EMERGING CORPORATE GOVERNANCE ISSUES IN THE PERSPECTIVE OF POTENTIAL INVESTORS IN MALAYSIA

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Emerging Corporate Governance Issues in the Perspective of Potential Investors in Malaysia

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DECLARATION

I hereby declare that:

(1) This Research Project is the end result of my own work and that due acknowledgement has been given in the references to all sources of information be they printed, electronic, or personal.

(2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

(3) The word count of this research report is 17226.

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DEDICATION

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ABSTRACT

Investors keen about emerging corpoarte governance issues over the pass two decades. From investors' perspective, it is important to ensure that their interest is being protected by a proper governance mechanism. On the other hand, it is vital for board members and top management to practice good corporate governance practice in order to increase share price, enhance investor's confidence level, attract additional fund, maintain corpora image and so on. This study highlights the most important corporate governance issues in the perspective of potential investors in Malaysia and would like to draw board members and top management attention to it.

CHAPTER 1: INTRODUCTION

1.0 Introduction

The chapter 1 will address the research background, problems statement, research objectives and questions, hypotheses of the research, significance of the research and chapter layout. The knowledge of the background helps stakeholders to understand the emerging corporate governance issues that are arise in Malaysia. Subsequently, the problem statement clarifies the reason of the selected topic. Besides, research objectives will identify the purpose of this study and research questions will guide the arguments and inquires. Hypotheses are developed after reviewing relevant literature. Next, significance of the study describes the importance and contribution of the research. Lastly, chapter layout outlines each chapter of the research to provide a clear picture regarding the essential of this study.

1.1 Research Background

The research background refers to the frame of corporate governance (Malaysian Code on Corporate Governance 2012) as a whole. In July 2011, Securities Commission Malaysia (SC) has released the blueprint of Corporate Governance which represents the expected corporate governance landscape is moving forward. The center core of the blueprint is to succeed outstanding performance in corporate governance via strengthening self-discipline, promoting good compliance and corporate governance culture. Board members should understand that a prosperity business is not just maximize shareholder's wealth but also being ethical and sustainable.

In drafting the Malaysian Code on Corporate Governance 2012 (MCCG 2012), SC sought different opinions and views from stakeholders to develop the expected standard of corporate governance in various type of companies and ensure that the major principles and recommendations of best practices met those standards.

Despite the MCCG 2012 has improved the overall framework of corporate governance, there is no harm to promote emerging issues which might further strengthen the effectiveness of corporate governance or board members and also the management team. This study aims to highlight emerging issues which concerned by investors in Malaysia.

1.2 Problem Statement

The world is improving without our acknowledgement due to innovation of information systems, consumer new requirements, demographic changes and other factors. Same theory applies to world of corporate governance. The innovation of corporate governance should not stop and must continue discover existing issues and improve on it.

Stakeholders keen to seek for better corporate control system demonstrated by the managements and company directors in order to secure their investment and enhance confidence level. Similarly, companies rely on outstanding corporate governance not just to comply with the law and regulation but also to attract additional funds from investors, maintain share prices, retain talents and sharpen its competitive advantage. In the absence of effective corporate governance, companies may suffer financial, legal and reputation harm.

This study proposes some areas might need attention from related authorized body and numbers of emerging issues which are recently hot topic in corporate governance world and discussed by many related parties. Those emerging topic may require further attention from shareholders, board of directors and management team. For instance, like the CEO duality, earning management, board size, succession planning and board gender diversity will be studied in this paper. It is essential to determine the how the emerging topic could impact the company performance. In addition, it is also to promote effective and efficient corporate governance especially for the new issues arise currently.

On the other hand, the emerging corporate governance issues may directly or indirectly impact the interest of stakeholders. Therefore, the opinion from investors in Malaysia regarding with the emerging issues are important. Board of directors and management team may take necessary policy to overcome those emerging topics.

After experienced number of financial crisis, profit making companies were under pressure from activist investors, institutional shareholders, proxy advisory firms and regulators for the issue of CEO duality which is often front and center. Some researchers and academic literature found that there are different opinion for separation of Board Chairman and CEO (Tonello, 2011). Thus, it is necessary to seek investor's opinion and their perspective in order for regulators to improve the effectiveness of corporate governance in Malaysia.

Another hot issues which has been discussed in Malaysia is relevant to the transparency of financial reports. Investors might need to have increased transparency financial report to make investment decision due to the fast development of internet and technology. However, the financial report provided by the related company might not fully reflect the true position of the particular company due to complexity of earning management. Therefore, it is necessary to let managers and regulators to make clear that the earning management is essential in investor's mindset and should make ways to prevent future financial scandals (Ardekani, Younesi & Mohammad Hashemijoo, 2012).

In general, investors believe that their interest is linked to the board performance. Thus, it is common that investors concern what factors would influence the board performance. Board size might be one of the topics been discussed in corporate governance mechanism and there were plenty of explanations on the board size-performance relationship (Shakir, 2008). Investor's perspective is important for regulators and managers to determine the board size.

Succession planning is one of the helpful tools which could serve the current and future needs of an organization. However, this topic seems like less likely to be investigated by researchers in Malaysia as well as from investors' perspective of view (Amran & Ahmad, 2010). This study aims to explore succession planning in investors' perspective and highlight their opinion to the board and management.

In addition to succession planning, board gender diversity is likely to be another emerging topic in Malaysia. The Star (2015) reported that the leader of local government urged all types of companies to have at least 30% of decision making power hold by women directors and this recommendation is shortly approved by the Cabinet. Nonetheless, the overall percentage of women directors in Malaysia is 10.2% in year 2012 which is still far from 30%. This study tends to highlight investors' perspective towards women director contribution and their managerial skills as well as the importance of women director on board.

1.3 Research Objectives

This research is aimed to study emerging issues in organization which are concerned by investors in Malaysia.

1.3.1 General Objective

Identify the potential roles and emerging issues in corporate governance and recognize the relationship between these issues and investor perspective in Malaysia.

1.3.2 Specific Objectives

The following refers to the specific objectives of this study:

a.) To determine the relationship between CEO duality and investor perspective in Malaysia.

b.) To determine the relationship between earning management and investor perspective in Malaysia.

c.) To determine the relationship between board size and investor perspective in Malaysia.

d.) To determine the relationship between succession planning and investor perspective in Malaysia.

e.) To determine the relationship between board gender diversity and investor perspective in Malaysia.

1.4 Research Questions

a.) What are the emerging corporate governance issues concerned by Malaysian investors?

b.) Are there any significant relationship between corporate governance issues (CEO duality, earning management, board size, succession planning and board gender diversity) and their concern level by investors in Malaysia?

c.) How do CEO duality, earning management, board size, succession planning and board gender diversity impact on investor interest.

1.5 Hypothesis of the Study

a.) $H1_0$: There is no significant relationship between CEO duality and investors' perspective.

$H1_1$: There is a significant relationship between CEO duality and investors' perspective.

b.) $H2_0$: There is no significant relationship between earning management and investors' perspective.

$H2_1$: There is a significant relationship between earning management and investors' perspective.

c.) $H3_0$: There is no significant relationship between board size and investors' perspective.

$H3_1$: There is a significant relationship between board size and investors' perspective.

d.) $H4_0$: There is no significant relationship between succession planning and investors' perspective.

$H4_1$: There is a significant relationship between succession planning and investors' perspective.

e.) $H5_0$: There is no significant relationship between board gender diversity and investors' perspective.

$H5_1$: There is a significant relationship between board gender diversity and investors' perspective.

1.6 Significance of the Study

Recently there are some topics being discussed by many related parties in order to overcome the new challenges and promote more effective corporate governance structure. Thus, the findings of this study are important to find out the ways on how the emerging issues could impact the existing corporate.

Furthermore, shareholders should aware the current issues in the world of corporate governance and keep align with the international standard. This is to discover better ways to protect self interest.

Besides that, it is also important for company directors to keep updating to the world class corporate governance and discover any better methods to control and lead the company.

After recognize the importance level, company directors may tend to focus on those significant factors and achieve an outstanding performance in corporate governance activities.

1.7 Chapter Layout

In chapter one, a general review of corporate governance and emerging issues of corporate governance will be provided. Furthermore, the problems they are facing particularly will be highlighted as well as research objectives and research questions. A short and clear conclusion will be presented at the end of the chapter.

In next chapter, several important variables regard the issue stated in previous chapter will be discussed and identified through literature reviews and proposed theoretical framework. This chapter will be ended by providing a short summary of the whole chapter.

Chapter 3 represents research methodology. This section will justify how the research is conducted in term of research design, methods of data collection, sampling data, research instrument, scales of measurement, process and analysis data. A short summary will be provided at the end of the chapter.

The research study will be continued by chapter 4 which known as research results. In this chapter, the research questions and hypothesis will be put in test. Besides that, an appropriate result should be provided at the end of the chapter through examing measurement scale, descriptive and inferential analysis. A short paragraph will end this chapter.

This research study will be concluded by chapter 5 which indicate discussion and conclusion. A statisctical summary, major findings disccussion, implications and limitations of the research will be described as well. Furthermore, recommendations for future research will be accomplished also in this chapter. Finally, an overall conclusion of this research project will be prepared at the end of this chapter.

1.8 Conclusion

In conclusion, this research study mainly focus on emerging corporate governance issues in Malaysia. It may put existing corporate governance framework into test. In order to further this research project, a number of sources that will lead to determine the relationship between emerging corporate governance issues and investor perspective will be discussed in the following chapter.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

Chapter 2 is to find out the answers from the problems stated in chapter 1. The key objective of this chapter is to analyzing the relationship among emerging corporate governance issues and Malaysian investors' perspectives. First of all, this chapter will explain the definition of corporate governance, the review of corporate governance worldwide and in Malaysia. After that, the chapter will address the related theory and emerging corporate governance issues and Malaysian public perspectives. The research framework will be provided in this chapter and the hypothesis to be tested will be stated in the last part of the chapter.

2.1 Review of the Literature

A Comprehensive review of the published information from secondary sources of data are used to provide a clear and logical presentation of the relevant research work conducted thus far in this research.

2.1.1 Review of Corporate Governance

The word "governance" is originally derived from a Latin word "gubernare" which represents "to rule or to steer". Hence, corporate governance can be defined as the process and structure used to control the entire business affair with the objective of improving and retaining long term relationship with shareholders and financial viability of the business.

Corporate governance is important topic in this business world. The main reason would be corporate scandals. In lately 1980s, there have been many corporate dishonors which nearly cause the entire economic down rather than just individual corporations. Those scandals were mainly involved in high level of mismanagement and in turn with loss of huge money (The World Bank Report, 2005). It is necessary to warrant that those corporate scandals like Enron, Adelphia Communications, Maxwell Group, Nortel, Royal Ahold, Polly Peck, Satyam, WorldCom and so on do not happen again (Zalewska, 2014).

In general corporate governance system, shareholders are often the principal meanwhile board members will represent as an agent. Despite the key characteristics of the board members and shareholders have taken decades to reform, it does not reflect that these reforms are entirely defined or complete in their evolution (Zalewska, 2014). The emerging corporate governance issues will be impacted by other factors such as economic structure, demographic changes and business environment turns around as time pass around. The board and top management are necessary to aware of these emerging corporate governance issues. Similarly to shareholder. The shareholders need to concern about the emerging issues as it might directly or indirectly impact their interest. The emerging issues could be an opportunity or threats for their company. Thus, those emerging issues of corporate governance might need further attention.

The major role and responsibilities of the board of directors have always been determined to protect shareholder interests (Clarke, 2015). Nonetheless, their role and responsibilities have largely advisory and often ceremonial in centuries (Mees, 2015). Directors nowadays are legally responsible to carry out their duty in order to protect shareholder interests. These include defining the company direction, overseeing management as a whole, developing company strategy and evaluating and reporting results to stakeholders (Rachagan & Satkunasingam, 2009). Unlike traditional board members roles and responsibilities as it was changing due to company grows and the management team becomes more diverse, with a broad range of experts and knowledge who can contribute ideal strategy in different ways. They are expected to perform whatever can be done in order to escalate shareholder value meanwhile retain zero harm to the company's benefits.

In fact, how companies are governed and what is presentable code of corporate governance conduct have changed dramatically in the last few decades. The core amendments have taken place in the Anglo-Saxon corporate governance scheme. Besides that, researchers claimed that the UK has been successfully demonstrated numbers of important transformations in the world of corporate governance (Zalewska, 2014). Indeed, the Cadbury Report (1992) represented a series of code of conducts and also essential improvements in the history of corporate governance in UK and abroad. The Cadbury Report (1992) highlighted some recommendations and guidelines which focus on improving internal monitoring. It also emphasized the role and responsibilities of board members as an agent to directly control the firms and to deliver the true financial information to the shareholders. Besides that, it laid down the fundamentals for empowering board members to make decision and restricting CEOs' influence over the board for the end results. This was courageous and innovation to strengthen internal monitoring.

