THE IMPACT OF BOARDROOM TUSSLES ON FINANCIAL PERFORMANCE OF MALAYSIAN PUBLIC LISTED COMPANIES

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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 12,621.

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DEDICATION

I proudly dedicate this research to my wife who has never failed at providing me with moral support. Without her patience, understanding, support, and most of all love, the completion of this work would not have been possible.

Also, I wish to dedicate this paper to the shareholders and employees of Malaysian public listed companies as I believe the findings of this paper could prove useful to them.

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ABSTRACT

Boardroom tussles are conflicts between the stakeholders in an organization that leads drastic actions such as removal of directors, filing of legal suits and suspension of directors. The tussles have become common amongst the Malaysian public listed companies. These can be seen from rising number of announcements on boardroom tussles made to Bursa Malaysia Securities Berhad. Many researches on impact of news/ events on the financial performance of a company have been done in the past. However, very limited researches were done on the study of boardroom tussles and financial performance of public listed companies. In fact, no research relating to boardroom tussles and financial performance of Malaysian public listed companies was done previously. The primary objective of this research is to examine the relationship between boardroom tussles and financial performance of Malaysian public listed companies. The intention is to provide a clearer understanding to the stakeholders such as shareholders and employees of listed companies on the impact of boardroom tussles to their investment and allow the stakeholders to make an informed decision on their investments. For the purpose of this study, 30 events of boardroom tussles were studied and analyzed using event analysis. Market Model was adopted for the computation of abnormal returns. Upon obtaining the cumulative abnormal returns for each window period, an independent paired T-test was run to compare the mean before and after of each events. Based on the findings, it was deduced that the impact of boardroom tussles on financial performance of Malaysian public listed companies is not statistically significant. This study has successfully filled the research gap between the past researches and provided a clearer understanding on the relationships between boardroom tussles and financial performance of Malaysian public listed companies.

CHAPTER 1: INTRODUCTION

1.0 Introduction

The objective of this paper is to examine on whether boardroom tussles affect the financial performance of Malaysian public listed companies. The scope of definition of “boardroom tussles” and “financial performance” are set out under section *Definition of Salient Terms*. Chapter one comprises five sections; (i) background of study; (ii) definition of salient terms; (iii) problem statement; (iv) research objective; (v) research questions; (vi) hypothesis of the study; and (vii) significance of study.

1.1 Background of Study

Boardroom tussles in public listed companies are no longer new to the corporate world. Disagreement within the board of directors (“the board”) is unavoidable and often leads to tussles and tension in the boardroom. The tussles are usually in the form of conflicts amongst the stakeholders including the directors and shareholders of the company. According to Fama and Jensen (1983), usually, the conflicts are caused by difference in opinions and goals between the stakeholders.

The conflicts usually occur between the directors (popularly amongst the executive and non-executive directors) and/ or between the shareholders (whereby groups of shareholders try to acquire the control of the company). Executive Directors are more involved in the daily operation of the company whilst the non-executive directors are more into sharing their experience, expertise and skills for formulation of strategic decisions for the company. The role of the non-executive directors, especially the independent directors also have expanded into ensuring adoption of recommended corporate governance practices as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”).

According to MCCG 2012, corporate governance is defined as "*The process and structure used to direct manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking into account the interest of the stakeholders*."

According to Hsiang-tsui (2005), agency problem in a company may be minimized by having a sound governance system in place. The separation of roles and responsibilities between the executive and non-executive are recommended to ensure balance of power in the board.

However, the board in many occasions may have failed to understand the concept and the importance of corporate governance best practices, hence the conflicts between the executive and non-executive directors. There are companies that went to the extent of suspending independent directors from performing their duties as director of the company. Some companies even went to the extent of removing the directors and suing their own directors for breach of duties. Examples of those events are illustrated in table 1.1 below.

Other common reason for boardroom tussles is due to family feud. According to Claessens et al. (2000), corporations in East Asia are controlled by family members. This idea is also supported by Abdul Rahman (2006) who indicated that many Malaysian public listed companies are family-owned companies and inherited from their own lineage.

When the new generations involved in the management, they may wish to change the culture of the company and run the operation of the company according to current needs and changes. However, the older generations, who usually are the shareholders of the company or even sit in the Board, may not agreeable to the ideas of the new generations. Hence the occurrence of boardroom tussles to control the operation and direction of the Company.

Table 1.1: Examples of events involving boardroom tussles

No.	Company	Type of Events	Date of Events
1.	Scan Associates Berhad	Suspension of an independent director	9 September 2016
2.	Multi-Usage Holdings Berhad	Suspension of non-executive directors	28 November 2016
3.	Wintoni Group Berhad	Removal of directors	11 September 2015
4	Scan Associates Berhad	Initiation of legal suit against directors by another director	17 September 2015
5.	Multi-Usage Holdings Berhad	Initiation of legal suit against shareholders by directors	15 December 2014

Sources: Adopted from Bursa Malaysia Securities Berhad. *Company Announcements*.

1.2 Definition of Salient Terms

1.2.1 Boardroom Tussles

For the purpose of this study, the term "*boardroom tussles*" refers to the following events of public listed companies only:-

a) Issuance of notice of general meeting relating to removal of director.

b) Announcement on outcome of general meeting on removal of director.

c) Filing of legal actions against the director and/ or shareholder

d) Suspension of director from performing his/ her duties as a director.

1.2.2 Financial Performance

The term "financial performance" refers to the performance of the share prices of the public listed companies.

1.2.3 Directors

A company is recognized as a separate legal entity that can act and enter into agreement like any individual person. As a company is not a natural person, it cannot act on its own and need people to act on its behalf. These people are the directors and they are appointed by the shareholders to manage the company's daily operation.

In accordance with Section 196 of the Companies Act, 2016 ("the Act"), "A private company must have a minimum of one director whilst a public company must have two directors. The director must be a natural person who is at least eighteen years of age. A director of a company must not resign or vacate his office if by his resignation or vacation from office, the number of directors of the company is reduced below the purported resignation or vacation of office in contravention of this section shall be deemed to be ineffective unless a person is appointed in his place."

The powers of the board of directors are set out in a company's constitution. "Section 211 of the Act states that the business and affairs of a company shall be managed by, or under the direction of the Board. The Board has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the company subject to any modification, exception or limitation contained in this Act or in the constitution of the company."

Pursuant to section 213 of the Act, "a director of a company shall at all times exercise his powers in accordance with this Act, for a proper purpose and in good faith in the best interest of the company. A director of a company shall exercise reasonable care, skill and diligence with:-

a) The knowledge, skills and experience which may reasonably be expected of a director having the same responsibilities;

b) Any additional knowledge, skill and experience which the director in fact has."

A director has the duty to ensure that the obligations of the company and the requirements set out in the Act and related legislation, the Articles of the company and any other relevant law are properly and fully discharged. Reproducing the content of the Companies Act, 2016, other statutory duties of directors are:-

(a) "a director must not make improper use of any unpublished price sensitive information to gain personal benefit";

(b) "a director must seek approval of the company in general meeting before they can dispose of or execute any transaction for the disposal of a substantial portion of the company's undertaking or property";

(c) "a director must disclose to the company his shareholdings in other companies"; and

(d) "a director must disclose his interest in any contract or proposed contract made by the company."

1.2.4 Executive Directors

Executive Directors are the one who are responsible on the daily operation of a company. They are bound by a service contract that spells out their terms of employment. They are the full time employee and draw salaries of the company by virtue of their employment. In most cases, the executive directors are also the substantial or major shareholders of the company. Nonetheless, in the context of Malaysian Companies Law, an executive director is also falls under the definition of "director" and therefore, governed by the provisions set out in the law. The law did not differentiate the duties and responsibilities of an executive director against a non-executive director. However, other regulations such as Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and MCCG 2012 have spelled out the additional duties of a non-executive director, especially the independent director.

For an instance, the clause 15.02(1) of Main Market LR of Bursa Securities states that "a listed issuer must ensure that at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, are independent directors". Also, Paragraphs 15.09 and 15.12 of Main Market LR of Bursa Securities also require the formation of an audit committee that is made up exclusively of non-executive directors with majority of them being the independent directors. The audit committee is expected to play an important role at discharging their duties as the guardian of corporate governance of the company.

1.2.5 Non-Executive Directors

Unlike executive directors, the non-executive directors are not full time employment and therefore, not involved in the daily operation of the business. They may have their own employment of business elsewhere or usually are retirees. They do not get monthly salary as there is no employment contract between them and the company. However, they do received fixed fee for their services and contribution. Providing an independent opinion and views and minimizing the conflicts of interest with the company, have always been the roles of a non-executive director. According to the Higgs Report (2003), the role of non-executive directors are; (i) contributing to strategic plan; (ii) scrutinizing the performance of the executive directors; (iii) proving an external perspective on risk management; and (iv) to manage and minimize conflicts and risks.

As mentioned under section 1.2.4 above, a public listed company is required to ensure that at least two (2) directors or 1/3 of the board of directors of a public listed company, whichever is the higher, are independent directors. Some of the factors which may be considered in assessing independence of independent non-executive directors are; (i) their business, financial and other commitments; (ii) other shareholdings and directorships; and (iii) involvement in businesses connected to the company. Holding shares in the company does not necessarily compromise independence. However, the quantum of shareholding should not exceed the limit stated in the regulations. The non-executive directors are expected to have high ethical standards and act with integrity and probity. They also expected to support the executive management and monitor its conduct, demonstrating a willingness to listen, question, debate and challenge.

However, in the corporate world, the role of directors, especially in the regards to separation of powers may often be compromised. This leads to dominance of power by one single individual which reflects a poor independence. This course of action may further leads to boardroom tussles in the company.

1.2.6 Corporate Governance

Corporate governance refers to the way in which companies are governed, and to what purpose. It is concerned with practices and procedures for trying to ensure that a company is run in such a way that it achieves its objectives, with certain amount of checks and balances to minimize abuse of power and fair treatment of the stakeholders. The shareholders expectations are normally to maximize the wealth for themselves from an investment point of view. A registered shareholder is a person holding shares in a company. But in it also common in reality that shares may be held by a nominee acting on behalf of the share owner, who is not registered in the company's members' register, subject to various guidelines and constraints and with regard to the other groups with an interest in what the company does. Guidelines and constraints include behaving in an ethical way and in compliance with laws and regulations.

