw your consent and to discontinue participation at any time. However, we would appreciate you letting us know your decision.

Inquiries

This form is yours to keep for future reference. If you have any questions, we expect you to ask us. If you have any additional questions at any time please ask:

Researcher
Kian Seng, Goh
Tel: +6016 338 3999
Email: ksgoh@dmu.com.my

Supervisor
Prof Selvanathan
Tel: +6012 223 1994
Email: selvanathan@unity.edu.my

The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The Approval Number is ECW-15697. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer.

Ms Sue Kelly
Ethics Complaints Officer and Secretary
HREC
Southern Cross University
P.O. Box 157
Lismore, NSW, 2480
Telephone (02) 6626-9136 or fax (02) 6626-9145
Email: sue.kelly@csu.edu.au

All complaints, in the first instance, should be in writing to the above address. All complaints are investigated fully and according to due process under the National Statement and this University. Any complaint you make will be treated in confidence and you will be informed of the outcome.
Appendix 3

Informed Consent – Focus Group

Informed Consent to Participate in a Focus Group for a Doctor of Business Administration Research Thesis

This consent form is based on Guidelines from the National Statement on Ethical Conduct Involving Human Participants as issued by the NEMREC.

Title of Thesis: Corporate Governance and Corporate Social responsibilities as Practiced in Chinese Family-Controlled Businesses in Malaysia

Researchers: Kian Seng, Goh
Tel +6016 338 3998
Email: ksgoh@dvm.com.my

Prof Selvanathan
(Supervisor / Person Responsible)
Tel +6012 223 1664
Email: selvanathan@unity.edu.my

I have been provided with information at my level of comprehension about the purpose, methods, demands, risks, inconveniences, and possible outcomes of this research (including any likelihood and form of publication of results).

I agree to participate in a Focus Group meeting which will serve as a data collection technique for the above research thesis. I have read and understand the details contained in the Information Sheet. I have had the opportunity to ask questions about the study and I am satisfied with the answers received.

My participation in the focus group is on the condition that the proceedings will not be recorded on audiocassette and that the researchers only take handwritten notes during the proceedings.

I understand that if I withdraw from participation in this research, all the handwritten notes about my contribution will be destroyed.

I understand that participation in this research will be kept strictly confidential.

I understand that any personal information which may identify me will be de-identified at the time of analysis of any data. Therefore, 1, or information I have provided, cannot be linked to my person or company. (Privacy Act 1988 (Cth))

I understand that neither my name nor any identifying information will be disclosed or published, except with my permission.

I understand that all information gathered in this research is confidential. It is kept securely and confidentially for 5 years, at the University.

I understand that I am free to discontinue participation at any time. I have been informed that prior to data analysis, any data that has been gathered before withdrawal of this consent will be destroyed.

I am aware that I can contact the Supervisor or other researchers at any time with further inquiries, if necessary.

The ethical aspects of this study have been approved by the Southern Cross University Research Ethics Committee (HREC). The Approval Number is (Insert when approved).
If you have any complaints or reservations about any aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer:

Ms Sue Kelly
Ethics Complaints Officer and Secretary
HREC
Southern Cross University
PO Box 157
Lismore, NSW, 2480
Telephone (02) 6626-9139 or fax (02) 6626-9145
Email: sue.kelly@scu.edu.au

All complaints, in the first instance, should be in writing to the above address. All complaints are investigated fully and according to the process under the National Statement on Ethical Conduct in Research Involving Humans and this University. Any complaint you make will be treated in confidence and you will be informed of the outcome.

I understand that I will be given a copy of this consent form for my records. The researcher will also keep a copy in safe storage at the University.

I have read the information above and agree to participate in this study. I am over the age of 18 years.

Name of Participant: ................................................................................................................
Signature of Participant: ........................................................................................................
Date: ..................................................................................................................................

I certify that the terms of this Consent Form have been fully explained to the participant and that the participant appears to understand the terms prior to signing the form. Proper arrangements have been made for an interpreter where English is not the participant’s first language.

Name & Contact Detail of Witness: ..........................................................................................
Signature of Witness: ...........................................................................................................
Date: ..................................................................................................................................

NOTE:
The witness should be independent of the research, where possible. If this is not possible at the place of consent, please inform the researcher and state a reason below.

Reason: ..................................................................................................................................

.......................................................... ............................................................................

Name and signature of the researcher: ....................................................................................
Date: ..................................................................................................................................
Appendix 4

Discussion Guide – Focus Group Meeting

Thank you for agreeing to participate in the Focus Group Meeting for this research. This will be held at [Time] on [Date], [Venue] 2008 at the [Location]. Please come to the Lobby Lounge about 10 minutes before [Time] and we shall then proceed directly to the meeting room.

This discussion would be kept confidential and you will not be identified by name. Participation is purely voluntary and no financial remuneration or incentive will be offered for taking part in this research. There is no cost to you apart from your time.

Through your participation, this research will study the Corporate Governance and Corporate Social Responsibility practices of the Malaysian Chinese family-controlled business. It examines factors influencing these practices, issues and challenges of these practices and the generalizability of the results.