Moreover, Cadbury Report (1992) was not the only one code of conduct released in 1990s. The Hampel Report (1998) emphasized the separation of roles between CEO and board member is essential. Besides that, companies are encouraged to justify the decisions in order to combine the roles. The Higgs Report (2003) further stated that non-executive directors should be empowered and even restricted the power of CEO. For instance, they are required to form a majority of the board and the Chair should be independent. Same year, Tyson Report proposed board independence, diversity and the role of institutional shareholders (Short, 1999).

In Asia, corporate governance issue becomes awake since Asian financial crisis in 1997. The crisis grand momentum for rigorous efforts for the reform of corporate governance framework by government authorized body as well as non-government organization. The purpose is to restore investor's confidence.

Whilst corporate governance served as an important player to balance the power within a firm, Malaysia introduced a great amount of effort to reform corporate governance framework in early 1990s. The early improvement of corporate governance practices for public listed companies started when the KLSE listing requirements made audit committees mandatory (Haniffa, 1999). A good corporate governance practice was further presented by Malaysian Securities Commission (SC) following the move from a merit-based to a disclosure-based regulatory regime in 1995 (Haniffa, 1999).

However, due to the financial crisis in 1997, the local government was forced to intervene via rescue programs. For instance, "Finance Committee on Corporate Governance" (FCCG) was established in March 1998. The committees are consisted of senior representatives from the government, regulatory bodies and professional associations. They were required to exercise their power in order to review entire corporate governance practices and recommend effective legal reforms. Notable in these corporate governance reforms efforts are the initiated by the Securities Commission, the Malaysian Institute of Corporate Governance, the Companies Commission of Malaysia, Bursa Malaysia, the Malaysian Accounting Standards Board, the Malaysian Institute of Accountants and the Minority Shareholders Watchdog Group (Gupta, 2014).

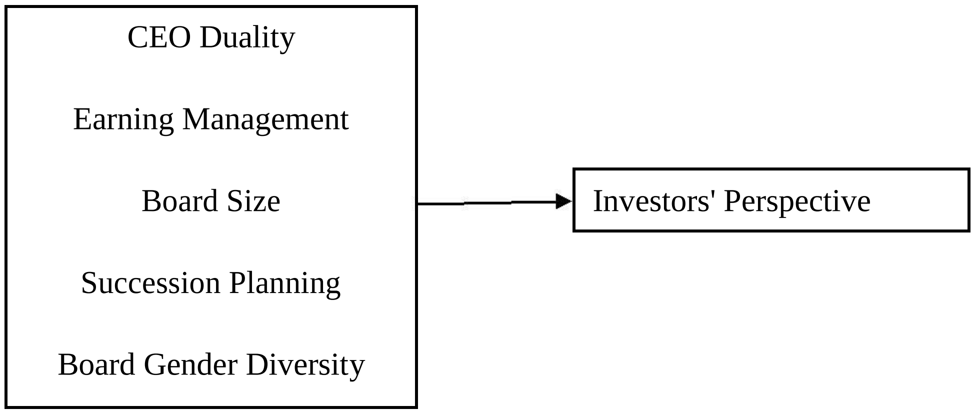
The current corporate governance framework refers to MCCG 2012. MCCG 2012 focused on strengthening the board structure and board composition which recognize the role of board members as active and responsible fiduciaries and raise a number of corporate disclosure policies. MCCG 2012 promoted duty to be effective steward and guardian of a company. Instead of developing strategic direction and overseeing overall business conduct, the revised Code also recommended a company could compliance with laws, regulations and ethical values. Besides that, it is to aim that a firm could maintain an effective corporate governance structure which is in order to ensure that it has taken necessary risk assessment measure and up to certain level of internal controls (Gupta 2014).

The importance of good governance practices to strengthen the Malaysian financial and capital market has been recognized (Abdul Rahman, 2006). In order to have good practice of corporate governance, improvement and innovation are inevitable. Moreover, history of corporate governance development highlights the importance and necessity of improvement is vital. Therefore, it is necessary to highlight the emerging corporate governance issues which concerned by shareholders in Malaysia. Next, the management team and board of directors may need to take an eye for the emerging issues as it might directly or indirectly impact the company's performance. For instance like recognize the dual role of chairman, earning management, board size, succession planning and board gender diversity. These issues may further discuss in the following section.

2.2 Proposed Theoretical Framework

This framework identifies the relationship between the independent variables (which consist of CEO duality, earning management, board size, succession planning and board gender diversity) and dependent variable (Investors' perspective).

Figure 2.1: Emerging Issues in the Perspective of Shareholders



Independent Variables

Dependent Variable

Source: Developed for the research

2.2.1 CEO Duality

Whether to split the role of chairman of the board and CEO of the management team is one of the emerging corporate governance issues in recent years. CEO duality refers to the position of the Chief Executive Officer and the chairman of the board are served by the same individual (Bhagat & Bolton, 2008). Traditionally, it is the responsibility of board members to ensure that CEO serve the best interest to the company at the same time to protect the interests of shareholders (Finkelstein & D'Aveni, 1994). In this case, the board of directors can be defined as a monitoring device that makes sure the interests of the CEO are the same to the shareholders. Thus, the relationship between the chairman and the CEO is crucial. A primary element of a management of an organization is the makeup leadership of the entire board. CEO duality may be one of the most vital, doubtful and emerging issues in corporate governance research and practice (Krause, Semadeni & Cannella, 2013).

CEO duality is an important emerging corporate governance issue because the status of the CEO and board chairman may have great influence power towards a firm's performance. Researchers argued that CEO duality has negative outcome on firm performance. On the other hand, there are also arguments and evidence to support that CEO duality has no influence of the firm performance (Chen, 2007). Hence, whether CEO duality is favor or unfavor to firm performance is still a doubtful question.

Moreover, Cadbury Report (1992) suggested that a firm should have different individual to hold the position of board chairman and CEO of management team. It is to ensure a balance of power and retain independence of the board. The latest edition of Malaysian corporate governance framework, MCCG 2012 also recommended that roles separation between chairman and CEO is recommended in order to avoid huge power concentration where the same individual hold two positions at the same time.

There are two notable theory on this CEO duality issue which are agency theory and stewardship theory (Abdul Rahman & Haniffa, 2005). Agency theory suggested that role separation of CEO and chairman is vital in order to control and monitor the effectiveness of the board over the management by providing continuous checking work against the possibility of any exceed spending plans by the CEO (Peng, Zhang & Li, 2007). When the same person is holding two important positions, they are likely to develop a strategy which might solely benefit for self-interest rather than the interest of the company and shareholder's wealth maximization. In contrast, stewardship theory claimed that the combination of the two roles might enhances the overall effectiveness of decision making process and allow the same person to explain the company's strategies to board members (Peng, et al, 2007).

Researchers urged that additional cost is one of the agreements in favor of CEO duality where CEO and chairman are separated person. For instance, monitoring cost might increase when the CEO and chairman are different people. The benefits of monitoring can be more than the costs in many cases

(Yang & Zhao, 2014). However, the awareness that the CEO is being monitored is often sufficient to achieve the desired outcome. In this case, the monitoring will not add much to the desired behavior of the CEO and the monitoring costs will not generate expected benefits. Another potential cost will be information sharing cost between the CEO and the chairman (Bloom, Sadun & Van Reenen, 2010). Researchers addressed that when the CEO and the chairman are the same person, there will no information sharing cost occurred (Yang & Zhao, 2014).

In addition to costing issue, CEO duality can also benefit a firm performance due to single leader can provide a clearer direction and can be more responsive and flexible to environment changes (Yang & Zhao, 2014). Next, in the case when CEO and chairman are the same person, the person will have more comprehensive knowledge of the company compare to separated person. This is because the CEO often meeting with the entire management team where separated chairman does not. When the same person (CEO and chairman) wealth is linked to the company performance, he or she may even more commit into their roles positions.

Likewise, a single leader can make decisions more effectively and faster pace when the person has great authority and power. Sometimes a leader must make a fast decision in order to grab an opportunity for the benefit of the company. If the management makes a late decision, the opportunity may gone or taken by competitors. Besides that, a single leader may easily overcome organization issues in shortest time. It is because the CEO has broader power and resources and locus of control. CEO duality will also weaken the relative power of other interest group. This usually implied to the shareholders who have less control over the CEO.

Last but not least, there are study to indicate that there is no relationship between a firm performance and the CEO duality status (Chen, 2014; Iyengar & Zampelli, 200). They claimed that CEO duality has no significant impact on firm performance but other corporate governance issues do largely affect company's performance.

In contrast, many studies claimed that CEO duality has negative impact towards firm performance. They found that the turnover of CEO is significantly lower in the case of CEO duality (Ugwoke, Onyeanu & Obodoekwe, 2013). It is extremely difficult for the board to remove a poor performance of CEO when they are holding the same position at the same time (Goyal & Park 2002). Similarly, it is also difficult to remove the top management team who deliver low performance in their workplace.

Traditionally, the role and responsibilities of a chairman is to hire, fire and compensate the CEO. If the CEO and the chairman is the same person, it is difficult for him or her to ignore personal interest but just acting fairly for the company. For instance, the person may obtain compensation somehow beyond their contributed performance and ignore company financial feasibility. Besides that, it is very difficult to avoid that the same person (CEO and chairman) to develop a strategy which will solely benefit themselves rather than shareholders (Kim & Buchanan, 2008). Thus, researchers urged that there would be more effective when the board is independent and the chairman is with different individual (Zulkafli, Abdul-Samad & Ismail, 2005). In this way, there is no conflict of interest between the CEO and chairman. Researchers pointed that a firm is more cost effective and higher return on assets when the CEO and the chairman position are held by different person (Gupta & Newalkar, 2015).

Studies also suggested that separation of CEO and chairman send a positive signal to corporate lender and thus increase the chances for raising additional funds and reduces the risk of bankruptcy (Ehikioya, 2009). According to Ehikioya (2009), firms in which the CEO and the Chairman are separated, shareholders are likely to gain confidence on the firms' ability to raise additional capital and in turn there are less chances of bankruptcy of the firm (Fosberg, 2004).

The main function of the board is to monitor the performance of the top management. Thus, the spilt of the CEO and the chairman may be desirable in order to discharge their duty more effectively and efficiency (Hashim & Devi, 2008; Bhagat & Bolton, 2008; Coleman, 2007).

In Malaysia, the separation of CEO and board chairman is generally classified as good practice under MCCG 2012. The non CEO duality is to ensure that no single individual can dominate the board decision making process. However, the effectiveness of non CEO duality is still inconclusive in Malaysia. Mixed result from researchers challenged the effectiveness of CEO duality (Mohd-Saleh & Omar, 2014).

2.2.2 Earning Management

Earning management is the single most important element in the eyes of board members and the CEO for the overall business performance indicators. It can be defined as to achieve desired financial position through reasonable and legal management decision making and reporting. In other words, management keens to take actions to increase earnings when earnings are relatively low meanwhile to decrease earnings when earnings are relatively high (Jooste, 2011; Kaplan, 2001).

On the other hand, there are number of phrases to represent earning management like income smoothing, account dressing, financial statement management and so on.

Likewise, earning management is one of the methods that can be exercised in order to decorate company financial performance. Nonetheless, there are number of arguments about earning management and how to manage it (Leuz, Nanda & Wysocki, 2003). Furthermore, the relationship between corporate governance and earning management remain unexplored issues and investigation in this area in different international settings provides different interesting topic and result (Hashim & Devi, 2008). This study is aimed to study the perspective of investors toward earning management in Malaysia.

Earning management takes place through accounting choices. Those choices are dependent on the accounting standard they applied for the company. Therefore, the accounting standards which employed by the company should be considered by shareholders. However, this study is less likely to explore in this area.

The rational behinds earning management include maximize thier own wealth, minimize the perceived risk of the company, increase firm value to attract additional funds, competative comparison, gain investors confidence, meet debt convenants, reduce tax payable and enhance the reliability of financial forecasts (Hassan & Ahmed, 2012).