The term "corporate governance" has no standard definitions, but could be described in many ways. Some other definitions that have been provided are as follows:-

a) According to Cardbury Report (1992), corporate governance is defined as "*system by which companies are directed and controlled*." This definition is accepted worldwide as corporate governance matters were major issues in the west.

b) The Organisation for Economic Co-operation & Development (OECD) (2004) defines corporate governance as a system representing the management, the board of directors and shareholders that together provide the structure through common goals and objectives.

c) Professor Bob Tricker (1984) quoted that, "*Whilst management processes have been widely explored, relatively little attention has been paid to the processes by which companies are governed. If management is about running businesses, governance is about seeing that it is run properly. All companies need governing as well as managing*".

d) According to Monks and Minow (2001), corporate governance is defined as, "*corporate governance as the relationship among various participants in determining the direction and performance of corporations, the primary participants are the shareholders, the management led by the chief executive officer, and the board of directors; whilst other participants include the employees, customers, suppliers, creditors and the community*."

e) MCCG 2012 defined corporate governance as "*The process and structure used to direct manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking into account the interest of the stakeholders*."

One of the best ways to understand to understand the meaning of corporate governance is by first, becoming aware of issues related to corporate governance. Daily business conduct is not the primary concern of corporate governance but how it is conducted by the managers is. One of the aspects of corporate governance is how powers of directors are exercised and how powers are delegated in the daily operation.

All companies should have objectives in carrying out their businesses. Some of these objectives, such as the reasons for its existence, may be set out in its written constitution. (In the UK, the written constitution of a company is contained in its Memorandum and Articles of Association.) Other objectives may be implied or assumed, rather than clearly documented. A company should be governed in a way that moves it towards the achievement of its objectives. However, although a company exists as a legal person, in reality it is the organized collective effort of many different individuals that form the groupings empowered make decisions. An essential body of decision-makers comprises the board of directors who makes decision in the interests of its owners, the shareholders. The interests of the board and the shareholders ought to coincide, but in practice they may be at odds with each other. The challenges of good corporate governance is to find a way in which the interests of shareholders, directors and other interest groups (stakeholders) can all be sufficiently satisfied.

Public companies raise capital on the stock markets and institutional investors hold vast portfolios of shares and other investments. Investors need to know that their money is reasonably safe. Should there be any doubts about the integrity or intentions of the individuals in charge of a company, the value of the company's shares will be affected and the company will have difficulty raising any new capital should it wish to do so. For example, if there is weak corporate governance in a country generally, the country will struggle to attract foreign investment, because foreign investors do not have confidence in the country. Thus, it might seem self-evident that good (or adequate) corporate governance supports capital market.

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.

After happening of the famous corporate scandal, namely the Enron case in United States, investors have become more cautious and alert on corporate governance issues. In another word, the investors have become more aware on the pertinent issues relating to corporate governance. After Malaysian financial crisis which took place in 1997 and 1998, adherence to corporate governance has become more serious. Such crisis has further damaged the corporate governance in the country (Yusoff & Alhaji, 2012). According to Fraser, Zhang& Derashid (2006), issues with corporate governance has become a factor towards large debt ratio. Similarly, poor corporate governance has resulted in poor disclosure in the company's annual report (Mitton, 2002). On top of that, minority shareholders' interest was not taken seriously due to weak corporate governance system in place (Claessens, Djankov, Fan & Lang, 1999).

Corporate's reputation is the key to winning the confidence of shareholders. Without a strong corporate governance system in place, shareholders' trust and confidence will be affected (Jensen & Meckling, 1976; Daily & Dalton, 1994). For an instance, KLSE's index was dropped by 68.58% within a period of less than a year due to the financial crisis which was caused by poor corporate governance (Hassan, 2002). Moreover, Malaysian's National Bank reported that GDP fell by 17.4% from the year 2007 to 2008A (Taghizadeh & Saremi, 2013).

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 Securities, the Malaysian Accounting Standards Board, the Malaysian Institute of Accountants and the Minority Shareholders Watchdog Group (Gupta, 2014).

1.3 Problem Statement

While acknowledging the past researches on conflicts in the board of directors which increases the cost for the company, almost no researches specifically addressed the impact of boardroom tussles on the financial performance of a firm, especially a public listed company in Malaysia.

There is an existence of a “gap” amongst the studies carried out in the past. The authors did identify the possible outcome of unfortunate events such as departure of directors, litigations and turnover of company officers in their papers. However, these researches were not extended to the study on the impact of such events on the financial performance of Malaysian public listed companies by making a comparison between the share prices before and after the occurrence of the events.

Based on the literatures reviewed, an event study using the computation of cumulative abnormal returns should be utilized to study the relationship between the events and share prices of public listed companies.

There were studies that utilized the event analysis to examine relationship between news/ events published and share prices of public listed companies. However, these studies were not focused on boardroom tussles and did not include Malaysian public listed companies as their sample.

In short, there were researches conducted to study the outcome of unfortunate events in a firm, which could be classified as boardroom tussles, but these researches did not utilize event analysis as their methodology. Similarly, there were researches which utilize event analysis on news/ events published by public listed companies, but these events were not related to boardroom tussles and did not take place in Malaysia. This is the main "gap" that this research paper intended to fill.

1.4 Research Objective

The primary objective of this research is to examine the relationship between boardroom tussles and financial performance of Malaysian public listed companies. The intention is to provide a clearer understanding to the stakeholders such as shareholders and employees of listed companies on the impact of boardroom tussles to their investment and allow the stakeholders to make an informed decision on their investments.

1.5 Research Questions

This research is conducted to study the impact of the boardroom tussles on the financial performance of the public listed companies in Malaysia. Therefore, the research question is, "Is there any significant relationship between the events of boardroom tussles and the share price of the public listed company?"

Stakeholders invest in the public listed companies with the intention to grow their investment value by way of earnings per share or dividend pay-outs. That applies to minority shareholders and employees of the listed companies too. The answer for above research question may address the stakeholders' concerns on their investment.

1.6 Hypotheses of the Study

H_0: There is a no significant relationship between the events of boardroom tussles and share price of Malaysian public listed company.

H_1: There is a significant relationship between the events of boardroom tussles and share price of Malaysian public listed company.

1.7 Significance of the Study

Topics on boardroom tussles have been becoming very popular in Malaysia. Recently, cases involving boardroom tussles have been reported in many news and articles. It is was reported that, " Several listed companies on Bursa Securities were embroiled in tussles, be it shareholders' spats, family feuds or boardroom fights that to some extent might have affected the companies' operations and added volatility to their share prices. Although 2015 has ended, it may not be the case for the tussles, as some may continue to be in the limelight this year" (The Edge Financial Daily, 2016). Further it was reported that, "while there has been an increase in the number of boardroom tussles in the corporate scene in the last couple of years, Bursa Securities and the Minority Shareholder Watchdog Group (MSWG) opined that the corporate governance level in the country remains intact" (The Sun Daily, 2016).
Due to growing number of boardroom tussles, it is arguable that the concerned parties are acting in the best interest of the companies.

Owing to limited research made on the impact of boardroom tussles on the financial performance of public listed companies, it is unclear for stakeholders like shareholders and employees to make the right call on their investment decision. One may argue that the impact of boardroom tussles will affect the share prices of the company significantly and vice-versa.

This research is intended to provide an insight to the stakeholders of public listed companies on the impact of boardroom tussles to their investments. The outcome of this research will be able to act as an anchor to the stakeholders relating to their investment decisions.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

Chapter 2 is about studying and reviewing of literatures from secondary sources. Study on the boardroom tussles and its impacts on the share prices would be the main objective of this chapter. Related theories concerning to this chapter would be discussed and a research framework along with hypothesis will be developed in this chapter. Typically, this chapter is made up of three (3) sections; (i) purpose of literature review; (ii) relevant theories and their limitations; and (iii) the proposed conceptual framework.

2.1 Purpose of Literature Review

The literature review is carried out by studying the existing theoretical and research issues relating to boardroom tussles and financial performance of company. The main purpose of the review is to identify the major gaps in the literatures and demonstrate how the proposed framework may provide a significant and substantial contribution to the literatures. For the benefits of this study, published journals from secondary sources were reviewed in presenting clear and logical views in this research works.

2.2 Relevant Theories and Their Limitations

The followings are the most common theories and their limitations identified from the existing literatures:-

2.2.1 Principal-Agent Relationship (Agency Theory)

Directors are agents who are entrusted by the shareholders to manage the company to meet the shareholders' expectation. Unlike private companies, public listed companies are governed by multiple rules and regulations that encourage and recommend separation of ownership; therefore, public listed companies do have policies in place that separates the control between the principals and agents. The principals are the owners that hires agents to manage their business on behalf (Hart, 1995; Jensen and Meckling, 1976; Sappington, 1991).

However, it is has been shown from real cases that some directors tend to maximize their own wealth before maximizing the shareholders' expectation. Owing to the difference in the interest between the managers/ directors and the shareholders, disagreements such as conflicts may be developed over time. Such phenomenon may be analyzed and studied by the agency theory (Fama and Jensen, 1983).

Further to corporate governance scandals during the early part of the millennium, the effectiveness of boards in performing these tasks, especially the monitoring function, has been questioned. In response, Congress passed the Sarbanes–Oxley Act (SOX) of 2002, which was intended to increase the amount of monitoring and improve corporate governance. Subsequently, the requirement to have independent directors as a guardian of corporate governance was embedded in the listing requirements for public listed companies. The main purpose of such requirement was to ensure the exercise of independent judgement and promote constructive deliberation amongst the directors in the board. However, one problem identified by both Laura F. Spira and Louis Braiotta, Jr was that many companies never understood the purpose of the various committees and the duties that the appointed directors should carry out.