In this Focus Group, you will be joined by representatives from the following:

i. Two Managing Directors of Public Listed Companies controlled by Chinese family interest;
ii. A member of an Association representing Chinese old enterprises;
iii. Two Independent Directors of Public Listed Companies controlled by Chinese family interest;
iv. An Academician with a strong research background on corporate governance and corporate social responsibilities issues.

I will serve as the facilitator cum moderator of this Focus Group meeting. All participants would be encouraged to speak candidly on the discussion topics which relate to the issues that relate to the corporate governance practices of Malaysian Chinese Family Controlled Businesses. I look forward to all participants expressing their views in depth views. As the facilitator, I will be more of a listener, introduce discussion topics, summarize the views expressed and take notes.

The topics for the Focus Group Meeting are listed below. Please amend or extend these topics to provide further discussions.

i. The Malaysian Code of Corporate Governance is adequate to promote good corporate governance practices
ii. Malaysian Public Listed Companies do not adhere closely to the Principles of the Malaysian Code of Corporate Governance
iii. The expanded roles of Independent Directors in Board meetings and for quarterly reporting have improved the corporate governance practices of Malaysian Public Listed Companies.
iv. The disclosure based reporting framework of Malaysian Public Listed Companies provides for adequate transparency and accountability.

v. The Malaysian regulatory bodies are selective in taking corrective action for Malaysian Public Listed Companies that are in breach of the legal corporate governance requirements.

vi. The family centered management approach of Malaysian Chinese controlled Public Listed Companies does not provide for the required levels of transparency and accountability to safeguard the interests of minority shareholders.

vii. The corporate governance practices of Malaysian Chinese controlled Public Listed Companies are in line with the Principles of the Malaysian Code of Corporate Governance.

viii. Malaysian Chinese controlled Public Listed Companies attach much importance to enhancing corporate governance practices.

ix. The cultural characteristics of the Malaysian Chinese controlled Public Listed Companies are constraints for the adoption of good CO and CSR practices.

x. The senior management of Chinese controlled Public Listed Companies are generally unaware of the importance of good corporate governance and corporate social responsibility practices for their growth and expansion.

xi. The senior management of Chinese controlled Public Listed Companies is fully familiar with the Principles of the Malaysian Code of Corporate Governance.

xii. The senior management of Chinese controlled Public Listed Companies fully complies with the accounting and auditing requirements stipulated by the Malaysian regulatory authorities.

xiii. The Independent Directors of Chinese controlled Public Listed Companies have the necessary powers and authority to effectively discharge their stewardship and auditing functions.

xiv. The majority shareholders of Chinese controlled Public Listed Companies fully comply with the requirements of the Securities Commission as regards disclosure and accountability.

xv. The majority shareholders of Chinese controlled Public Listed Companies pay little regard to safeguarding the interests of the minority shareholders.

Thank you for your participation.

Kian Seng, Ooi
Appendix 5

Information Sheet – Questionnaire Survey

SOUTHERN CROSS UNIVERSITY
INFORMATION SHEET ON A QUESTIONNAIRE SURVEY
FOR A DOCTOR OF BUSINESS ADMINISTRATION RESEARCH THESIS

TITLE OF THESIS
Corporate Governance and Corporate Social responsibilities as Practiced in Chinese Family-Controlled Businesses in Malaysia

My name is Kian Seng, Goh and this research’s aims to examine the corporate governance practices Malaysian Chinese controlled public listed companies and offer recommendations that will enable them to enhanced such practices.

Through your participation, this research will study the Corporate Governance and Corporate Social Responsibilities practices of the Malaysian Chinese Family-controlled business. It examines factors influencing these practices, issues and challenges of these practices and the generalizability of the results.

Procedures to be followed
The questionnaire comprises 15 questions which have been cast as Statements. Each Statement relates to an issue which is pertinent to the research. In order to measure your responses, a five-point Likert scale is being used. There are, therefore, five boxes ranging from ‘Strongly Disagree’ to ‘Strongly Agree’ for each Statement. Please tick the appropriate box.

Based on an earlier pre-testing of the questionnaire, it is estimated that you would require no more than 15 minutes in total to complete all the questions. After you have completed the questionnaire, please telephone me and I will arrange for it to be collected.

Participation is purely voluntary and no financial remuneration or incentive will be offered for taking part in this research. There are no travel expenses, nor are there any costs associated with participation in this research. There is no cost to you apart from your time.

Possible Discomforts and Risks
There are no foreseeable risks or discomforts above those associated with the time taken to complete the questionnaire.

Responsibilities of the Researcher
It is our duty to make sure that any information given by you is protected. Your name and other identifying information will not be attached to data collected. Your name will only be used to facilitate an appointment for the questionnaire survey. Any identifying information will be destroyed after your participation in the study.

The information will be presented as overall data. The research findings may be submitted for publication.

Responsibilities of the Participant
If there is anything that might unduly affect your response to the Statements in the questionnaire, you are asked not to participate. You may leave the survey voluntarily without any explanation.

Freedom of Consent
If you decide to participate, you are free to withdraw your consent and to discontinue participation at any time. However, we would appreciate you letting us know your decision.
Inquiries
This form is yours to keep for future reference. If you have any questions, we expect you to ask us. If you have any additional questions at any time please ask.