Ning (2006) claimed that earning management is not a harmful activity to a firm. In fact, earning management does not violate the standards and laws but just a value adding tool (Magrath & Weld, 2002). For isstance, a firm may employ earning management when there is changes in input prices. When the difference between attaining and missing the threshold of stock tendering, debt covenant, or regulated requirement is just a few cents, the benefits of earnings management may come into stage as earnings are managed from a small shortfall to a small surplus of the threshold point. For those companies which do not employ earning management is likely to suffer higher costs and hence impact the interest of the company (Ning, 2006).

Next, earning management may serve as a value maximization tool. It helps to attract low cost financing, reduce probability of bankruptcy of a firm, obtain high stock prices and so on. Researchers found that if a firm with good earning record are typically rewared in the stock market like increase stock price and at the same time discourage speculators.

A view from different perspective, Dutta and Gigler (2002) stated that shareholders are better off with managed earnings by the management. Shareholders may enjoy higher stock price and dividends if a firm managed to indicate that their performance is keep on improving.

According to Black (1993), earning maangement is to increase the association between reported earnings and firm value and hence it makes the reported earnings figure more revealing. Earning management helps shareholders to form rational expectations about an organization value rather than mislead them in the capital market. Firms that are engaged in earning management are likely to be economically stronger or with better management. Absolute zero of earning management is clearly not an ideal solution in capital market (Dechow & Skinner 2000).

Despite there are numbers of advantages of earning management, drawback is obviosly about the financial reporting quality issue. This issue is concerning since the performance of financial report have negative trend which could harm the financial system over years (Hassan & Ahmed, 2012). If a company financial reporting does not reflect the true financial status, the fundamentals of capital market will lose the confidence (Jooste, 2011).

Besides that, there are some arguments of disadvantages when companies practice earnings management because it will in turn with a major information gap between buyers and sellers at the stock market. Although the financial report aims to reduce this information gap through income statement, balance sheet, comentary notes and management reports which complied under generally accepted and approved accounting standards (Jooste, 2011). Nevertheless, Dechow & Skinner (2000) reported the problem to the financial statements is lack of fair value and therefore it does not fully reflect the company´s true financial position since the complexity of earnings management. Thus, the quality of the financial report is doubtful where earnings management is the main source of contributor. Investors do not have the same access to information as members in the board, thus this puts investors in a middle because they only have financial report which prepared by a company as main source to make investment decisison (Pergola, 2005; Nobes 1998).

In the case when the manager's wealth is linked to company's performance, earning management might be the tools to adjust the figure which will benefit themselves instead of shareholders (Mansor, Che-Ahmad, Ahmad-Zaluki & Osman, 2013; Hassan & Ahmed, 2012; Shah, Zafar & Durrani, 2009). Again, agency theory clearly explains the phenomena. Evidence suggested that managers manipulate earnings to maximize wealth based bonuses. Managers tend to manipulate the result to avoid unfavorable wealth consequence from negative earning outcome (Kang & Kim, 2011).

In addition, the combination of the share price appreciation and good dividend return to shareholders, managers tend to increase dividends in favor of using the cash with intend to raise the share price. By raising the share price, managers may obtain greater share of dividends at the end of the financial year (Hashim & Devi, 2008; Peasnell, Pope & Young, 2005). For those risky investments, there is a likelihood to raise shares price by using shares options in order to reward managers. Thus, manager tends to take risky projects and allow risky business strategy in the company to have higher chances to get stock options award. In this case, they might take advantage of his/her position by acting and taking decisions without considering the possible outcomes (Peasnell et al, 2005).

Moreover, a manipulation of earnings management may occur by managers to enhance profits for a financial year and to turn the shares price more favorable for exercising options. This may in turn with serious consequences for the company which might lead into bankruptcy.

2.2.3 Board Size

Board size refers to the total number of directors on the board for a firm. The directors are consists of executive director and non-executive director. This study examines what is the perspective of shareholders in Malaysia toward board size of a firm. Generally, there are two main functions of the directors on board which refers to advising and monitoring. Boards of directors play a critical role in the corporate governance of a company. Therefore, it is important to make clear understanding on this emerging issue.

There are public debates that argue although larger board size theoretically enhance the key board functions, it comes to a point when larger boards suffer from coordination and communication problems and thus decrease board effectiveness and firm performance. Previous empirical evidence supported this point of view which determined that there was negative relationship between board size and firm performance. In this case, some researchers proposed that "one size for all" approach may overcome the issue and improve the effectiveness of board governance. It proposed that the board size should consist of 8 or 9 for all firms (Jensen, 1993). On the other hand, researchers also found that no relationship between board size and firm performance. Since there are very few studies to examine board size and its effect on firm performance, this study aims to enlighten this area particularly in Malaysia (Cascio, 2004).

Nevertheless, there are many recent studies to critic that "one size for all" approach does not perform for every firms or industry (Coles, Daniel & Naveen, 2008). Indeed, they urged that board size should be subject to firm specific variables such as profitability, national characteristics, family owned business or non-family owned business (Amran & Che-Ahmad, 2011; Guest, 2009). In addition, the impact of board size on firm performance may not consistent according to the specific variables. For example, researcher stated that there is positive relationship between board size and firm performance when the firm is large. Hence, large board size may be an ideal option in order to maximize shareholders wealth. National characteristics may differ by countries to countries. In countries with different background, the functions of board may also different and thus the expected board size may also vary. These include social demographic, public believes, economic background and so on. Thus, it is important to identify the relationship between board size and firm performance in different country for more effective corporate governance practices. Additionally, the perspective of shareholders is also important as it would affect the decision made by related authorized body.

The findings from many countries are largely consistent. For Switzerland, researchers provide evidence that there is negative relationship between board size and firm performance (Coles et al, 2008; Cheng, Evans & Nagarajan, 2007) whilst Beiner, Drobetz, Schmid and Zimmermann (2006) and Guest (2009) found no negative impact. Bozec (2005) found significant negative relationship between board size and sales margin. However, it is not profitable for 25 Canadian firms. For the UK, Conyon and Peck (1998) and Lasfer (2004) stated that there is negative effect of board size on firm performance and profitability. Furthermore, most of the US studies found similar result. However, there is also a study addressed that there is a positive relationship between board size and firm performance (Linck, Netter & Yang, 2008).

A number of studies addressed that the board size is expected to be larger if the need for information and required high degree of advice from the board (Coles et al, 2008; Guest, 2009). Such requirements are often to escalate with firm scale and complexity of the particular firm. These studies also have identified that board size has positive relationship with firm size and provide strong evidence which indicated that board size is affected by certain variables such as firm size, diversified firm, firm age and firms which rely heavily on debt financing (Linck et al, 2008). The findings are consistent with the objective of value maximizing. In addition, these findings also recommend that the impact of board size on firm performance may inconsistent for different type of organizations (Linck et al, 2008).

One of the advantages of larger board size refers to greater collective of information and thus larger board will in turn with greater performance. Larger board size will bring valuable expertise and knowledge which tend to increase the overall effectiveness of the board and better leading to the management team (Zainal Abidin, Mustaffa Kamal & Jusoff, 2009; Dalton & Dalton, 2005). The skill and knowledge from different industry and area are important for the board to make strategic decisions which intend to maximize shareholder's wealth and improve the value of a firm. Besides that, larger board size also promote better monitoring function posed by the board. However, Raheja (2005) argued that executive directors are available for critical information for the board but may distort the objective of shareholder's maximization and lack of independence. Non-executive directors are independent to monitor the firm but lack of accurate information and less informed about the firm activities. Therefore, the increase number of non-executive director are expected to bring greater positive impact on firm performance than increases in the number of executive directors. Moreover, CEO is less likely to manipulate a board which is larger and efficient compare to small size of board (Samuel, 2013).

Nevertheless, researchers argued that boards with a large number of directors can be a difficult issue and expensive for a firm to maintain. For instance like planning, work coordinating, decision-making and holding regular meetings can be a difficult issue when large number of board members exist. Coordinating and communicating problem arise due to difficulty to arrange for board meetings and reach consensus and in turn with lower and less efficient decision making (Guest, 2009; Mak & Yuanto, 2004; Mishra, Randoy & Jenssen, 2001). Next, board cohesiveness is less likely to be achieved due to difficulty for board members to share mutual thinking, connect with each other effectively and reach consensus. Furthermore, it seems to take longer time for directors to discuss and make meaningful strategic decisions (Weir & Laing, 2001). Likewise, free rider problem may arise because the cost to any individual director of not exercising diligence falls in proportion of board size (Guest, 2009).

2.2.4 Succession Planning

Succession Planning is defined as the process of finding suitable people and prepare them to replace the important executive in an organization when they are leaving or retiring. The key succession planning here is to mean that in accessing and understanding the value of the human resources at present and what kind of people that a firm need in the coming years. The future expected company performance relies on today's succession planning. Studies highlighted that most of the investors are interested with future profit expectations of a target company. Moreover, investor also believes that a reliability and stability of a management team could bring benefit to them (Tan, 2009; Miles & Watkins, 2007). Thus, the quality of upcoming management team is essentially important in every investor mind. From management team point of view, they hope that the next person has the capability to fulfill the requirements of the particular position as it might impact the overall company performance. It is vital to have a competent and reliable person to hold critical position. In short, one of the methods to improve the value and creditability of a firm for the future is reliant on planning for next generation of human capital today. However, the relevant research in this area is relative less in Malaysia (Tan, 2009).

Succession planning being apply in most of the companies in Asia countries for the purposes in preparing the company's change, worrying of insufficient talent and building up more workforce pipeline, planning for corporate's CEO successor and to prevent the effects of the death of CEO's on company's stock market (Tan, 2009). The above mentioned key focus areas of corporate's Boards will further bring up the efficiency and effectiveness towards the overall organization's performance and strategic direction (Seymour, 2008).

Succession planning is expected to be done in a well organize way as it requires the need of develop and access right candidates from internal as well as to enroll potential external candidates. Boards are thus encouraged to spend sufficient time and effort to select the right candidate and provide guidance on the appointment of senior executives. Thus, it is crucial to make sure the succession planning is carry out in a transparency way in order for investors to gain the accurate information in the first place in order to improve the organization's long term plans (Gregory & Simms, 1999).

As the baby boom generation is reaching the retirement age, it is crucial for organization to come out with the planning and implication of succession planning (Hall & Hagen, 2014; Kilian, Hukai & McCarty, 2005). According to Hall and Hagen (2014), a successful planning consumes between five to seven years to prepare the right successor in succession planning. The process of determining the succession objectives, CEO desire exit date and shortlist the potentials for succession become especially important. Much effort and time could be wasted in between the process flow due to the first successor determined might not end up as the next CEO of the business if the candidate is not capable or suitable enough for the transition ((Hall & Hagen, 2014; Groves, 2007).

Boards are also responsible in identifing the advantages and disadvantages of succession planning. A detailed plan which focusing in evaluate the succession planning is critical. Some of the organizations decide to go for internal promotion due to the existing key executives is more familiar and skillful with the company's operation and direction (Groves, 2007). It is definitely time efficient and cost efficient compare to external candidate. In addition, employee's perceptions of their career prospect change. They may commit deeper toward a firm that invest them. Other aspect, the gap for leaving the company is smaller due to greater promotion opportunities. In other word, promote internal potential candidate helps to increase loyalty level. Likewise, this creates a sense of belongingness and momentum among the whole workforce.

Individual has rights to move around. As key people move on, their knowledge and expertise go with them. Therefore, with a proper succession planning, it could avoid these situation as a firm has documented the significant strategies, tactics, processes and procedures that ensure your business achieves its goals. These help to promote sustainability of a firm and also endure business success.

In contrast, some others will go for external hiring to track the right person in order to maintain or increase value to the business. External candidate often bring different opinions which might enhance the company's performance and effectiveness. Meanwhile, it is also an opportunity to refresh, revitalize or reposition in a rapidly changing mall.

According to Lambertides (2009), Boards rank succession planning is the second most crucial issue face by the companies, follow after the strategic planning issue. Hence, succession planning takes place as an important event for both Boards of Directors and investors. Researchers indicated that succession planning and company's performance are affected by firm size and its prior performance. Besides that, characteristics of the new CEO appointed is also one of the main factors to drive the company's direction and movement in the near future as following to the succession planning.

Simsek, Lubatkin, Veiga and Dino (2009) suggested that investors tend to perceive outside successions bring more positive impacts on business' performance than inside successions. This is supported by Worrel (2009) where investors believe that outside successions can bring the business immediate benefits, while take the wait-and-see attitude on viewing the inside successions. However, Bommer and Ellstrand (1996) stated that there is no significant difference on inside and outside successions towards the business if the prior performance of organization is constant.