The intended "constructive deliberations" often gets heated and leads to fights or tussles in the boardroom eventually. Therefore, the corporate governance standards have spelled out recommendations and required the appointment of independent directors to the board to improve independence in the decision-making activities.

Limitation

Whilst the Agency Theory did establish the fundamental fact that there may be conflict between the principals and agents which may leads to agency costs, it did not specifically address the magnitude of such impact on the financial performance of a firm, especially a public listed company. Further studies have to be conducted to measure the impact of the agency costs, which arose from principal-agent relationships, on the financial performance of a firm.

2.2.2 Lawsuits Trigger Negative Market Reactions

Boardroom tussles may lead to corporate litigation which could be costly to the companies. Lawsuits trigger significant declines in the market valuation of sued companies that far exceed the estimated cost of legal restitution (Jarrell & Peltzman, 1985). Such excessively large losses of company value are attributed to a decline in company reputation as a form of market based penalty (Karpoff & Lott, Jr., 1993). Directors may also experience loss of personal reputational capital when the company's reputation is compromised (Desai, Hogan, & Wilkins, 2006). Lawsuits may trigger significant negative market reactions, resulting in the loss of shareholder wealth (Liu, Aharony, Richardson, & Yawson, 2016).

Prior research documents significant declines in firm value associated with environmental (Karpoff, Lott, Jr., & Wehrly, 2005), antitrust (Bizjak & Coles, 1995), IP (Raghu, Woo, Mohan, & Rao, 2008) and contractual lawsuits (Bhagat, Bizjak, & Coles, 1998). Labor market forces and reputational concerns can have a disciplining effect on managers of firms with a separation of ownership and control (Fama, Fisher, Jensen, & Roll, 1969). Prior research shows that CEOs from poorly performing firms are more likely to experience adverse labor market consequences such as turnover (Gilson, 1989). Given the loss of firm value associated with lawsuits, the executive labor market is expected to reassess managers' abilities (Persons, 2006), resulting in reputational changes that affect their current and future employment prospects.

<u>Limitation</u>

This literature documented that lawsuits may trigger significant negative reaction but did not carry out any specific study of the impact of such lawsuits on the financial performance of the company. The impact of the lawsuits on the financial performance of the company may have been researched by event studies.

2.2.3 Departure of Directors Hurts Share Prices

According to Tang, Lin, Peng, Du, & Chan, (2016), the companies' share price in China drops upon the resignation of directors. Further, forced chief executive officer departure is also more likely and more sensitive to performance of the company (Mobbs, 2013). These suggest that departure of directors from the board affect shareholders' decision in their investments. Resignations accompanied by public criticism can put pressure on the remaining directors to improve firm performance. Or public dissension in the board room may suggest that the board will be more amenable to a takeover offer. Alternatively, these might be benign events. They may be the actions of a lone disgruntled director or indicative of a personality clash between the director and the CEO or other members of the board. Then again these resignations may be viewed negatively by the market but ultimately ineffectual in bringing about positive change. Worse yet the firm may lose the monitoring benefits of a good director allowing management to become even more entrenched (Dewally & Peck, 2010).

Limitation

This literature documented that departure of directors may result to decline in share prices. Based on the literature, the word "departure" represented two (2) circumstances; (i) resignation of directors; and (ii) forced departure of officers. Both circumstances are very subjective and may not be due to boardroom tussles. It is difficult to justify "forced departure" in the context of boardroom tussles as a "forced departure" is still a voluntary act by the concerned director. This may not produce an accurate research results due to possible high degree of uncertainties. Therefore, a clearer and justifiable definition of boardroom tussles has to be carried out for further studies.

2.2.4 CEO Turnover Affects Firm Performance

Based on past researches, departure of key management personnel such as chief executive officer and chief financial officer (Officers) implicated the financial performance of companies. Many researches were made on this subject majoring on multiple aspects of the departures. According to Brickley (2003), departures of Officers are negatively related to company's performance. The

Officers are keen to leave the organization when its financial performance is poor. When this happens, the operation of the business is affected and hit the bottom line of the company.

Limitation

Based on the literatures reviewed, the researchers did not use a research instrument which measures the financial performance of a firm by comparing the impact, before and after, of each departure of directors.

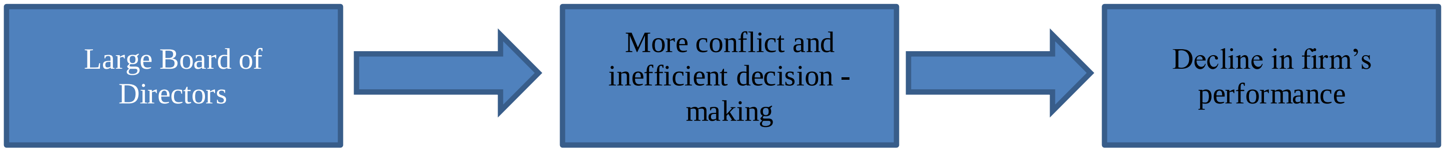
2.2.5 Size of the Board Influences Company Performance

Based on past studies, it was learnt that number of directors in a board does affect the practices of a company. When the number of directors is higher, sharing and flow of knowledge could be bigger in the company. This is due to the fact that a large board has more experienced directors in it for sharing of knowledge and expertise, which in return would contribute to the performance of the company (Zahra & Peace, 1989).

However, Mishra, Randoy and Jensen (2001) argued that owing to some disadvantages of having larger board, a smaller board is more effective than the former. It was argued that miscommunications may occur often in larger boards due to high number of participants and exchange of opinions. On top of that, it would be very challenging for the CEO to facilitate a larger board (Liptop & Lorsch, 1992). Jensen (1993) argued that the optimum board size should at about seven to eight directors. According to the Malaysian Company Law, a public company must be made up of at least two (2) directors whilst the Bursa Securities' Listing Requirements imposes additional requirement whereby a minimum of three (3) directors is required for formation of an audit committee.

Similarly, Guest, P.M. (2009) documented that large board may results in higher conflicts thus hurts the performance of a company, as shown in figure 2.1 below.

Figure 2.1: Model of the impact of board size on firm performance: evidence from UK



<u>Source</u>: Guest, P.M. (2009). The impact of board size on firm performance: *Evidence from UK. The European Journal of Finance, 15*(4), 384-404.

The model shown above was developed by Guest (2009). The main objective of study was to investigate impact of size of the board on the firm's performance. Based on the study, a sample of 2,746 listed companies in UK from the period 1981 to 2002 was studies and the total observation sample was 25,668 companies. ROA, Tobin's Q and TSR were used to measure the company's performance. The independent variables were firm size, debt, board size, R&D and monthly stock return over 12 months. According to Tobin's Q and share returns measurement, it was proven that board size has a strong negative impact on profitability.

The results were in favor of the argument that a large board size may cause more conflicts and disagreement thus projects an inefficient decision-making.

Therefore, it is arguable that the removal of directors resulting from boardroom tussles, which cuts down the size of the board, will affect the performance of the company. As argued by Mishra, Randow and Jensen (2001), it could be for the best interest of the company. Further study is required to justify this phenomenon.

<u>Limitation</u>

This literatures documented that change in number of directors may or may not affect the performance of a company. However, it did not state that the change of number of directors was in fact due to boardroom tussles. The change in number of directors may be subject to many other reasons such as corporate restructuring and change in ownership. Further studies are required to determine whether change in number of directors due to boardroom tussles may or may not affect the financial performance of a company.

2.2.6 Ownership Concentration Leads to Conflict

Ownership concentration relates to the voting rights and power held by shareholders in a company (Uwuigbe, 2013). It is really essential for the management to keep track or monitor the ownership concentration of the company. A growing number of controlling shareholders may influence the integrity and independence in regards to the practices (Demsetz & Villalonga, 2001). The board is given the ultimate power to manage the operation of a company for the best interest of the shareholders at large. Should a specific shareholder gains control of the company, the operation and conduct of the company may be influenced in a way benefitting the specific shareholder.

Being the primary objective of the board is to maximize the wealth of the shareholders, the board is deemed to be the agent of the shareholders. In the event the voting power of a company is concentrated heavily in a specific shareholder, that shareholder may replace the entire board with the shareholder's representatives. By doing so, the shareholders may gain control of the board and there would not be any separation of ownership. The question is, without a separation of ownership between the board and the shareholders; will the performance of the company be better?

According to Jensen & Menking (1975), a separation of ownership between the directors and shareholders could be less favorable on the financial performance of a company. In another word, it means that the higher the concentration of ownership, the lesser then board's self-opportunistic behavior and therefore, the higher the shareholders' wealth.

However, Morck, Yeung & Yu (2000), opined that a company controlled by a particular shareholder may lead to further disagreements between the shareholders. This is due to the fact that the goals between the controlling shareholders and other share shareholders may not be aligned.

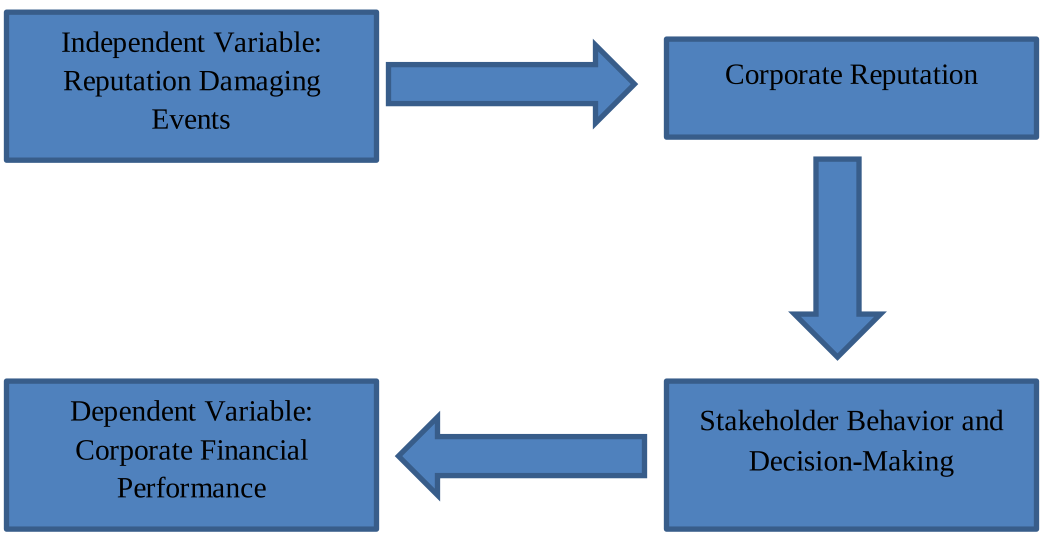
Based on both sides' arguments, it is clear that more research is required to be done in order to justify whether power struggle between shareholders, which is most likely contribute to boardroom tussles, affect the performance of the company.