Researcher
Kian Seng, Goih
Tel +6016 338 3966
Email: ksgoh@dvm.com.my

Supervisor
Prof Selvanathan
Tel +6012 233 1464
Email: selvanathan@unity.edu.my

The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The Approval Number is ECN-INSERT. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer.

Ms Sue Kelly
Ethics Complaints Officer and Secretary
HREC
Southern Cross University
PO Box 157
Lismore, NSW, 2480
Telephone (02) 6626-9139 or fax (02) 6626-9145
Email: sue.kelly@scu.edu.au

All complaints, in the first instance, should be in writing to the above address. All complaints are investigated fully and according to due process under the National Statement and this University. Any complaint you make will be treated in confidence and you will be informed of the outcome.
Appendix 6
Questionnaire Survey

Survey Questionnaire

Research Project
Corporate Governance and Corporate Social Responsibility as Practiced in Chinese Family-Controlled Businesses in Malaysia

Demographic Details (Please tick/check one box only to indicate the group/category that best represents you. To tick the box, please double click the check box and choose Default Value “Checked”).

Gender: □ Male  □ Female
Age Group: □ 30-39  □ 40-49  □ 50-59  □ 60 and above

Professional Grouping:
□ Public Listed Companies on the Main Board of Bursa Malaysia which were previously Chinese family businesses with the family still retaining a controlling interest.
□ Public Listed Companies on the Second Board and/or MESDAQ, of Bursa Malaysia which were previously Chinese family businesses with the family still retaining a controlling interest
□ Representative of the regulatory authorities including the Malaysian Securities Commission, Bursa Malaysia Blvd., Malaysian Institute of Accountants, Institute of Internal Auditors and the Malaysian Institute of Corporate Governance.
□ Fund Managers (including Financial Institutions) representing both domestic and foreign funds.
Please tick/check one box only for each question. You can also fill-in electronically by “double clicking” on the checkbox directly and choose “Checked” in the dialog box. Please remember to save this file when done.

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<td>The expanded roles of Independent Director in Board meetings and quarterly reporting have improved the corporate governance practices of Malaysian Public Listed Companies.</td>
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<td>The disclosure based reporting framework of Malaysian Public Listed Companies provide for adequate transparency and accountability.</td>
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<td>The Malaysian regulatory bodies are selective in taking corrective action for Malaysian Public Listed Companies that are in breach of the legal corporate governance requirements.</td>
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<td></td>
<td>The family centered management approach of Malaysian Chinese controlled Public Listed Companies do not provide for the required transparency and accountability to safeguard the interests of minority shareholders.</td>
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|   | The corporate governance practices of Malaysian Chinese controlled Public Listed Companies are inline with the Principles of the Malaysian Code of Corporate Governance. |
|   | ☐ Strongly Disagree ☐ Disagree ☐ Uncertain ☐ Agree ☐ Strongly Agree |

|   | Malaysian Chinese controlled Public Listed Companies attach much importance to enhancing corporate governance practices. |
|   | ☐ Strongly Disagree ☐ Disagree ☐ Uncertain ☐ Agree ☐ Strongly Agree |

|   | The cultural characteristics of Malaysian Chinese controlled Public Listed Companies are constraints for the adoption of good corporate social responsibility practices. |
|   | ☐ Strongly Disagree ☐ Disagree ☐ Uncertain ☐ Agree ☐ Strongly Agree |

<p>|   | The senior management of Chinese controlled Public Listed Companies are generally unaware of the importance of good corporate governance and corporate social responsibility practices for their growth and expansion. |
|   | ☐ Strongly Disagree ☐ Disagree ☐ Uncertain ☐ Agree ☐ Strongly Agree |</p>
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<th>The Independent Directors of Chinese controlled Public Listed Companies have the necessary powers and authority to effectively discharge their stewardship and auditing functions.</th>
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<th>The majority shareholders of Chinese controlled Public Listed Companies fully comply with the requirements of the Securities Commission as regards disclosure and accountability</th>
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<th>The majority shareholder of Chinese controlled Public Listed Companies pay little regard to safeguarding the interests of the minority shareholder.</th>
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## Appendix 7

**Questionnaire Survey Response**

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Source: From Questionnaire Survey (Data coded)
## Appendix 8

### Research Schedule

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<td>Problem Definition</td>
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<td>Sep – Dec 2004</td>
<td>Formulation of Research Objectives</td>
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<td>• Preparation of Research Blueprint</td>
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<td>Literature Review</td>
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<td>• Development of the Research Proposition</td>
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<td>Research Planning</td>
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<td>• Selection of Data Collection techniques</td>
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<td>Jan – Apr 2008</td>
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<td>• Finalisation of data collection methods and sample sizes</td>
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<td>Data Analysis</td>
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<td>• Testing of research propositions</td>
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<td>Conclusions Recommendations</td>
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<td>• Discuss implications for theory, policy and practice</td>
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<td>• Discuss limitations of research</td>
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<td>Editing and Presenting Thesis</td>
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