According to Lambertides (2009), announcement on sudden death or retirement of CEO will lead to short term negative effect on the market reaction. Risk adverse investors tend to perceive these events as a negative sign and require high premium for them to hold these firms in their portfolio, while immediate successions might create managerial issues in business' operational activities for the post-succession planning stage. Therefore, it is important for a company to be well prepared for succession planning events (Lambertides, 2009).

Stakeholders do pay premium prices especially for the business with certain characteristics. Thus, they do concern when it comes to the issue regarding succession planning which will take a couple years of time for the company next move (Shen & Cannella, 2003).

2.2.5 Board Gender Diversity

Board gender diversity has become a central theme of corporate governance worldwide. The reason behind these initiatives is that female participation on board could improve corporate governance. The traditional practice often offers the position of director to male participants instead of female in almost countries of the world. However, the existing literature suggests that monitoring by female and male directors could be different in number of ways and the presence of female director on board could even improve board oversight of management.

This has led governments to a debate whether should implement a regulations to increase participation of female into board ahead (Adams & Ferreira, 2009). The Norwei government declared that from January 2008 the participation of each gender on the board of directors of all listed companies should be at least 40% with non-rebate penalty for noncompliance in 2006. Spain, Iceland and France very soon to enforce gender quotas on board as well. Likewise in Belgium, the Netherlands and Italy have passed related laws at least at the first stage of the legislative process. A rather intense debate has also followed in other countries, such as Sweden where politicians have threatened similar actions if a firm does not voluntarily opt to include more female directors on the boards.

Statistics reported that there are 16.1% female directors in United States are enrolled into boardroom meanwhile 15% in United Kingdom. In contrast, there are relative weak participation rate in Asia countries for female directors to take the position inside a boardroom. For instance, only 8.1% in China, 7.8% in Malaysia and 6.4% in Singapore are female directors. The general reasons take two parts which reflected as lower participation of female in labor force in Asia economic compare to Europe nations and the United States. Secondly, women in Asian countries often to have double role which are labor in workplace and house care taker (Süssmuth, Wang & Chen, 2012). They are expected to take responsibility for most family and household matters. Thus, the existing cultural norm could explain the lack of women participation rate in board positions and management (Singh, Terjesen & Vinnicome, 2008).

There are number of rebates in regard of increase participation of female director into board. One of the debates is that more female director on board would improve firm performance. There are several theoretical reasons why a greater share of female directors on board might associate with better performance (Carter, Simkins & Simpson, 2003). A more gender diverse board of directors might lead to a better understanding of markets, increase firm creativity and innovativeness, improve decision making due to more alternatives are evaluated, select more productive board members and enhance image of a firm. A recent align studies in Vietnam found similar result which means that female directors are distinguishable to male directors in term of both human values and attitudes to risk (Nguyen, Locke & Reddy, 2015).

First of all, researchers found that gender diverse board is more likely to create a richer information environment in which the cost of collecting firm specific information is reduced which in turn with more transparent actions among managers and hence encourage monitoring (Gul, Srinidni & Ng, 2011). Secondly, female directors keen to allocate more effort in monitoring activities. They are more likely to attend meeting than male directors and thus increase the attendance and are more likely to sit on monitoring related role of committees (Adams & Ferreira, 2009). Besides that, Perrault (2015) and Adams, Gray and Nowland (2010) urged that female directors demonstrate greater independence and activism than male directors. Furthermore, studies also indicated that the attributes of woman may be less tolerant towards opportunistic behavior than men and place less emphasize on personal interest (Krishnan & Parsons, 2008; Thorne, Massey, & Magnan, 2003). In turn, female directors could increase board diligence, independence and informativeness which all are essential for effective monitoring.

Additionally, female directors may broaden the human capital and channels of communication of the board by offering value added ideas into firms' strategic issues, especially those associated with female employees, consumers and business partners (Daily, Certo & Dalton, 1999). Besides that, study shown that female directors are more concerned about social and environmental issues (Williams, 2003). Therefore, an appointment of female directors would enhance firm performance in these areas and in turn with more favorable reputation and satisfy all stakeholders' expectations (Branco & Rodrigues, 2008).

However, there are also arguments that increased monitoring by female directors could introduce negative effect on firm performance. For instance, it may reduce managerial motivations to share meaningful strategic information which in turn with poor advising (Adams & Ferreira, 2007). In addition to poor advising, it may also lead to managerial short sight and cause managers to reduce investments which particularly in long term risky project such as corporate innovation (Becker-Blease, 2011; Faleye, Hoitash & Hoitash, 2011). These perspectives suggested that increased monitoring by female directors could diminish managerial motivation to discharge duty. Adams and Ferreira (2009) suggested that board gender diversity may not necessary have significant impact on firm performance. They reported that firm performance may derive upon the overall quality of governance system and board gender diversity seems to have a negative effect on the firm performance of well governed firms due to unnecessary and excessive monitoring.

Furthermore, studies indicated that female directors tend to be more risk adverse and less overconfident than male directors (Croson & Gneezy, 2009). Additionally and similarly to this finding, empirical evidence suggested that female managers take less risk compare to male managers and are less likely to approve acquisitions and pay lower bid premia when they do (Levi, Li & Zhang, 2014; Dwyer, Gilkeson & List, 2002). Researchers suggested that the less overconfident attitudes of female directors are therefore likely to be associated with a unwillingness to exercise high risk, avoid uncertainty and unpredictable performance improvement activities relative to male directors and therefore suggesting that board gender diversity would restrict a firm performance (Hirshleifer, Low & Teoh, 2012; Galasso & Simcoe, 2011).

Given that the existing theoretical framework and prior empirical findings do not suggest a clear outcome for the board gender diversity and firm performance nexus, this area will be examined by public opinion and their perspective.

2.2.6 Investors' Perspective

It is not surprisingly that single investor in majority shareholders or managers controlled corporation has greater chance to explore to unfair treatment and expropriation than those revealed in the common corporate governance framework (Arsalidou & Wang, 2005). As compare to majority shareholders, individual investors are often the least protected and the most likely to be mistreated due to very small influencing power on corporate managers. This situation is relatively happen to where CEO duality exist. Thus, the protection of minority shareholders is the most challenging issue in corporate governance world until today.

It is important to note that execution of corporate governance practice by a corporate might be a valid concern for individual investors to make investment decisions. First and foremost, empirical studies showed that there is a favorable relationship between corporate governance and corporate performance (Vo & Phan, 2013; Brown & Caylor, 2006). They claimed that a better governed corporate are relatively more valuable, profitable and pay out more cash to shareholders. Portfolios of companies with high corporate governance standards usually perform better than portfolios of companies with lower standards. Hence, investors who invest in better governed companies is most likely to obtain premium share investment returns. For instance, investors believe that CEO duality should not exist in order to secure their investment benefit.

Besides that, better governed firms often experience better stock price performance. These findings suggested that firms with better corporate governance are also demonstrating lower risk investment and lessen agency costs (Ashbaugh, Collins & Lafond, 2004). In contrast, Giannetti and Simonov (2006) and Yermark (2006) highlighted that poor corporate governance standard have lower returns compared to high governance standard one. Indeed, many studies also recommended that investors seems to more prefer higher values and well governed companies (Zeckhauser, 2006). Reports indicated that better governance could increase investor's willingness to invest to the particular firm.

Investor's willingness to invest in a particular company derived from they trust the people (managers) who run their investment. They must be able to assume that the managers are able to return their investment with highest possible return (de Vries, 2012). This objective is aligned with shareholders wealth maximization. However, there are many debates on the use of earnings management as an management tool to protect investor interest. Burgstahler, Hail and Leuz (2006) showed for an example a negative relationship between corporate governance standard and the level of earnings management employed by a firm. They investigated data from private and public Europe companies and concluded that private firms use more earnings management compared to public firms. Nevertheless, it is notable that all firms include private and public, operating in strong corporate governance practice use less earnings management compared to firms which are operating in weak corporate governance practice. Hence there is a inverse relation between the level of corporate governance and earnings management (Nabar & Boonlert, 2007; Leuz, Nanda & Wysocki, 2003). From these findings, it is obvious that investors are more prefer to invest in a company with higher corporate governance standard and use less earnings management.

On the other hand, Board Matters Quarterly (2015) reported that increasing woman on the board is an unstoppable trend and slowly move toward gender diversity. The report survey was conducted based on S&P 1500 United States companies. From the observation, increasing board size to introduce female directors is common. Besides that, the report also highlighted that female director brings different experience to the board and improve overall board effectiveness and efficiency. Based on the statistic, there were total 11% of female director in 2006, 14% in year 2012 and 16% in year 2014. These percentage figures represent that investors' perspective which is willing to trust and appoint woman as new members of the board and they believe that they could make a difference.

According to 2014 Board Practice Report, board size is relatively consistent with 45% of respondents having 9 to 11 members. Board size appears to be associated with company size. As market cap increases, the size of the board also increases. Most small caps have 7 directors, middle caps have 9 and large caps have 11. The majority of both financial and nonfinancial services companies have 9 to 11 board members. Meanwhile there is no one-size-fits-all approach to board size, companies should consider this factor with respect to board efficiency and effectiveness. Moreover, the report indicated that about half of the respondents said that their board size did not change in the past year. The remaining half was split into 2 groups which 29% claimed that board size decreased while the opposite group of 22% claimed that it increased in the past year.

The next area of study is followed by succession planning. Succession planning can be done in two ways which namely utilizing internal (develop talent within the company) and acquiring external (buy in talent). However, this study is aimed to investigate whether succession planning is essential in investor peace of mind instead of succession planning method. Succession planning is identified as one of the most pressing issues in corporate governance world. According to Seymour (2008), investors tend to look at the quality of the next generation of management and its board and its preparedness to move forward the entire business. He further claimed that having a competent and consistent management and workforce in place will give investors peace of mind, confidence and will increase the willingness level to invest in the particular company. In addition, it will also influence the banker's evaluation on the viability and the sustainability of the company. As a conclusion, having a good succession plan in a company will very likely to increase the company's fiscal value (Garg & Weele, 2012).

2.3 Conclusion

In conclusion, this chapter provides details literatue review for the overall emerging corporate governance issues in Malaysia. Besides that, proposed theoritical framwork is also stated in this chapter for further research. The research methodology will be described in the upcoming chapter.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

In chapter 3, the research is conducted in the sequence of research design, methods of data collection, design sample, instrument of research, constructs measurement, data processing and analyzing. Some parts of this research also consist of few sub parts. The details of each part will be discussed and the result of data analysis will be shown the significance among variables. Lastly is the conclusion of this chapter that provides a linkage to next chapter.

3.1 Research Design

Researchers (Money, Hair, Samouel & Page, 2007) claimed that research design provides the basic direction for conducting the research project. This research also consists of numerical data collection and the explanation is based on the attributes of the data source. Therefore, the quantitative research method will be employed in this study as it is usually used to collect and analyze from the numerical data set and abstract the results from large samples. Besides that, it is often used to indicate the relationship between independent variables and one dependent variable in a population (Lodico, Spaulding & Voegtle, 2010). In general, it is to predict the perspective of investors toward recent corporate governance issues by using quantitative research.

In addition, descriptive design is being employed in this research project in order to accomplish the objective. The purpose of descriptive research is likely to describe the characteristics of the objects, people, or even environments and better predict an opnion, attitude and behavior held by a group of people on the given subject

(Zikmund, Babin, Carr & Griffin, 2010). The data is consists of age group, category of investors, working experience and education level.

3.2 Data Collection Methods

There are two types of data collection method which are the primary data and secondary data. Both of the collection methods are used for research purpose.

3.2.1 Primary Data

Primary data is described as quantitative data by Zikmund (2003), which the data are gathered and assembled specifically for the research purpose. There are few methods of collecting primary data which are observation, questionnaire, and interview. In this study, the data is collected through questionnaire which consists of multiple questions. The selected respondents were requested to fill up the questionnaires in a self-administered manner. Besides, questionnaire is relative less expensive, time saving and offer more flexible way to collect data from a large number of respondents as compared to other types of primary data. Therefore, questionnaire is being used in this study.

3.2.2 Secondary Data

According to Zikmund (2003), secondary data is the data collected by someone else for some other purpose. This type of data can be provided in either free of charge or only one-off or some form of license fee. Therefore, the majority of this study is supported by secondary data since it can be located quickly and inexpensively compared to primary data. The secondary data that are being used in supporting this study are journals in printed form, journals in digital form, text books and theses. The digital form journals were obtained from the Internet and Universiti Tunku Abdul Rahman's subscribed databases such as Proquest and ScienceDirect.

3.3 Sampling Design

This section will highlight target population, sampling frame and sampling location, sampling elements, technique of sampling and lastly size of sampling.