<u>Limitation</u>

Similar to Agency Theory, this literature demonstrates the possible conflicts that may arise due to difference in interest between the shareholders. In this case, there is no principle-agent relationship exists as the conflicts are amongst the shareholders themselves. However, the magnitude of the disagreement on the financial performance of the company was not measured. Further studies have to be conducted to measure the impact of the disagreements between the shareholders on the financial performance of the company.

2.2.7 Reputation Damaging Events Hurts the Firm's Financial Performance

Figure 2.2: Model of Reputation Damaging Events on Firm's Financial Performance



<u>Source</u>: Gatzert (2015). The impact of corporate reputation and reputation damaging events on financial performance: Empirical evidence from the literature. *European Management Journal 33 (2015)* 485-499.

The above model was developed by (Gatzert, 2015). The idea was to study the connection between reputation damaging events and company's financial performance. A survey was studied on the event literature on reputation damaging events and their impact on a firm's financial performance. According to the research paper, "A (financial) reputation loss is thereby typically defined in the empirical literature as the cumulative abnormal return for a given event window, i.e. the (stock) market value loss that exceeds the original loss caused by the event, which generally reflects revised expectations of investors in regard to future cash flows (Cummins, Lewis & Wei, 2006)."

Based on the findings, it was emphasized that the operational risk events and especially fraud events can imply significant financial losses (Fiordelisi et all., 2014; Perry & de Fontnouvelle, 2005). Generally, the empirical results also emphasized that "reputation risk, in the sense of financial losses after a reputation damaging event, is a risk of risks, which typically arises from other underlying risk and especially operational loss events".

In conclusion, the authors explained that the reputation damaging events could result in; (i) customers' perception of the firm, therefore damage the future revenue and operating cash flows; (ii) higher contracting and negotiation costs imposed by the suppliers and business partners in view of damaged reputation of the firm; (iii) departure of employees of the firm; and (iv) investors' caution.

Limitation

The research was conducted through an extremely relevant research instrument which is an event study. However, the research was limited to reputation damaging events only. Further studies are required to be carried out in order to study the impact of boardroom tussles amongst Malaysian public listed companies by using similar research instrument.

2.3 Basis of Conceptual Framework

Based on the literatures reviewed, most authors discussed on the impacts of conflicts, lawsuits, disagreements and departure of directors, on the performance of the company. However, the studies did not measure the impact by comparing the change on the financial performance, before and after the occurrence of such events, over a period of time ("window period"). For an example, Mishra, Randoy and Jensen (2001) argued that a smaller board is more effective than a large board. However, their research was not extended to study the impact on the financial performance, i.e. share prices, when the board is small and when the board is large, over a window period.

Therefore, this research paper is intended to study impact on the share prices of Malaysian public listed companies over a window period. This may be done by using event study. Event study is a method whereby effect of unanticipated event on stock price is measured (McWilliams & Siegel, 1997). In another word, event study is a statistical method to analyze the impact of an event on the value of a firm. Mostly, the impact before and after an event is analyzed using the event study. For an instance, analyst could utilize event study to measure the impact; before and after an announcement relating to dividend pay-out is made. Based on the pattern, the analyst could make some close prediction on future share price movements when there is an occurrence of similar event.

This research instrument, event study, was also used by (Gatzert, 2015) as illustrated and explained under item 2.2.7 above. Event analysis was first used by James Dolly (1933) as an instrument to study the impact of the news on the share prices. Thereafter, many researches such as Fama et al. (1969), Ball and Brown (1968), McWilliams & Siegel (1997) and Gatzert (2015) carried out their researches using event study. Mostly, event study is used to study impact of certain news or events on the share prices. The main reason for event study approach is that impact of such news or events on share prices may generate abnormal returns which have several methods for determination (Armitage, 1995).

Based on the review of past researches, the typical steps taken to perform this event study analysis were as follows:-

1. Specific calendar event dates of the companies were identified and set as “Event Date Point”.

2. The length of event period and estimation period were determined.

3. Historical data of share prices and market index for the respective companies and their events were collected.

4. Computation of daily return of share prices and market index. The daily return was calculated by applying this equation: (the close price of the day ’t’ minus the close price of day ’t-1') / the close price of day ’t-1'.

5. The parameter estimates, Alpha and Beta were calculated. This was done by utilizing return generating model.

6. The daily expected return of the share price in the event period was calculated by applying the parameter estimates.

7. The daily abnormal returns in event period were calculated and cumulative abnormal return was derived in the event period.

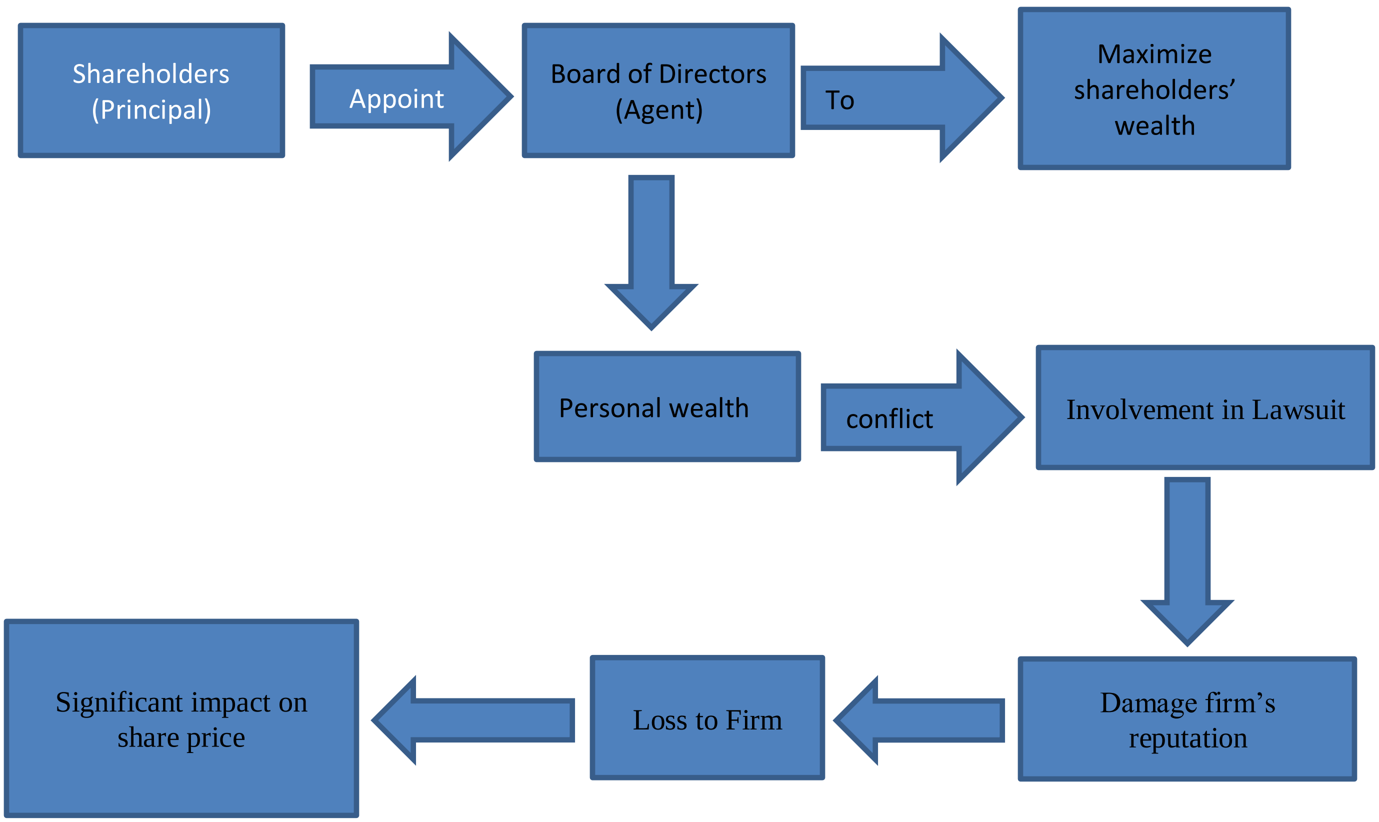
8. Independent paired T-test was run to measure statistical significance.

Further explanations on how this research study is carried out by using event analysis have been demonstrated under Chapter 3 of this paper.

2.4 The Proposed Conceptual Framework

For the purpose of this study, the proposed conceptual framework, by considering the literatures reviewed and by using the event analysis, is as illustrated under Figure 2.3 below.

Figure 2.3: Proposed Conceptual Framework of Impact of Boardroom Tussles on the Financial Performance of Malaysian Public Listed Companies



Source: Developed for the research

The agency theory concerns on the agency relationship between the managers and shareholders. Agency relationship is where a person, who is known as the "principal", gives instruction to another person known as "agent", to all the things on behalf of the principal. However, this relationship incurs a popular problem known as "agency problem" when the both the principal and agent tend to achieve different goals (Jensen & Meckling, 1976). According to Berle & Means (1932), there are two (2) kind of agency problems; (i) conflict of interest between the principal and agent; and (ii) risk behavior whereby the principal and agent may have different attitudes towards risk. As an initiative to curb the agency problems, the limit of agent's authority may be limited by the principal. Also, attractive incentives could be offered to the agents to prevent them from performing opportunistic actions to maximize their own wealth. The principal also could opt to monitor the activities of the agents closely, however, there would be monitoring costs which could be utilized elsewhere for better reasons such incentives for the agents. Monitoring costs are just part of agency costs. There could be more costs than just monitoring costs. The costs incurred from agency problem are referred as "agency costs" (Fama & Jensen, 1983). From the perspective of a company, the principal is the shareholder whilst the agent is the board. As mentioned previously, the board is appointed to manage the business of the company on behalf of the shareholders.