3.3.1 Target Population

Sekaran and Bougie (2010) defined target population as the complete group of objects or elements with specific and explicit tangible characteristic and relevant to the research project. The target population for the study is various type of potential investors in Malaysia. For instance, bankers, creditors and shareholders are choosen in this study. Participants for this study were from different background and industry in this country.

3.3.2 Sampling Frame and Sampling Location

The frame of sampling is a list of elements from which a sample may be introduced (Sekaran & Bougie, 2010). It is irrelevant to this study since non probability techniques will be used in data collection. Kuala Lumpur, Selangor, Penang, Malacca, Johor and Perak were chosen as the sampling location. These places were selected as the primary setting for this study due to higher concentrate of population in the urban areas in each state/federal territory if compare to other states in Malaysia (United Nations Development Programme [UNDP], 2005).

This study select those highly populated area is due to several reasons. First and foremost, various types of investors are greatly concentrate in urban area instead of rural. The next reason is followed by the potential respondents are highly educated and have greater working experience. These two elements are important in the survey as it would provide more accurate and meaningful information towards the research. Third, it is believed that the researcher would more likely to obtain positive feedback from potential respondents and save more time. Last but not least, urban area has wide options in term of different background of organization and business concept and industry.

3.3.3 Sampling Elements

A sampling element, as defined by Burchinal (2008), is one of the members or units of the target population. A sampling element is the unit which provides information for the research. The sampling element in this research will be the investors aging between early 20's to late 50's in Malaysia. They are chosen as the sampling elements because the research is to identify the perspective from this group of respondents towards their investment decision.

3.3.4 Sampling Technique

There are two types of sampling methods which known as probability sampling and non-probability sampling. Non-probability sampling will be used for this research. Non-probability sampling is one of the sampling methods which the sampling element is selected based on personal judgment and convenience. The probability of this population being chosen is unknown (Austin & Pinkleton, 2006).

One of the non-probability sampling techniques, snowball sampling, will be used in this research. According to Babbie (2008), snowball sampling is a technique to develop the research sample where the researcher collects data from the initial respondents that he or she can locate then asking those respondents to suggest other respondents in the population whom the respondents happen to know. Hence, the respondents appear to grow like a rolling snowball. This particular technique is often used when the member of a population is difficult to locate.

Snowball sampling is being used in this research because the sampling frame is unable to obtain due to privacy issue. Initial respondents of this research are randomly selected, which the questionnaire is being distributed to the investors whom happen to know. The subsequent respondents are then introduced by the initial respondents.

3.3.5 Sampling Size

The sampling size is the number of sampling elements to be included in the research (Hair, Money, Samouel & Page, 2007). According to Burchinal (2008), there are some commonly accepted guidelines for deciding the sample size. According to him, the sample size generally is inversed to the population size. When the population size reaches millions, a smaller sample would be enough to achieve a certain degree of accuracy. According to the sample size table constructed by Sekaran (2003), when population size reaches 75000 and above, the sample size recommended is approximately around 400. In this research, the sampling size would be 345 due to time constraint (as at end of March).

3.4 Research Instrument

Questionnaire is a technique to assemble data where respondents need to answer the same set of questions in a predetermined order (Zikmund et al., 2010). Questionnaire is generally believed that the most effective technique to gather all relevant data instead of interview and observation for this research project. Which independent variable will strongly influence the perspective of investors will be analyzed by the result of questionnaire. Zakaria (2007) claimed that interview is defined as a purposeful discussion among individuals. The main reason for not using interview is due to complexity of data analyzing. Questionnaire is more user friendly and easier to make accurate judgment if compare to interview (Field, 2003). Besides that, interview is not a good choice in this research paper because it is time consuming and difficult to compare the result. Furthermore, Harris and Brown (2010) urged the result may simply influenced by the thinking of researcher. As a conclusion, interview is not an ideal measuring instruments for this research paper. Likewise questionnaire is the best option in this project research.

This research project is to employ Statistical Package for Social Sciences (SPSS) in order to examine the questionnaire outcome. The questionnaire set attached is one type of fixed-alternative questions which refer to determinant-choice. In short, all respondents are compulsory to answer the questions by choosing only one answer among many choices. Respondents are just spend couple of minutes in order to answer the questions. In another words, the answers produced by respondents can be easily compared and interpreted directly without complex procedures (Zikmund et al., 2010; Harris & Brown, 2010). However, all members of this research study are encouraged to prepare themselves to response to participant's questions if necessary.

The targeted respondents are mainly for investors who are fall under age group in between early 20's to 60's in Malaysia.

The purpose of the pilot test is to investigate the reliability of the questionnaire as well as internal consistency. Cronbach coefficient alpha (α) is the most common indicator which range from 0 which mean no consistent, to 1which mean highest consistent (Hair, Babin, Money & Samouel, 2003). The pilot test will be analyzed with the participation of 35 investors in Malaysia. The participants are requested to answer those questions in the questionnaire. Then all the answer will be collected and tested in accordance. The alpha value for every independent variables and dependent variable (CEO duality, earning management, board size, succession planning, board gender diversity and investors' perspective) should beyond 0.70 which represents that the all the proposed independent variables are reliable (Jagannathan, 2008).

In the following step, the questionnaire will be distributed to potential investors in Malaysia. Next, after the respondents complete the test, the data will be collected on the spot. Finally, the answers from respondents will be entered into a system program namely SPSS for studying the index of reliability and consistency. The ambiguous and misleading words will be removed and thus improve the overall quality of the questionnaire. The result of the reliability test will be indicate in chapter 4.

The set of questionnaire will be distributed to potential investors in Malaysia once it has determined as reliable and consistent. The target respondent will be confirmed as those investors who are fall under the age group between early 20's to 60's in Malaysia. The target participants will be estimated to be at least 340 investors. Next, the set of question will be collected by members immediately to ensure that the privacy and confidential are being secured.

After collect the data, the members will begin to analysis and transform it to crucial information for this paper. Descriptive analysis and inferential analysis will be conducted through SPSS software. In the following step, the result will be shown in the report through table or graph as well as figure.

Next, the result will be interpreted in the following report after the analysis. Limitations and recommendations of this research paper will be provided lastly in this report. Furthermore, a clear conclusion will be shown as to conclude the whole research paper.

3.5 Constructs Measurement

The research project consists of two parts. Section A is about basic personal information which consists of four questions. This section will use nominal scale and ordinal scale to project the questionnaire.

Questions which design under nominal scale are mean to represent the most primary level of measurement. The objective is to assign a figure to respondents for identification and classification purposes. It contains nor order, nor origin and nor rank being enacted on the data (Anne, Domenic, Patricia, Peter, Richard & Susan, 2006). There are two questions using this scale which are category of investors and education level. Questions which design under ordinal scale also have nominal scale characteristics but also allow objects to be organized based on what concept they poss. In another words, it is a ranking scale. However, it does not describe the value of the interval between rankings (Altman & Bland, 2010). There are only two questions in Section A which use this scale which refer to age group and years of investment.

Section B consists of six parts. PART I to PART V are measured the emerging issues of corporate governance which include the five independent variables (CEO duality, earning management, board size, succession planning and board gender diversity). Last part, PART VI is to measure the independent variable (potential investors' perspective). All questions in Section B are using interval scale due to they are most likely to define the information differences in quantities on the form of distances among variables. This type of scale is best used for opinion or attitude measurement in questionnaire design. Therefore, Anne et al. (2006) stated that the differences between scale point can be compared directly and interpreted meaningfully.

Five points of Likert scale method is being selected in this research in order to identify the degree of relationship between independent variables and dependent variable in section B whereby 1 = "strongly disagree", 2 = "disagree", 3 = "neutral", 4 = "agree" and 5 = "strongly agree". The Likert scale is suitable for measuring attitudes because the method is simple to user (Gob, McCollin & Ramalhoto, 2007).

Respondents are able to express their perspectives by checking how strongly they agree or how strongly they disagree with every statement by using Likert scale.

3.5.1 Measurement of Independent Variables

There are five independent variables (CEO duality, earning management, board size, succession planning and board gender diversity) will be tested in this research.

3.5.1.1 CEO Duality

There are five questions adopted to test the CEO duality in the perspective of potential investors. All questions under this part were developed by Ugwoke, Onyeanu and Obodoekwe (2013) and modified to this research study. All five questions were measured from 1 (strongly disagree) to 5 (strongly agree).

3.5.1.2 Earnings Management

There are five questions adopted to test the earnings management to potential investors' perspective. All five questions are developed by Barghathi (2014) and adopted to this research study. These five questions were measured from 1 (strongly disagree) to 5 (strongly agree).

3.5.1.3 Board Size

There are total five questions were adapted to test board size to the perspective of potential investors. All questions were modified from Ugwoke et al, (2013) and apply into this study. Those five questions were measured from 1 (strongly disagree) to 5 (strongly agree).

3.5.1.4 Succession Planning

There are five questions adopted to test the succession planning in the perspective of potential investors. All questions were developed by Garg and Weele (2012). All five questions were measured from 1 (strongly disagree) to 5 (strongly agree).

3.5.1.5 Board Gender Diversity

There are five questions adopted to test the board gender diversity in the perspective of potential investors. All questions were developed by Bianchi and Latridis (2014). All five questions were measured from 1 (strongly disagree) to 5 (strongly agree).

3.6 Data Processing

Some data preparation steps are necessary to be filtered before analyze them. First step is all questionnaire copies will be sum up and numbered aaccordingly after collect from respondents. Problem did occur when some copies were lost and not feasible to collect back.

Second step is to check the data on every single questionnaire to ensure the respondents had answered all questions as requested.

Following step is to check the information which provided by respondents. The common problems are illogical response, illegal code, omissions and inconsistent responses. Illogical response is an outlier response which will be taken out from the database in accordance. Illegal codes are those numbers that are not preidentified in the coding system (SPSS). Omissions are not all questions in the questionnaire are being answered completely. Inconsistent responses are those responses that are not so familiar or clear with the questions stated.

Next step is about coding the data by assigning a number to the participants' responses in order to make it easier to key in into database in sequence. For instance, all research questions in Section B which are going to test the relationship between independent variables and dependent variable are coded by scale begin from "1" to "5" whereby "1" represent strongly disagree meanwhile "5" represent strongly agree whereas the missing data code is represented with "99" .

Second last step is regarding data entry. After all responses have been coded respectively, it would be key in into the SPSS software program for the purpose of reliability test.

Last step is transcribing the result in order to proceed with the report and demonstrate the conclusion.

3.7 Data Analysis

The computer program that has been used to analyze data is SPSS and it may support plenty types of analysis that is necessary needed in this research. Basically, there are total 3 types of analysis which are descriptive analysis, scale measurement and inferential analysis.

3.7.1 Descriptive Analysis

The four respondent's demographics like category of investors, education level, age group and years of investment will be described. Next, the frequency distribution and percentage distribution are being used to reflect and describe the data. Moreover, this research will identify the mean, mode and median of the simple demographic background provided by respondents. Meanwhile, table and bar graph are used to present the research data. Furthermore, data are easily to be compared and studied through the bar graph.

3.7.2 Scale Measurement – Reliability Test

Before conduct the real actual questionnaire, it is essential to ensure that the set of questionnaire is zero error and able to provide consistent result. Cronbach Alpha model has been selected to measure the reliability of the questionnaire.

According to Zikmund et al. (2010), the Cronbach's Alpha reliability coefficients, if the value is above 0.8 means very good reliability, above 0.7 is good reliability, above 0.6 is fair reliability and below 0.6 is considered poor reliability and therefore unacceptable.

Reliability analysis will be conducted for the questionnaire (Section B only). The objective of pilot test is to identify the degree of reliability and internal consistency. The most common indicator is Cronbach Alpha (α) which variety from 0 means zero consistent level meanwhile 1 means the highest consistent level (Zikmund et al., 2010). The pilot test is conducted with the participation of 35 respondents (potential investors in Malaysia). The respondentss are required to answer every single questions found within the questionnaire. The data will be then collected and tested in upcoming days. The alpha value for each independent variable should beyond 0.70 which shows that the proposed five independent variables are relatively reliable and consistent (Jagannathan, 2008).

Table 3.1: Coefficient Alpha

Coefficient alpha range, α	Description
0.80 to 0.95	Very good reliability
0.70 to 0.80	Good reliability
0.60 to 0.70	Fair reliability
α < 0.60	Poor reliability

Source: Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2010). Business research the methods (8th ed.). New York: South-Western/Cengage Learning.

3.7.3 Inferential Analysis

Pearson correlation coefficient and multiple regressions will be employed to analyze the relationship between independent variables and dependent variable in the following section accordingly.