Agency problem between the principal and agent could lead to involvement in litigation. Besides damaging the reputation of the company, litigation also could prove costly to company as it involves substantial amount of legal costs. Damaged reputation coupled with litigation costs may affect the financial performance of a company, thus projecting a significant impact on the share price.

In conclusion, agency theory believes that there will be conflict between the shareholders and board of a company. These conflicts may result in boardroom tussles that could lead to removal of directors by the shareholders. However, not many studies where performed on how agency problem could affect the price of shares of public listed companies in Malaysia by using event analysis.

Therefore, this conceptual framework serves as the foundation of this study which is adopted from the agency theory developed by Fama and Jensen (1983) and event analysis used by McWilliams & Siegel (1997) and Gatzert (2015). This conceptual framework which focuses on the impact of boardroom tussles on the financial performance of Malaysian public listed companies is tested and reported at Chapter 4 of this paper.

CHAPTER 3: RESEARCH METHOLODGY

3.0 Introduction

In this chapter, research method used for analysis, collection of data, selection of sample and analysis techniques were discussed and described. Basically, this chapter is made up of ten (10) sections; (i) research design; (ii) collection methods; (iii) sampling design; (iv) research instrument; (v) types of measurement; (vi) event study timeline; (vii) parameter estimates; (viii) abnormal returns; and (ix) significant test.

3.1 Research Design

According to Zikmund (2003), research design is intended for classifying a business research. It could be in the form of exploratory, descriptive, or even causal research. The methods and procedures for collecting and analyzing the needed information for the research are specified in the research design. Cooper & Schindler, (2003) defined that the research design is a "plan stated overall view of the research that include the outline of what the researcher or the investigator will do from writing the hypothesis and the implication of operational to the final analysis of the data." According to Cooper & Schindler (2003), this is considered as a way in improving research's validity and reliability.

Typically, research methods could be done in four (4) ways; (i) experiments; (ii) observation; (iii) secondary data studies; and (iv) surveys. The method adopted in this research is secondary data study and the study is carried out since 2007 to 2017. The MCCG was revised in the year 2007 and subsequently be revised again in the year 2012. Therefore, taking into account the events of boardroom tussles after the year 2007 would add value to this research as best practices recommended by the corporate governance are the key of for sustainable business conduct.

However, there were no relevant events relating to boardroom tussles identified from the period 2007 up to 2014. This is one of the limitations of this study. Further information is provided under *item 3.3.2 Sampling Frame and Sampling Location below.*

The method of collecting the data is based on the event analysis. The performance of the share prices are measured by comparing the daily share return of the public listed companies before and after the occurrence of the boardroom tussles. The scope of boardroom tussles is defined under section 1.2.1 of Chapter 1. This study is a quantitative research which uses the interpretive approach to the data by observation of events relating to boardroom tussles amongst the public listed companies in Malaysian. 30 events relating to boardroom tussles were studied and analyzed to meet the research objective.

3.2 Collection Methods

Data collection is the most important aspect to do the research study because the inaccurate data collection can influence the result of the study and lead to the invalid results. Having that in mind, selection of type of data is essential to provide reliable and valid outcome. For the purpose of this research, secondary data was used for data collection.

3.2.1 Secondary Data

According to Smith (2008), secondary data defined as the data collected by someone else for some other purpose rather than for the specific purpose under the consideration. The events relating to boardroom tussles were collected from Bursa Securities while the raw data of share prices of the 30 public listed companies were acquired from Yahoo Finance and Google Finance. The sources are very reliable as they are updated regularly and have been used by many researches in the past. Documentaries such as journals were acquired from several sources such as Internet, Google Scholar and University Tunku Abdul Rahman's subscribed databases (Proquest and ScienceDirect).

The main data for the research are as follows:-

1. Events relating to boardroom tussles, extracted from Bursa Securities.
2. Individual share prices for both event period and estimation period, extracted from Yahoo Finance.

3. Market index for both event period and estimation period, extracted from Yahoo Finance.
4. Computed daily returns of both individual share prices and market index for event period and estimation period.
5. Value of alpha and beta.
6. Abnormal and cumulative abnormal returns.

The research involves 30 events relating to boardroom tussles, comprising ten (10) public listed companies. The description of the events, in chronological order, is shown in Table 3.1 below.

Table 3.1: List of Events Studies in this Research

No.	Company	Event as announced by Bursa Securities	Date of Event
1.	APP	Issuance of Notice of Removal of Directors	16.04.2014
2.	APP	Issuance of Notice of Removal of Directors	12.05.2014
3.	ANZO	Issuance of Notice of Removal of Directors	10.06.2014
4.	ANZO	Legal Suit between Directors and Shareholders	10.06.2014
5.	APP	Outcome of Meeting on Removal of Director	10.06.2014
6.	MUH	Issuance of Notice of Removal of Directors	19.11.2014
7.	MUH	Legal Suit between Directors and Shareholders	15.12.2014
8.	MUH	Legal Suit between Directors and Shareholders	15.12.2014
9.	MUH	Legal Suit between Directors and Shareholders	02.07.2015
10.	KAB	Issuance of Notice of Removal of Directors	11.08.2015
11.	WGB	Issuance of Notice of Removal of Directors	13.08.2015
12.	WGB	Outcome of Meeting on Removal of Director	11.09.2015
13.	SCAN	Legal Suit between Directors	17.09.2015
14.	WGB	Legal Suit between Directors and Shareholders	28.09.2015
15.	WGB	Legal Suit between Directors and Shareholders	28.09.2015
16.	MUH	Legal Suit between Directors and Shareholders	12.04.2016
17.	AIMB	Issuance of Notice of Removal of Directors	21.04.2016
18.	AIMB	Outcome of Meeting on Removal of Director	24.05.2016
19.	MUH	Legal Suit between Directors and Shareholders	16.06.2016
20.	MUH	Legal Suit between Directors and Shareholders	09.08.2016
21.	MUH	Legal Suit between Directors and Shareholders	06.09.2016
22.	YFG	Issuance of Notice of Removal of Directors	14.09.2016
23.	YFG	Outcome of Meeting on Removal of Directors	29.09.2016
24.	PDZ	Issuance of Notice of Removal of Directors	28.11.2016
25.	MUH	Suspension of Directors	28.11.2016
26.	MUH	Legal Suit between Directors	13.12.2016
27.	MUH	Legal Suit between Directors	16.01.2017
28.	MUH	Lodgment of Police Report against Director	20.01.2017
29.	EKA	Issuance of Notice of Removal of Directors	20.01.2017
30.	MUH	Legal Suit between Directors	16.02.2017

Notes: the full abbreviation of the companies mentioned above are shown in Table 3.4 under Chapter 3

Sources: Adopted from Bursa Malaysia Securities Berhad. *Company Announcements*.

3.3 Sampling design

Target population, sampling frame and location, sampling elements, technique of sampling and size of sampling will be discussed in this section.

3.3.1 Target Population

According to Sekaran (2003), population refers to a complete group of people, objects or elements which are relevant to a research. The population of this research includes the entire listed companies, both Main and Ace Market, in 2017 which is 920 companies in total (Bursa Listing Statistics, 2017)

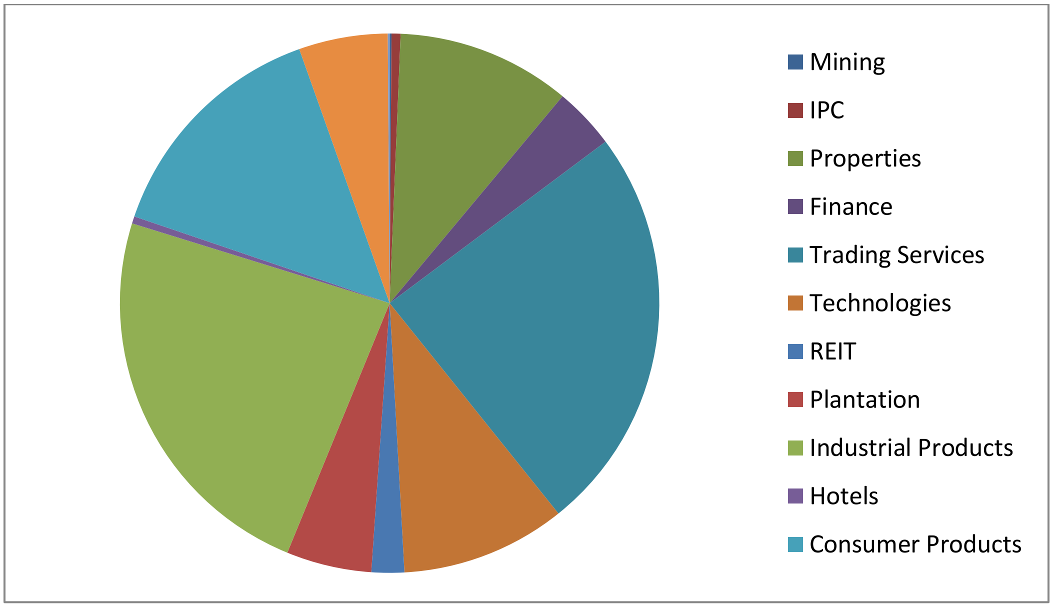
Table 3.2: The Nature and Sector of Malaysian Public Listed Companies for the Year 2017*

Sector	Number of Companies	Percentage (%)
Mining	1	0.11
IPC	5	0.54
Properties	96	10.43
Finance	34	3.70
Trading Services	225	24.46
Technologies	91	9.89
REIT	18	1.96
Plantation	47	5.11
Industrial Products	217	23.59
Hotels	4	0.43
Consumer Products	132	14.35
Construction	49	5.33
Closed-Fund	1	0.11
Total	920	100

**Note: as at 21 April 2017*

Source: Developed for research.