3.7.3.1 Pearson Correlation Coefficient

Pearson correlation coefficient is to measure the linear association between two metric variables. Likewise, all variables that are able to be measured by Likert scale is considered as interval level. The five independent variables and one dependent variable are measured in metric scale. Therefore, this research tend to use Pearson correlation coefficient as it could produce the result needed. It will address the direction, strength and significance among independent variables and dependent variable. Meanwhile, the value can be either positive or negative as it is depends on the direction of the relationship independent variables and dependent variable respectively. Moreover, it also represents the strength level of the independent variable against the dependent variable.

The Pearson correlation coefficient is a value between -1 to +1. The strength level and the direction can be identified between independent variable and dependent variables.

The strength of the correlation is derived from the figure subscribed by the test. A correlation coefficient of -1 or +1 means that the relationship is perfectly negative linear or perfectly positive linear respectively.

For illustration, sign + means positive and it proves that there is positive relationship between independent variable and dependent variable. In contrast, negative (-) correlation coefficient shows that there is a negative relationship between independent variable and dependent variable.

Table 3.2: Pearson Correlation Coefficient

Coefficient Range	Strength
+/- 0.91 to +/- 1.00	Very strong
+/- 0.71 to +/- 0.90	High
+/- 0.41 to +/- 0.70	Moderate
+/- 0.21 to +/- 0.40	Small but definite relationship
0.00 to +/- 0.20	Slight, almost negligible

Source: Hair, J. F., Money, A. H., Samouel, P., Page, M. (2007). Research methods for business. Chichester, West Sussex: John Wiley & Sons, Inc.

3.7.3.2 Multiple Regressions

Multiple regression is used to justify the variance among the independent variables and dependent variable. In this research, independent variables are CEO duality, earning management, board size, succession planning and board gender diversity while dependent variable is perspective of potential investors. All five independent variables are placed into a same equation and then predict the dependent variable. Next, each variable's correlation coefficient is highlighted. It can identify their contribution of each independent variables toward dependent variable respectively.

3.8 Conclusion

Chapter 3 described all the essential research methodologies which were addressed in the study like research design, sampling design, method of data collection, questionnaire design, scale of measurement and data analysis. The upcoming chapter will explore the result and analysis which are related to the research questions and the hypothesis stated in previous chapter. The most critical thing is the feedback is assembled and the result is relevant to the research project objective.

CHAPTER 4: RESEARCH RESULTS

4.0 Introduction

The objective of this chapter is to analyze and interpret the data collected in the previous chapter. Therefore, in this chapter, the result of the questionnaires is to be analyzed with the aid of Statistical Package of the Social Sciences (SPSS) and the following analysis and results are presented. In order to reach the desire result, this chapter is consists of 3 parts and a conclusion. First and foremost, simple background of respondent and central tendencies measurement of constructs will be presented in descriptive analysis. After that, result of reliability test will be shown in the following section. Pearson correlation will be used to test the significant relationship between the independent variables and dependent variable. Next, the result is provided in inferential analyses section. Finally, this chapter will be summarized with a conclusion.

4.1 Descriptive Analysis

This analysis includes the analysis of the demographic characteristics of the respondents based on frequency analysis.

4.1.1 Category of Investors

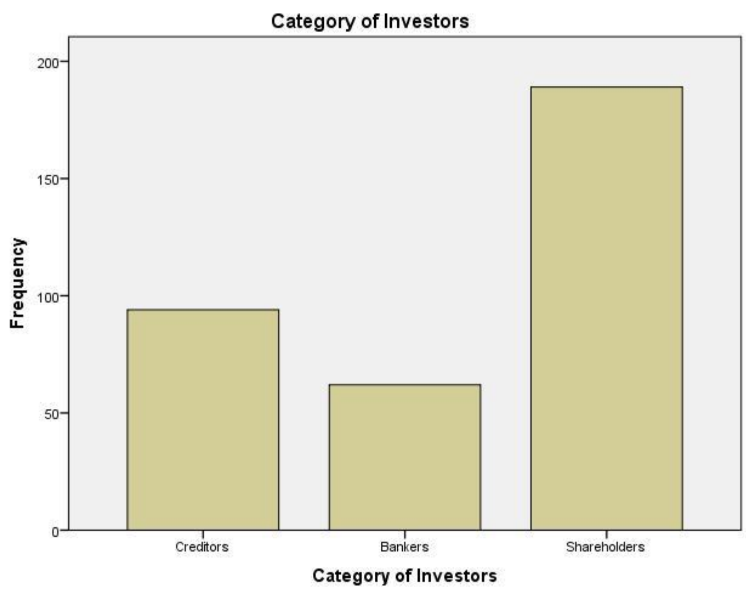
Table 4.1: Category of Investors

Category of Investors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Creditors	94	27.2	27.2	27.2
	Bankers	62	18.0	18.0	45.2
	Shareholders	189	54.8	54.8	100.0
	Total	345	100.0	100.0	

Source: Developed for the research

Figure 4.1: Category of Investors



Source: Developed for the research

The table 4.1 represents category of investors in a form of frequency and percentage. Likewise, figure 4.1 indicates a bar chart for category of investors. The respondents consists of 3 categories which are creditors, bankers and shareholders. Most of the respondents are from shareholders which occupy around 55%, follow by creditors which occupy around 27% and lastly by bankers at 18%.

4.1.2 Education level

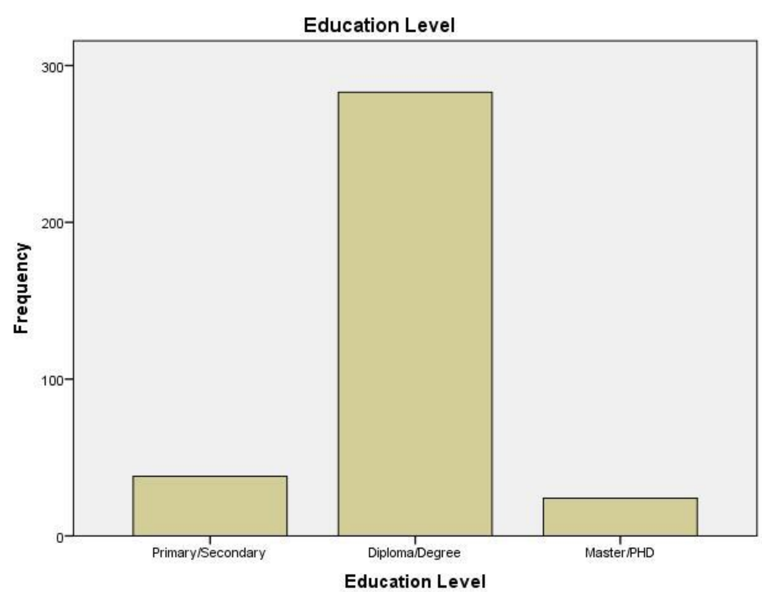
Table 4.2: Education Level

Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary/Secondary	38	11.0	11.0	11.0
	Diploma/Degree	283	82.0	82.0	93.0
	Master/PHD	24	7.0	7.0	100.0
	Total	345	100.0	100.0	

Source: Developed for the research

Figure 4.2: Education Level



Source: Developed for the research

Table 4.2 shows that the respondent's education level in a form of frequency and percentage. Meanwhile, figure 4.2 indicates the respondent's education level in a bar chart format. According to the table and bar chart, majority respondents are diploma or degree holder which occupy 82% of the total respondents. Next is primary or secondary which occupy 11% of total respondents and the last group is master or PHD holder which occupy only 7%.

4.1.3 Age Group

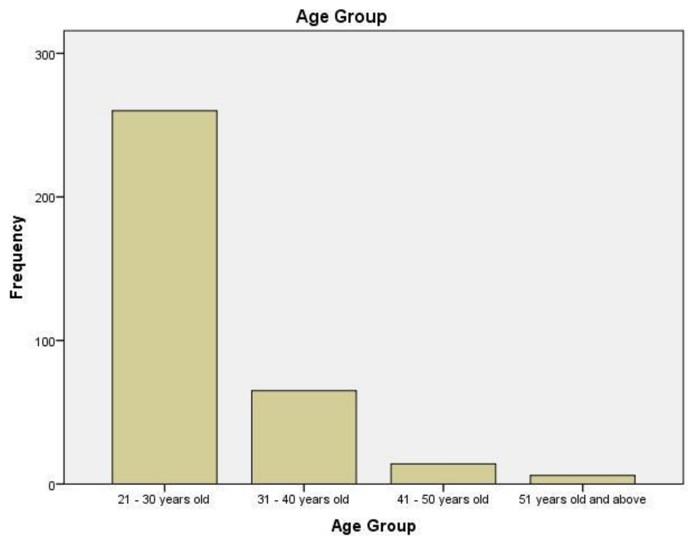
Table 4.3: Age Group

Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21 - 30 years old	260	75.4	75.4	75.4
	31 - 40 years old	65	18.8	18.8	94.2
	41 - 50 years old	14	4.1	4.1	98.3
	51 years old and above	6	1.7	1.7	100.0
	Total	345	100.0	100.0	

Source: Developed for the research

Figure 4.3: Age Group



Source: Developed for the research

Table 4.3 shows that the respondent's age group in a form of frequency and percentage. Meanwhile, figure 4.3 refers to the respondent's age group in a bar chart format. According to the table and bar chart, majority respondents are between 21 to 30 years old which occupy around 75% of the total respondents. Then follow by age group between 31 to 40 years old which occupy 19% of total respondents. The next age group is between 41 to 50 years old which occupy approximately 4%. The last age group refers to 51 years old and above which occupy less than 2%.

4.1.4 Years of Investment

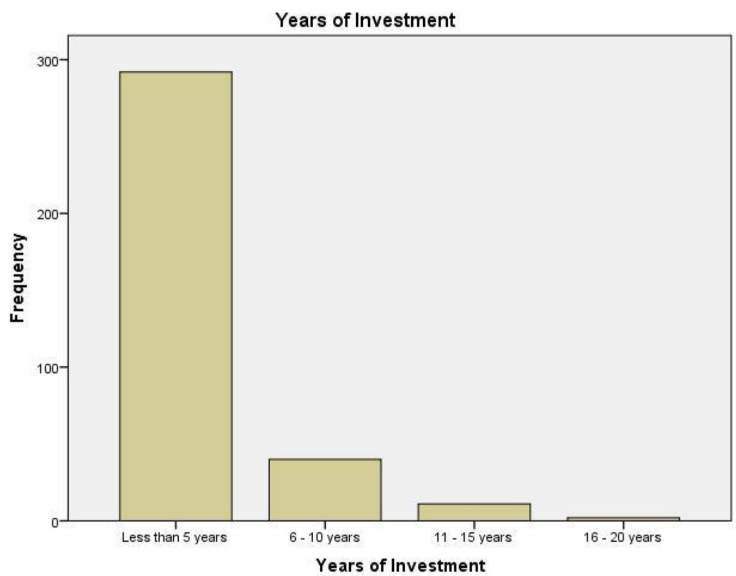
Table 4.4: Years of Investment

Years of Investment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	292	84.6	84.6	84.6
	6 - 10 years	40	11.6	11.6	96.2
	11 - 15 years	11	3.2	3.2	99.4
	16 - 20 years	2	.6	.6	100.0
	Total	345	100.0	100.0	

Source: Developed for the research

Figure 4.4: Years of Investment



Source: Developed for the research

Table 4.4 shows that the respondent's years of investment in a form of frequency and percentage. Meanwhile, figure 4.4 refers to the respondent's years of investment in a bar chart format. According to the table and bar chart, majority respondents have less than 5 years of investment experience which occupy around 84% of the total respondents. Then follow by 6 -10 years of investment experience which occupy 12% of total respondents. The next group is by 11 to 15 years of investment experience which occupy approximately 3%. The last years of investment group refers to 16 – 20 years which occupy less than 1%.

4.2 Scale Measurement

The reliability analysis is to test the data quality of the questionnaire. The reliability of the scale examined the internal consistency can be known through calculating the Cronbach's Alpha (Gliem & Gliem, 2003).

Table 4.5: Reliability Test for Each Independent Variable

Construct	Cronbach's Alpha (Pilot Study)	N of Items
CEO Duality	0.823	5
Earnings Management	0.778	5
Board Size	0.871	5
Succession Planning	0.839	5
Board Gender Diversity	0.890	5
Investors' Perspective	0.801	5

Source: Developed for the research

Table 4.5 refers to the pilot study's results of reliability test for the five independent variables (CEO Duality, Earnings Management, Board Size, Succession Planning and Board Gender Diversity) and the dependent variable (Investors' Perspective). The pilot study's results of CEO Duality, Board Size, Succession Planning, Board Gender

Diversity and Investors' Perspective are above 0.8 which are considered very good reliability. The pilot study's result of Earnings Management are above 0.7 which are considered good reliability.