Pie Chart 3.3: Public Listed Companies in Malaysia according to its Sector



Source: Developed for research.

3.3.2 Sampling Frame and Sampling Location

Sampling frame is defined as a complete list of all of elements in entire population (Sekaran & Bougie, 2010). For the purpose of this study, a sampling frame of 40 events of boardroom tussles was set for research from the period 2007 to 2017. The Malaysian Code on Corporate Governance was first revised in 2007. The revision was intended to act as guidance to the directors of public listed companies in carrying out their duties. In 2012, the MCCG was once again revised to improve the independence and transparency of directors in discharging their duties for the best interest of the company. Given the fact that two (2) sets of MCCG came into force since the year 2007, the sampling period of 2007 to 2017 may provide better results as it takes into account the new rules and regulations that supposed to be preventing the occurrence of boardroom tussles. Also, should the research results happen to be significant, then the regulators may consider implementing a more relevant set of rules for the listed public companies.

Although a sampling frame of 40 events of boardroom tussles was set for research, only 30 relevant events were identified and selected, covering the period from 2014 to 2017. Due to the limited sampling period of 10 years, it was almost impossible to gather at least 40 events as the sampling frame. Perhaps, with a wider sampling period, more events could have been identified. However, due to time limitation and the huge size of the population, it was nearly impossible to study the company announcements of the entire population for a wider sampling period. The list of events is accessible form Bursa Securities' website at http://www.bursamalaysia.com/market.

Table 3.4: The List of Public Listed Companies with Boardroom Tussles from 2007 to 2017

Company	**Number of Events**	**Percentage (%)**
Advance Information Marketing Berhad (AIMB)	2	6.67
Anzo Holdings Berhad (ANZ0)	2	6.67
Appasia Berhad (APP)	3	10.00
EKA Noodles Berhad (EKA)	1	3.33
Kronologi Asia Berhad (KAB)	1	3.33
Multi-Usage Holdings Berhad (MUH)	13	43.34
PDZ Holdings Berhad (PDZ)	1	3.33
Scan Associates Berhad(SCAN)	1	3.33
Wintoni Group Berhad (WGB)	4	13.33
YFG Berhad (YFG)	2	6.67
Total	**30**	**100**

Source: Developed for research

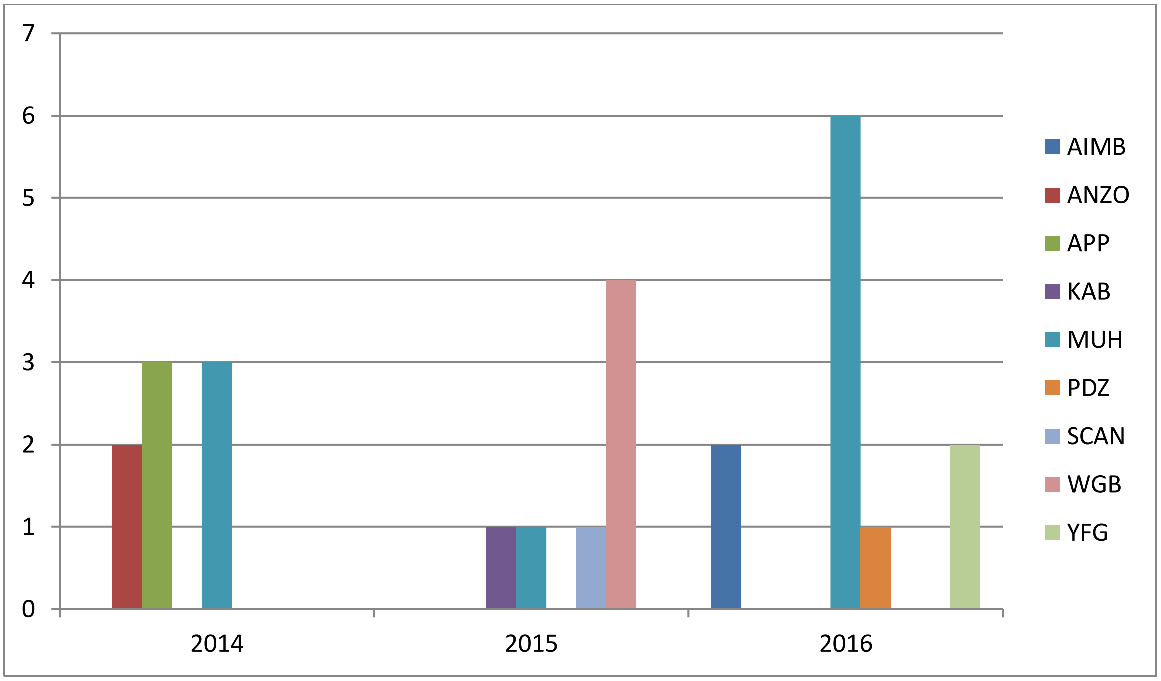


Figure 3.5: Frequency of companies involved in boardroom tussles according to year.*

**Note: Events occurred in the year 2017 are excluded as the research was only made up to March 2017. Therefore, 2017 is not comparable in this case.*

Source: Developed for research

3.3.3 Sampling Element

Sampling elements refer to sampling units which may be selected in a sampling process. As it is impractical to conduct a survey on the entire population, a sample size of 30 events of Malaysian public listed companies was selected.

3.3.4 Sampling Technique

Non-probability sampling was utilized in this study. Non-probability sampling is a technique where the individuals in the population have not been given equal chances of being selected. This is mainly due to the time limitation whereby it almost impossible to survey all company announcements made by the 920 public listed companies.

3.3.5 Sample Size

Sekaran and Bougie (2010) quoted that " the research objective, extent of precision desired (the confidence interval), amount of variability in population, acceptable risk in making prediction of level of precision (confidence level), cost and time constraints and population's size will affect the decision on sample size." Further, samples sizes ranging from 30 to 500 are appropriate for most researches (Roscoe, 1975). Therefore, a sample of size of 30 is acceptable for the purpose of this study.

3.4 Research Instrument

The research instrument used in this research is event study. Event study is a method whereby effect of unanticipated event on stock price is measured (McWilliams & Siegel, 1997). In another word, event study is a statistical method to analyze the impact of an event on the value of a firm. Mostly, the impact before and after an event is analyzed using the event study. For an instance, analyst could utilize event study to measure the impact; before and after an announcement relating to dividend pay-out is made. Based on the pattern, the analyst could make some close prediction on future share price movements when there is an occurrence of similar event.

The common approach of event study is based on estimating a market model of each firm for computation of abnormal returns. According to McWilliams & Siegel (1997), the abnormal returns are assumed to reflect the stock market's reaction upon the arrival of new information to the market. Abnormal returns refer to the difference between the actual and expected return of a stock. This has been accepted by many researches. Therefore, in order to compute the abnormal return, the expected return of a stock has to be computed.

3.5 Types of Measurement

Based on past researches, it was learnt that the expected return of a stock need to be computed in order to calculate the abnormal return. The most usual way is market model. This model applies an assumption that there is linear relations exist between expected return and market index. (Mitchell & Netter, 1997).

However, there are other alternatives in computing expected return such as mean-adjusted model and zero-one model. The market model believes that the stock price is related to the market index according to its beta. Therefore, the expected return may be computed by regression based on market return.

Thereafter, the cumulative abnormal return before and after the events, are calculated and compared for conclusion. If the abnormal return is negative in value, then the event has a negative influence. Similarly, if the abnormal return is positive in value, then the event has positive influence over the company.

As for the zero-one model, the parameter alpha equals to zero whilst the beta equals to one, according to the model's assumption.

On the other hand, the mean-adjusted model assumes that the expected return and the mean of daily returns of the share price in the estimation period has the similar value.

In this research, the market model was used to calculate the expected return of the stocks. This was due to the fact that market model is widely accepted in short return windows (Fama, 1998).

3.6 Event Study Timeline

The specific event date and two (2) more time periods, namely, "Event Period" and "Estimation Period" have to be identified prior to running the data analysis.

Figure 3.5: Event Study Time Line

<u>Source</u>: Developed for research

"t" is the Event Date which is the specific date of the event.

"t-1" is day before the occurrence of the event.

"t+1" is the day after the occurrence of the event

"n" refers to the number of days needed to get the parameter estimates by applying the return generating model.

For the purpose of this study, three (3) sets of window periods were used; (i) one day before and after the events; (ii) three days before and after the events; and (iii) five days before and after the events.

As for the estimation period, an observation of 30 days was made prior to the event period.

3.7 Parameter Estimates

The parameter estimates, i.e. alpha and beta, are obtained by applying the return generating model which is done by regression. The regression was done by using Microsoft Excel.

3.8 Abnormal Returns

Upon obtaining the parameters, the expected return of individual share price was computed by using the formula as shown in figure 3.6 below.

Figure 3.6: Expected Return

$$E(Rs) = \alpha + \beta Rm$$

Source: McWilliams & Siegel (1997). Event studies in management research: *Theoretical and Empirical Issues. Academy of Management Journal 40 (1997)* 626-657.

3.9 Significant Test

The significance of result value has to be tested in order to conclude whether the result is statistically significant. For the purpose of this study, independent paired T-test was used to compare the mean before and after the event by using Microsoft Excel. A T-test is actually a type of statistical test which utilized to compare the means of two groups. There are two types of statistical inference: parametric and nonparametric methods. Parametric methods refer to a statistical technique in which one defines the probability distribution of probability variables and makes inferences about the parameters of the distribution. In cases in which the probability distribution cannot be defined, nonparametric methods are employed. T-tests are a type of parametric method; they can be used when the samples satisfy the conditions of normality, equal variance, and independence. T-tests can be divided into two types. There is the independent T-test, which can be used when the two groups under comparison are independent of each other, and the paired T-test, which can be used when the two groups under comparison are dependent on each other (Yim, K. H., Nahm, F. S., Han, K. A., & Park, S. Y., 2010).

CHAPTER 4: RESEARCH RESULTS

4.0 Introduction

Chapter 3 has described the methodology of this research. This chapter is intended to analyze and interpret the data collected as described in Chapter 3. This chapter consists of (i) computed data; (ii) regression of parameters; and (iii) empirical results.

4.1 Computed Data

The summary of daily return of individual share prices and daily return of market indices are as shown in Table 4.1 and Table 4.2 respectively:-

Table 4.1 Summary of Daily Return of Individual Share Prices

Event Date	Company	Daily Return of T-1	Daily Return of T1	Daily Return of T-3	Daily Return of T3	Daily Return of T-5	Daily Return of T5
16.04.2014	App	-9.09%	0.00%	0.00%	-5.00%	0.00%	0.00%
12.05.2014	App	-5.26%	-5.56%	0.00%	0.00%	5.88%	0.00%
10.06.2014	Anzo	2.94%	-2.70%	3.23%	0.00%	10.34%	0.00%
10.06.2014	Azno	2.94%	-2.70%	3.23%	0.00%	10.34%	0.00%
10.06.2014	App	0.00%	0.00%	0.00%	5.26%	0.00%	0.00%
19.11.2014	MUH	2.26%	-0.53%	-0.56%	2.16%	-2.70%	-1.63%
15.12.2014	MUH	-0.63%	-0.70%	5.26%	14.08%	-0.62%	0.00%
15.12.2014	MUH	-0.63%	-0.70%	5.26%	14.08%	-0.62%	0.00%
02.07.2015	MUH	3.15%	0.00%	-1.45%	-1.61%	-4.20%	5.26%
11.08.2015	KAB	0.00%	-10.00%	0.00%	-5.26%	-4.55%	0.00%
13.08.2015	WGB	-13.33%	-7.14%	-3.13%	0.00%	-5.88%	0.00%
11.09.2015	WGB	11.54%	-7.69%	0.00%	0.00%	0.00%	0.00%
17.09.2015	SCAN	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
28.09.2015	WGB	4.00%	-8.33%	-3.85%	-4.35%	8.33%	0.00%
28.09.2015	WGB	4.00%	-8.33%	-15.38%	-4.35%	8.33%	0.00%
12.04.2016	MUH	2.27%	3.33%	0.00%	0.00%	0.00%	3.33%
21.04.2016	AIM	0.00%	0.00%	0.00%	0.00%	0.00%	-13.04%
24.05.2016	AIM	0.00%	5.26%	0.00%	25.00%	0.00%	0.00%
16.06.2016	MUH	0.00%	0.00%	2.50%	0.00%	3.80%	0.00%
09.08.2016	MUH	0.00%	1.45%	0.00%	0.00%	0.00%	0.00%
06.09.2016	MUH	-1.47%	4.69%	0.00%	0.00%	0.00%	0.00%

14.09.2016	YFG	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29.09.2016	YFG	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
28.11.2016	PDZ	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
28.11.2016	MUH	0.00%	-4.69%	0.00%	6.56%	0.00%	1.54%
13.12.2016	MUH	-1.43%	13.04%	6.06%	0.00%	1.54%	-10.26%
16.01.2017	MUH	1.33%	0.00%	-5.06%	0.00%	1.28%	-9.21%
20.01.2017	MUH	0.00%	-9.21%	0.00%	1.45%	1.33%	0.00%
20.01.2017	EKA	0.00%	-14.29%	0.00%	0.00%	0.00%	-14.29%
16.02.2017	MUH	0.00%	8.75%	0.00%	3.19%	0.00%	-3.77%

Table 4.2 Summary of Daily Return of Market Indices

Event Date	Company	Daily Return of T-1	Daily Return of T1	Daily Return of T-3	Daily Return of T3	Daily Return of T-5	Daily Return of T5
16.04.2014	App	0.00%	0.40%	0.00%	0.55%	0.00%	0.05%
12.05.2014	App	0.21%	0.74%	0.00%	0.19%	-0.46%	0.00%
10.06.2014	Anzo	0.05%	-0.15%	0.20%	0.15%	0.45%	0.16%
10.06.2014	Azno	0.05%	-0.15%	0.20%	0.15%	0.45%	0.16%
10.06.2014	App	0.05%	-0.15%	0.20%	0.15%	0.45%	0.16%
19.11.2014	MUH	0.66%	-0.84%	-0.11%	1.36%	-0.49%	0.20%
15.12.2014	MUH	-0.66%	-0.91%	1.58%	1.07%	-0.49%	1.64%
15.12.2014	MUH	-0.66%	-0.91%	1.58%	1.07%	-0.49%	1.64%
02.07.2015	MUH	1.25%	-0.97%	-1.08%	-0.28%	-0.86%	0.34%
11.08.2015	KAB	-1.68%	-0.92%	-1.79%	-1.53%	-1.17%	0.45%
13.08.2015	WGB	-1.64%	-3.03%	-1.68%	0.45%	-1.79%	-0.32%
11.09.2015	WGB	0.66%	2.72%	0.27%	2.09%	-0.85%	-1.80%
17.09.2015	SCAN	0.46%	-2.50%	-0.65%	-0.25%	1.02%	0.11%
28.09.2015	WGB	0.36%	0.78%	-0.25%	0.80%	-0.72%	1.15%
28.09.2015	WGB	0.36%	0.78%	-0.25%	0.80%	-0.72%	2.81%
12.04.2016	MUH	-0.18%	0.51%	0.42%	0.24%	-0.42%	-0.38%
21.04.2016	AIM	-0.15%	-0.40%	-0.60%	-1.28%	0.04%	-1.04%
24.05.2016	AIM	0.37%	0.32%	-0.12%	0.37%	0.75%	-0.24%
16.06.2016	MUH	0.11%	1.20%	-0.70%	0.21%	-0.44%	-0.36%
09.08.2016	MUH	0.52%	0.42%	0.41%	0.32%	-0.30%	0.57%
06.09.2016	MUH	0.38%	0.09%	-0.45%	-0.29%	-0.09%	-0.94%
14.09.2016	YFG	-0.55%	-0.58%	0.11%	0.25%	0.71%	0.66%
29.09.2016	YFG	0.01%	-0.50%	-0.09%	0.10%	0.66%	-0.08%
28.11.2016	PDZ	0.19%	-0.59%	0.07%	0.45%	0.21%	-0.24%
28.11.2016	MUH	0.19%	-0.59%	0.07%	0.45%	0.21%	-0.24%
13.12.2016	MUH	0.12%	-0.50%	0.17%	0.05%	-0.24%	0.01%
16.01.2017	MUH	-0.31%	0.00%	0.01%	0.46%	-0.45%	0.94%

20.01.2017	MUH	0.00%	0.95%	0.00%	0.19%	-0.31%	-0.35%
20.01.2017	EKA	0.00%	0.95%	0.00%	0.19%	-0.31%	-0.35%
16.02.2017	MUH	-0.01%	0.29%	0.59%	-0.35%	0.60%	-0.21%

4.2 Regression of Parameters

The parameter estimates were determined in the estimation period.

The alpha and beta for the events were computed through regression by using Microsoft Excel. The regression was done for every event, therefore, a total of 30 regressions. For illustration purposes, the regressions for Event 1 to Event 3 were as follows:-

Figure 4.3: Regression for Event 1

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.274479
R Square	0.075339
Adjusted R Square	0.042315
Standard Error	0.101197
Observations	30

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.023363	0.023363	2.281356	0.142141372
Residual	28	0.286744	0.010241		
Total	29	0.310107			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	0.014602	0.018548	0.787245	0.437752	-0.023392082	0.052596	-0.02339	0.052596
X Variable 1	-7.18614	4.757725	-1.51042	0.142141	-16.93190037	2.559615	-16.9319	2.559615

Based on this regression, the alpha is 0.0144602 while the beta is -7.18614.

Figure 4.4: Regression for Event 2

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.05486955
R Square	0.00301067
Adjusted R Square	-0.0325961
Standard Error	0.07963371
Observations	30

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.000536	0.000536	0.084553	0.773362
Residual	28	0.177563	0.006342		
Total	29	0.178099			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.0012939	0.015237	-0.08492	0.932927	-0.0325	0.029917	-0.0325	0.029917
X Variable 1	-1.4322507	4.92554	-0.29078	0.773362	-11.5218	8.65726	-11.5218	8.65726

Based on this regression, the alpha is -0.0012939 while the beta is -1.4322507.

Figure 4.5: Regression for Event 3

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.219767814
R Square	0.048297892
Adjusted R Square	0.014308531
Standard Error	0.070921586
Observations	30

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.007147	0.007147	1.420971	0.243249
Residual	28	0.140836	0.00503		
Total	29	0.147984			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	0.007363741	0.012993	0.566748	0.575401	-0.01925	0.033979	-0.01925	0.033979
X Variable 1	5.110875336	4.287486	1.192045	0.243249	-3.67164	13.89339	-3.67164	13.89339

Based on this regression, the alpha is 0.007363741 while the beta is 5.110875336.

4.3 Empirical Results

Abnormal returns and cumulative abnormal returns were used to measure the impact and the significance of the results.

4.3.1 Abnormal Returns

Reports of the descriptive statistics for the abnormal returns on event periods for events are reported in Table 4.6.