4.3 Inferential Analysis

Pearson Correlations Coefficient and Multiple Regression Analysis will be used for this section.

4.3.1 Hypothesis 1: Testing relationship between CEO duality and investors' perspective by using Pearson Correlations Coefficient.

$H1_0$: There is no significant relationship between CEO duality and investors' perspective.

$H1_1$: There is a significant relationship between CEO duality and investors' perspective.

Table 4.6: Correlations between CEO Duality and Investors' Perspective

Correlations

		CEO Duality	Investors Perspective
CEODuality	Pearson Correlation	1	.493**
	Sig. (2-tailed)		.000
	N	345	345
InvestorsPerspective	Pearson Correlation	.493**	1
	Sig. (2-tailed)	.000	
	N	345	345

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

Source: Developed for the research

Based on the Correlation Coefficient test, the p-value is 0.000 which less than significant value of 0.01. Therefore, there is a significant relationship between CEO duality and investors' perspective.

Hypothesis $H1_0$ will not be accepted meanwhile $H1_1$ will be accepted. Next, the value of Correlation Coefficient is 0.493 which is in between the range of ±0.41 to ±0.70. Thus, the result indicates that the relationship between CEO duality and investors' perspective is positive but moderate.

4.3.2 Hypothesis 2: Testing relationship between earning management and investors' perspective by using Pearson Correlations Coefficient.

$H2_0$: There is no significant relationship between earning management and investors' perspective.

$H2_1$: There is a significant relationship between earning management and investors' perspective.

Table 4.7: Correlations between Earning Management and Investors' Perspective

Correlations

		Earnings Management	Investors Perspective
EarningsManagement	Pearson Correlation	1	.619**
	Sig. (2-tailed)		.000
	N	345	345
InvestorsPerspective	Pearson Correlation	.619**	1
	Sig. (2-tailed)	.000	
	N	345	345

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

Source: Developed for the research

Based on the Correlation Coefficient test, the p-value is 0.000 which less than significant value of 0.01. Therefore, there is a significant relationship between earning management and investors' perspective.

Hypothesis $H1_0$ will not be accepted meanwhile $H1_1$ will be accepted. Next, the value of Correlation Coefficient is 0.619 which is in between the range of ±0.41 to ±0.70. Thus, the result indicates that the relationship between earning management and investors' perspective is positive but moderate.

4.3.3 Hypothesis 3: Testing relationship between board size and investors' perspective by using Pearson Correlations Coefficient.

$H2_0$: There is no significant relationship between board size and investors' perspective.

$H2_1$: There is a significant relationship between board size and investors' perspective.

Table 4.8: Correlations between Board Size and Investors' Perspective

Correlations

		Board Size	Investors Perspective
BoardSize	Pearson Correlation	1	.564**
	Sig. (2-tailed)		.000
	N	345	345
InvestorsPerspective	Pearson Correlation	.564**	1
	Sig. (2-tailed)	.000	
	N	345	345

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

Source: Developed for the research

Based on the Correlation Coefficient test, the p-value is 0.000 which less than significant value of 0.01. Therefore, there is a significant relationship between board size and investors' perspective. Hypothesis $H1_0$ will not be accepted meanwhile $H1_1$ will be accepted. Next, the value of Correlation Coefficient is 0.564 which is in between the range of ±0.41 to ±0.70. Thus, the result indicates that the relationship between board size and investors' perspective is positive but moderate.

4.3.4 Hypothesis 4: Testing relationship between succession planning and investors' perspective by using Pearson Correlations Coefficient.

$H2_0$: There is no significant relationship between succession planning and investors' perspective.

$H2_1$: There is a significant relationship between succession planning and investors' perspective.

Table 4.9: Correlations between Succession Planning and Investors' Perspective

Correlations

		Succession Planning	Investors Perspective
SuccessionPlanning	Pearson Correlation	1	.563**
	Sig. (2-tailed)		.000
	N	345	345
InvestorsPerspective	Pearson Correlation	.563**	1
	Sig. (2-tailed)	.000	
	N	345	345

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

Source: Developed for the research

Based on the Correlation Coefficient test, the p-value is 0.000 which less than significant value of 0.01. Therefore, there is a significant relationship between succession planning and investors' perspective.

Hypothesis $H1_0$ will not be accepted meanwhile $H1_1$ will be accepted. Next, the value of Correlation Coefficient is 0.564 which is in between the range of ±0.41 to ±0.70. Thus, the result indicates that the relationship between succession planning and investors' perspective is positive but moderate.

4.3.5 Hypothesis 5: Testing relationship between board gender diversity and investors' perspective by using Pearson Correlations Coefficient.

$H2_0$: There is no significant relationship between board gender diversity and investors' perspective.

H2$_1$: There is a significant relationship between board gender diversity and investors' perspective.

Table 4.10: Correlations between Board Gender Diversity and Investors' Perspective

Correlations

		Board Gender	Investors Perspective
BoardGender	Pearson Correlation	1	.641**
	Sig. (2-tailed)		.000
	N	345	345
InvestorsPerspective	Pearson Correlation	.641**	1
	Sig. (2-tailed)	.000	
	N	345	345

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

Source: Developed for the research

Based on the Correlation Coefficient test, the p-value is 0.000 which less than significant value of 0.01. Therefore, there is a significant relationship between board gender and investors' perspective.

Hypothesis H1$_0$ will not be accepted meanwhile H1$_1$ will be accepted. Next, the value of Correlation Coefficient is 0.641 which is in between the range of ±0.41 to ±0.70. Thus, the result indicates that the relationship between board gender and investors' perspective is positive but moderate.

4.3.6 Multiple Regression Analysis

This section is to explain the relationship between the five independent variables (CEO duality, earning management, board size, succession planning and board gender diversity) and dependent variable (investors' perspective).

Table 4.11: Multiple Regression on Independent Variable and Dependent Variable (Model Summary)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.827[a]	.683	.679	.34054

a. Predictors: (Constant), Earnings Management, Board Gender, Succession Planning, Board Size, CEO Duality

b. Dependent Variable: Investors Perspective

Source: Developed for the research

The R value is the correlation coefficient between the dependent variable and the independent variables. The value of correlation coefficient (R value) for this study is 0.827 which fall under the range of ±0.71 to ±0.90. Therefore, the relationship between independents variables (CEO duality, earning management, board size, succession planning and board gender diversity) and dependent variable (investors' perspective) is high. The R square highlights the percentage that the five independent variables can explain the variations in the dependent variable. According to the table 4.11, the five independents variables (CEO duality, earning management, board size, succession planning and board gender diversity) can explain 68.3% of the variations in dependent variable (investors' perspective). However, it is still leave

31.7% unexplained in this study. In other words, there are additional variables that are important in explaining investors's perspective that have not been considered in this study.

Table 4.12: Multiple Regression on Independent Variable and Dependent Variable (ANOVA)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	84.808	5	16.962	146.258	.000[b]
	Residual	39.314	339	.116		
	Total	124.121	344			

a. Dependent Variable: Investors Perspective

b. Predictors: (Constant), Earnings Management, Board Gender, Succession Planning, Board Size, CEO Duality

Source: Developed for the research

Based on the table, p-value (Significant value is 0.000) is less than alpha value 0.05. The F-statistic is significant. The model for this study is a good descriptor of the relation between the dependent and predictor variables. Therefore, the independent variables (CEO duality, earning management, board size, succession planning and board gender diversity) are significant explain the emerging corporate governance issue in investors' perspective. The alternate hypothesis is supported by the data.

Table 4.13: Multiple Regression on Independent Variable and Dependent Variable (Coefficient)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.736	.149		4.940	.000
	Board Size	.216	.032	.276	6.813	.000
	Succession Planning	-.012	.040	-.011	-.298	.766
	Board Gender	.282	.033	.387	8.506	.000
	CEO Duality	-.052	.039	-.059	-1.351	.177
	Earnings Management	.384	.042	.396	9.177	.000

a. Dependent Variable: Investors Perspective

Source: Developed for the research

According to the Coefficient test, the first independent variable (board size), the third independent variable (board gender) and the fifth independent (earnings management) are significant to predict dependent variable (investors' perspective) in this study. This is because its p-value is less than alpha value 0.05 respectively. Second independent variable (succession planning) and fourth independent variable (CEO duality) are not significant to predict dependent variable (investors' perspective due to its p-value is more than alpha value 0.05 respectively. The table also shows that board size, board gender and earnings management have positive relationship with investors' perspective. However, succession planning and CEO duality have found negative relationship with investors' perspective.

The Multiple Linear Regression Equation

$Y = a + ß1X1 + ß2X2 + ß3X3 + ß4X4 + ß5X5$

Where

Y= Predicted linear relationship of investors' perspective (Dependent variable)

a= Constant Value

ß= Un-standardized Coefficients

X= Dimensions contribute to investors' perspective (Independent variables)

Investors' Perspective = 0.736 + 0.216 (Board Size) – 0.012 (Succession Planning) + 0.282 (Board Gender) – 0.052 (CEO Duality) + 0.384 (Earnings Management)

Table 4.13 indicates that earnings management contributes the highest to the variation of the dependent variable (investors' perspective) because Beta value (under standardized coefficient) is the largest (0.396). It means that earnings management make the strongest contribution to explain the variation in dependent variable (investors' perspective). Second is followed by board gender because the Beta value is second largest (0.387). Third is board size due to the Beta value is third largest (0.276). Next is CEO duality which the Beta value is 0.059 and the last one refers to succession planning which the Beta value is the smallest (0.011).

4.4 Conclusion

As conclusion of the chapter, the information of respondents in the questionnaires is analyzed by using the SPSS software to generate the descriptive frequency result in order to obtain basic demographic statistical outcome. The relationship of dependent and independent variables are analyzed by Multiple Regression Analysis. Moreover, Pearson Correlation Coefficient also used to measure the relationship between dependent and independent variables. Based on the results, major discussions and recommendations will be presented in the upcoming chapter.

CHAPTER 5: DISCUSSION AND CONCLUSION

5.0 Introduction

The objective of this research project is to determine the relationship between the independent variables (CEO duality, earning management, board size, succession planning and board gender diversity) and the dependent variable (investors' perspective). Further explanations for each single research outcome will be justifed in this chapter. First and foremost, a summary of statistical analysis which has been explored in last chapter will be provided. Next, some discussions on major findings and implications of the research project will be presented. Besides that, there are several limitations will be identified in this section and followed by recommendations for future research. This chapter will be concluded by a short and precise conclusion.

5.1 Summary of Statistical Analysis

It includes the summary of descriptive and inferential analyses which completed in previous chapter.

5.1.1 Descriptive Analysis

There are total 345 participants in this research project. The respondents are formed by various type of investors where categorized in three groups: creditors, bankers and shareholders in Malaysia. Among the three groups, shareholders occupy the largest portion whereas second largest group is creditor. On the other hand, most of the respondents are between 21 to 30 years old. The total respondent for this age group are 260. The least age group of respondents refers to 51 years old and above which only have 6 participants. In addition, majority respondents are diploma or degree holder. The occupancy rate is more than 80%. Besides that, more than 80% of respondents are having less than 5 years of investment experience. There are only 2 respondents who have 16 to 20 years of investment experience.

5.1.2 Inferential Analysis

This section will include Pearson Correlations Coefficient and Multiple Regression Analysis.

5.1.2.1 Pearson Correlations Coefficient

According to table 4.6, it indicates that the correlation coefficient between CEO duality and investors' perspective is moderate. From the Correlation Coefficient test, the p-value is 0.000, it is less than significant level 0.01. This shown that there is significant relationship between CEO duality and investors' perspective.

Next, from the table 4.7, it indicates that the correlation coefficient between earning management and investors' perspective is moderate.

From the Correlation Coefficient test, the p-value is 0.000, it is less than significant level 0.01. This shown that there is significant relationship earning management and investors' perspective.

Follow by table 4.8, it shows that the correlation coefficient between board size and investors' perspective is moderate. From the Correlation Coefficient test, the p-value is 0.000, it is less than significant level 0.01. This shown that there is significant relationship board size and investors' perspective.

Further by table 4.9, it enlighten that the correlation coefficient between succession planning and investors' perspective is moderate.

From the Correlation Coefficient test, the p-value is 0.000, it is less than significant level 0.01. This shown that there is significant relationship succession planning and investors' perspective.

Lastly, the table 4.10 shows that the correlation coefficient between board gender diversity and investors' perspective is moderate. From the Correlation Coefficient test, the p-value is 0.000, it is less than significant level 0.01. This shown that there is significant relationship board gender diversity and investors' perspective.

5.1.2.2 Multiple Regression Analysis

This research indicates the relationship between independents and dependent variable is high. In this study, independents variables (CEO duality, earning management, board size, succession planning and board gender diversity) can explain 68.3% of the variations in dependent variable investors' perspective). Likewise, the F-statistic is significant. Therefore, the model for this study is a appropriate descriptor to describe the relationship between the dependent variable and predictor variables. Earnings management contributes the highest to investors' perspective if compared to other variables because its Beta value is the largest (0.396). Second is the board gender diversity with the Beta value of 0.387. Third is the board size with the Beta value of 0.276. CEO duality and succession planning contribute the lowest investors' perspective with the Beta value of 0.059 and 0.011 respectively.

5.2 Discussions on Major Finding

Summary and major findings are presented in this section in order to validate the research objective and hypothesis.

5.2.1 Hypothesis 1: CEO Duality

$H1_0$ will not be accepted and $H1_1$ will be accepted in this research. When the Pearson Coefficient value is high, it means that CEO duality is a more concerned issue in investors' perspective. However, the Correlated Coefficient value for this predictor is the lowest among all the independent variables. It shows that CEO duality has less concerned level in investors' perspective.

Investors may not pay high concern whether the particular company has CEO duality or not.

5.2.2 Hypothesis 2: Earning Management

$H1_0$ will not be accepted and $H1_1$ will be accepted in this research. When the Pearson Coefficient value is high, it means that earning management is a more concerned issue in investors' perspective. The Correlated Coefficient value for this independent variable is the second highest among all the others. It shows that investors' perspective is more focus toward into their investment return as earning management might directly influence their interest.

5.2.3 Hypothesis 3: Board Size

$H1_0$ will not be accepted and $H1_1$ will be accepted in this research. When the Pearson Coefficient value is high, it means that board size is a more concerned issue in investors' perspective. The Correlated Coefficient value for this independent variable is moderate. It shows that investors' perspective demonstrate a fair concern level for this emerging corporate governance issue.

5.2.4 Hypothesis 4: Succession Planning

$H1_0$ will not be accepted and $H1_1$ will be accepted in this research. When the Pearson Coefficient value is high, it means that succession planning is a more concerned issue in investors' perspective. The Correlated Coefficient value for this independent variable is moderate. It shows that investors' perspective demonstrate a relative fair concern level for this emerging corporate governance issue.

5.2.5 Hypothesis 5: Board Gender Diversity

$H1_0$ will not be accepted and $H1_1$ will be accepted in this research. When the Pearson Coefficient value is high, it means that board gender diversity is a more concerned issue in investors' perspective. The Correlated Coefficient value for this independent variable is the highest among all the others. It shows that investors' perspective is more focus toward board gender diversity recently. In investors' perspective, they believe that board gender diversity could bring different value to their investment.

5.3 Implications of the Study

Among the five independent variables, investors are most likely concern about earning management policy for a particular company. Therefore, it is important for directors and top management to make public announce that what are the related policies and clear stand for this corporate governance issue. Certain level of earning management might be unavoidable for every company. Thus, directors of a company has the responsible to ensure that the earning management is under control and do not seriously manipulate the financial information made to public. It is to ensure that shareholders interest is protected and also to attract potential investors to invest in their company. For instance, make a clear declaration in the annual general meeting and disclose the level of earning management in the annual report. Directors may even promise to public that the particular company they invest is free from any earning management activities. When investors feel safe with the investment, they might further put more capital into the company and in turn with greater financial resources.

Another important emerging corporate governance issue refers to board gender diversity. From the result, investors are very concern about board gender diversity recent years compare to other corporate governance issues. Traditionally, board of directors are mainly occupied by male directors. However, thing changes in the decade. Female directors are welcomed to participate into the board. Align with this view, statistic indicates that there is a trend for increasing female directors into the board and they are able to make a difference to various type of investors. In investors' perspective in Malaysia, they are also believe that female directors could better safeguard their interest and able to contribute to the society. In view of this, board of directors are encouraged to train up more female directors in order to hold the respective position in future. Greater board gender diversity might increase investors' confidence.

Board size is another raising corporate governance issue in recent years. According to the result, investors believe that larger board size could enhance the overall corporate performance as well as firm performance. In Malaysia, on average, the board size is around 8 people per board. Therefore, it is suggested that to slightly increase the number of directors to 9 or 10. Greater number of board members may increase the overall corporate performance due to greater skills and knowledge and various type of resources. However, it is also notable that it is difficult to maintain a large number of directors and free rider problem may increase. Besides that, over large board members may also have difficulty to meet together during a meeting and take longer time to make decisions.

On the other hand, investors perceived that CEO duality and succession planning would not much directly or indirectly affect their interest. From the result (table 4.13), investors are less likely to concern about whether the CEO or chairman is the same person or not and pay less attention to succession planning. Nonetheless, many studies enlighten that CEO duality and succession planning might have certain level influence the performance of a firm and also the board. Therefore, it is necessary for relative authorized party to highlight that the consequences and benefits of CEO duality and succession planning to public respectively. Investors have to take CEO duality and succession planning into consideration before invest to a particular company as it might negatively affect their return of investment in long run.

5.4 Limitation of the Study

First and foremost, the majority respondents are from young age group. It might create a perspective bias that the emerging corporate governance issues where described in previous chapter are only derived from younger investors. In this view, it might affect the true outcome for this study. The following limitation refers to the experience of investment. From the figure 4.4, it shows that majority of respondents have less than 5 years of investment experience. Since they have less than 5 years of investment experience, their response for the questionnaire might not fully reflect the true environment and might make mistake when answering the questionnaire.

Moreover, their perspective may be changed after experience few years more of investment.

5.5 Recommendation for Future Research

Recommendations are given to overcome the limitation of the study. Firstly, researcher has to ensure that there is an equal average for each age group in order to provide more meaningful information to public. Next, it is also suggested that to collect response whom have richer investment experience rather than only few years of investment experience. Those with richer experience in investment, they might able to provide more adequate answer during the questionnaire session. Besides that, the questionnaire is recommended to have opened type of questions. Opened type of questions might help to better understand investors' perspective as they are able to supply additional and meaningful information to researcher.

5.6 Conclusion

In conclusion, the five independent variables (CEO duality, earning management, board size, succession planning and board gender diversity) are significant to predict Malaysia investors' perspective in this study. In other words, investors concern about their investment is being secured and consider several factors before make further investment decisions. The factors include all the five independent variables.

From the result, it is clear that earning management contribute the highest variation score in investors' perspective. The second highest contributor refers to board gender diversity, followed by board size, CEO duality and succession planning. Board members are advised to take initiative to declare the earning management policy to investors in order to increase their confidence level, attract new potential investors and enhance overall board effectiveness. This might increase investors willingness to invest more capital, maintain or even increase share price of the particular company.

On the other hand, the results highlight that investors are more concerned about their direct investment return factor rather than indirect investment return factor. Malaysia investors tend to believe that their investment benefit is highly linked by earning management. From their perspective, earning management level employed by the board and management could easily affect their investment return compared to other corporate governance issues. For instance, high earning management level might represent higher misleading information disclose to investors through financial statement or social network. Investors are afraid that their interest might be impacted by those misleading information and then make a wrong investment decisions. Therefore, it is essential for board of directors to take more appropriate monitoring works on earning management activities engaged by the management team and ensure that earning management level is under certain level which would not harm investor's interest. It is better when board of directors could make the earning management publicly so that to strengthen investors' confidence level.

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Appendix

Questionnaire

UNIVERSITI TUNKU ABDUL RAHMAN
FACULTY OF ACCOUNTANCY AND MANAGEMENT
KAMPAR CAMPUS

Dear Respondents,

I am a postgraduate candidate of Master of Business Administration at Universiti Tunku Abdul Rahman (UTAR) who currently conducting my research project as a part of the requirement to complete my master degree program. The research project is namely "***Emerging Corporate Governance Issues in the Perspective of Potential Investors in Malaysia.***" The focus of this topic is to investigate the perspective of potential investors toward recent corporate governance issues. It will take you about 10-15 minutes to complete the questionnaires. Your participation in this survey is entirely voluntary. The answers you provide are **CONFIDENTIAL** and all information provided by you will be used solely for research purposes.

Thank you for your time, cooperation and support.

Regards

Chee Siew Fei

Section A: Personal Background

Please tick for the most appropriate answer for each question, unless indicated otherwise.

1. Category of Investors

□ Creditors

□ Bankers

□ Shareholders

□ Others (Please specify):__________________

2. Education level

□ Primary/Secondary

□ Diploma/Degree

□ Master/PHD

3. Age group

□ 21 - 30 years old

□ 31 - 40 years old

□ 41 - 50 years old

□ 51 years old and above

4. Years of Investment

□ Less than 5 years

□ 6 - 10 years

□ 11 - 15 years

□ 16 - 20 years

□ 21 years and above

Section B: Public Opinion

GENERAL DIRECTIONS

Please indicate by circling in any of the columns provided, your degree of agreement/disagreement with the statements listed below. The indicators are:

Strongly Agree (SA)	Agree (A)	Neutral (N)	Disagree (D)	Strongly Disagree (SD)
5	4	3	2	1

Part I: CEO Duality

CEO duality refers to a situation when a same person holds the position of CEO and the chairman of the board at the same time.

		SA	A	N	D	SD
CD1	CEO duality enhances overall corporate governance performance	5	4	3	2	1
CD2	CEO duality promotes better BOD monitoring	5	4	3	2	1
CD3	CEO Duality leads to more efficient strategic management control by the BOD	5	4	3	2	1

CD4	CEO duality reduces corporate financial scandals	5	4	3	2	1
CD5	CEO duality boost investor's confidence	5	4	3	2	1

Part II: Earnings Management

Earning management is the use of accounting techniques to produce financial results that may favor company's business activities and financial position.

		SA	A	N	D	SD
EM1	Earnings management affects the quality of financial statements	5	4	3	2	1
EM2	Earnings management is to manipulate the reported income according to the management's desire	5	4	3	2	1
EM3	Earning management practice is benefit for BOD	5	4	3	2	1
EM4	Earnings management is acceptable if conducted within the law and approved accounting standard	5	4	3	2	1
EM5	Earnings management is an unethical practice	5	4	3	2	1

Part III: Board Size

Board size refers to the total number of person holds a position in the board.

		SA	A	N	D	SD
BS1	Larger board size demonstrates better firm performance	5	4	3	2	1
BS2	Larger board size could better safeguard firm's interest	5	4	3	2	1
BS3	Larger board size enhances investor's confidence	5	4	3	2	1
BS4	Larger board size make better decision	5	4	3	2	1
BS5	Larger board size enhances overall firm effectiveness and efficiency to operations	5	4	3	2	1

Part IV: Succession Planning

Succession planning refers to a process whereby an organization ensures that employees are developed and recruited to fill each key role within the company.

		SA	A	N	D	SD
SP1	Succession planning is important in every organization	5	4	3	2	1
SP2	Investor's interest would be affected if without a clear succession planning	5	4	3	2	1
SP3	Succession planning promotes sustainability and stability of a firm	5	4	3	2	1
SP4	Succession planning enhances overall corporate governance performance	5	4	3	2	1
SP5	Every company should make public announce on their succession planning	5	4	3	2	1

Part V: Board Gender Diversity

Board gender diversity refers to variation of gender of the board.

		SA	A	N	D	SD
BG1	Board gender diversity is important for every company	5	4	3	2	1
BG2	Firm's interest would be affected if board gender diversity is absence	5	4	3	2	1
BG3	Board gender diversity could better safeguard the interest of investors	5	4	3	2	1
BG4	Board gender diversity make better strategic decision	5	4	3	2	1
BG5	Board gender diversity promotes better BOD monitoring	5	4	3	2	1

Part VI: Investor's Perspective

		SA	A	N	D	SD
IP1	CEO duality is an important aspect of CG for potential investors to consider	5	4	3	2	1
IP2	Earnings management is an important of CG for potential investors to consider	5	4	3	2	1
IP3	Board size is an important aspect of CG for potential investors to consider	5	4	3	2	1
IP4	Succession planning is an important aspect of CG for potential investors to consider	5	4	3	2	1
IP5	Board gender diversity is an important aspect of CG for potential investors to consider	5	4	3	2	1