Table 4.6: Abnormal Returns

No.	Company	Abnormal Returns							
		T-1	**T1**		**T-3**	**T3**		**T-5**	**T5**
1	APP	-10.55%	1.41%		-1.46%	-2.51%		-1.46%	-1.10%
2	APP	-4.83%	-4.37%		0.13%	0.40%		5.35%	0.13%
3	ANZO	1.95%	-2.67%		1.47%	-1.50%		7.31%	-1.55%
4	ANZO	1.95%	-2.67%		1.47%	-1.50%		7.31%	-1.55%
5	ANZO	0.13%	-0.41%		0.54%	5.66%		1.21%	0.43%
6	MUH	3.22%	-1.85%		-0.77%	4.18%		-3.49%	-1.37%
7	MUH	0.46%	0.67%		3.80%	13.20%		0.28%	-1.53%
8	MUH	0.46%	0.67%		3.80%	13.20%		0.28%	-1.53%
9	MUH	-2.00%	1.81%		0.70%	-1.97%		-2.73%	2.96%
10	KAB	4.41%	-7.58%		4.70%	-1.24%		-1.47%	-1.18%
11	WGB	-10.16%	-1.47%		0.12%	-0.59%		-2.44%	0.80%
12	WGB	10.43%	-13.56%		-0.21%	-4.42%		2.37%	4.57%
13	SCAN	-1.22%	6.18%		1.56%	0.56%		-2.62%	-0.34%
14	WGB	4.02%	-9.11%		-2.67%	-5.17%		10.40%	-1.48%
15	WGB	4.02%	-9.11%		-14.21%	-5.17%		10.40%	-4.64%
16	MUH	2.89%	2.85%		-0.34%	-0.05%		1.00%	4.27%
17	AIM	0.46%	1.30%		1.97%	4.25%		-0.18%	-9.60%
18	AIM	0.26%	5.53%		0.30%	25.26%		0.24%	0.31%
19	MUH	-0.03%	-0.83%		3.07%	-0.10%		4.18%	0.32%
20	MUH	0.38%	1.85%		0.40%	0.42%		0.53%	0.37%
21	MUH	-1.21%	5.02%		0.46%	0.42%		0.37%	0.58%
22	YFG	-0.66%	-0.65%		-0.84%	-0.87%		-1.00%	-0.98%
23	YFG	-0.18%	2.72%		0.39%	-0.69%		-3.87%	0.33%
24	PDZ	0.30%	1.30%		0.46%	-0.03%		0.28%	0.85%
25	MUH	-0.17%	-4.52%		-0.12%	6.28%		-0.18%	1.56%
26	MUH	-1.45%	13.34%		6.02%	0.02%		1.71%	-10.22%
27	MUH	0.54%	-0.81%		-5.88%	-0.85%		0.50%	-10.09%
28	MUH	-0.68%	-9.62%		-0.68%	0.82%		0.56%	-0.78%
29	EKA	-2.43%	-17.52%		-2.43%	-2.59%		-2.17%	-16.42%
30	MUH	0.25%	9.00%		0.25%	3.44%		0.25%	-3.52%

Based on examination of above characteristics, the influence of the events in their respective companies, for; (i) one (1) day before and one (1) day after the event; (ii) three (3) days before and after the event; and (iii) five days before and after the event, may be interpreted, as shown below in Table 4.7, Table 4.8 and Table 4.9 respectively:-

Table 4.7: Impact on share prices for one day before and one day after the event

No.	Company	Abnormal Return		Analysis (Impact on the share price after the event)
		T-1	T1	
1	APP	-10.55%	1.41%	Positive
2	APP	-4.83%	-4.37%	Negative
3	ANZO	1.95%	-2.67%	Negative
4	ANZO	1.95%	-2.67%	Negative
5	APP	0.13%	-0.41%	Negative
6	MUH	3.22%	-1.85%	Negative
7	MUH	0.46%	0.67%	Positive
8	MUH	0.46%	0.67%	Positive
9	MUH	-2.00%	1.81%	Positive
10	KAB	4.41%	-7.58%	Negative
11	WGB	-10.16%	-1.47%	Negative
12	WGB	10.43%	-13.56%	Negative
13	SCAN	-1.22%	6.18%	Positive
14	WGB	4.02%	-9.11%	Negative
15	WGB	4.02%	-9.11%	Negative
16	MUH	2.89%	2.85%	Positive
17	AIM	0.46%	1.30%	Positive
18	AIM	0.26%	5.53%	Positive
19	MUH	-0.03%	-0.83%	Negative
20	MUH	0.38%	1.85%	Positive
21	MUH	-1.21%	5.02%	Positive
22	YFG	-0.66%	-0.65%	Negative
23	YFG	-0.18%	2.72%	Positive
24	PDZ	0.30%	1.30%	Positive
25	MUH	-0.17%	-4.52%	Negative
26	MUH	-1.45%	13.34%	Positive
27	MUH	0.54%	-0.81%	Negative
28	MUH	-0.68%	-9.62%	Negative
29	EKA	-2.43%	-17.52%	Negative
30	MUH	0.25%	9.00%	Positive

14 out of 30 events reflected a positive influence on the share prices of the respective companies after occurrence of boardroom tussles. This could be due to the fact that the drastic actions taken in the company was perhaps, in the best interest of the major shareholders. On the other hand, 16 events reflected negative influence on the respective companies after the occurrence of the boardroom tussles. Most probably, the events have given a bad impression or reputation on the companies' image which has alerted the investors.

Table 4.8: Impact on share prices for three days before and three days after the event

No.	Company	Abnormal Return		Analysis (Impact on the share price after the event)
		T-3	T3	
1	APP	-1.46%	-2.51%	Negative
2	APP	0.13%	0.40%	Positive
3	ANZO	1.47%	-1.50%	Negative
4	ANZO	1.47%	-1.50%	Negative
5	APP	0.54%	5.66%	Positive
6	MUH	-0.77%	4.18%	Positive
7	MUH	3.80%	13.20%	Positive
8	MUH	3.80%	13.20%	Positive
9	MUH	0.70%	-1.97%	Negative
10	KAB	4.70%	-1.24%	Negative
11	WGB	0.12%	-0.59%	Negative
12	WGB	-0.21%	-4.42%	Negative
13	SCAN	1.56%	0.56%	Positive
14	WGB	-2.67%	-5.17%	Negative
15	WGB	-14.21%	-5.17%	Negative
16	MUH	-0.34%	-0.05%	Negative
17	AIM	1.97%	4.25%	Positive
18	AIM	0.30%	25.26%	Positive
19	MUH	3.07%	-0.10%	Negative
20	MUH	0.40%	0.42%	Positive
21	MUH	0.46%	0.42%	Positive
22	YFG	-0.84%	-0.87%	Negative
23	YFG	0.39%	-0.69%	Negative
24	PDZ	0.46%	-0.03%	Negative
25	MUH	-0.12%	6.28%	Positive
26	MUH	6.02%	0.02%	Positive
27	MUH	-5.88%	-0.85%	Negative
28	MUH	-0.68%	0.82%	Positive
29	EKA	-2.43%	-2.59%	Negative
30	MUH	0.25%	3.44%	Positive

14 out of 30 events reflected a positive influence on the share prices of the respective companies after occurrence of boardroom tussles. On the other hand, 16 events reflected negative influence on the respective companies after the occurrence of the boardroom tussles. The rationale could most probably be similar to event period one day before and after the event.

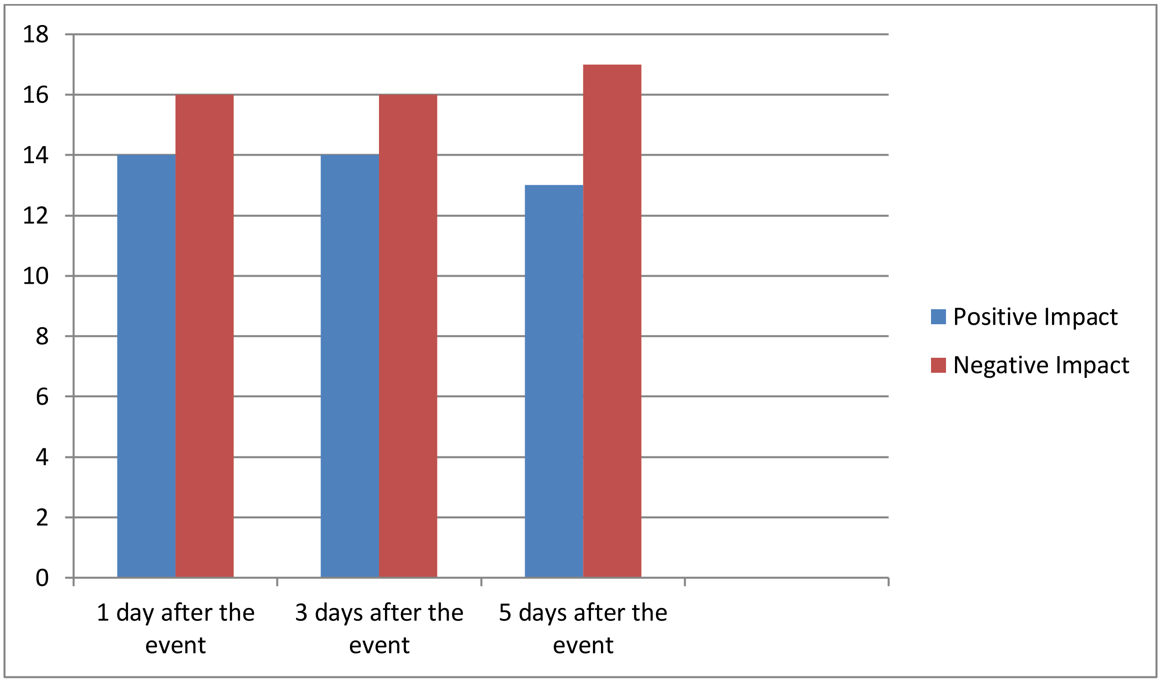
Table 4.9: Impact on share prices for five days before and five days after the event

No.	Company	Abnormal Return		Analysis (Impact on the share price after the event)
		T-5	T5	
1	APP	-1.46%	-1.10%	Negative
2	APP	5.35%	0.13%	Positive
3	ANZO	7.31%	-1.55%	Negative
4	ANZO	7.31%	-1.55%	Negative
5	APP	1.21%	0.43%	Positive
6	MUH	-3.49%	-1.37%	Negative
7	MUH	0.28%	-1.53%	Negative
8	MUH	0.28%	-1.53%	Negative
9	MUH	-2.73%	2.96%	Positive
10	KAB	-1.47%	-1.18%	Negative
11	WGB	-2.44%	0.80%	Positive
12	WGB	2.37%	4.57%	Positive
13	SCAN	-2.62%	-0.34%	Negative
14	WGB	10.40%	-1.48%	Negative
15	WGB	10.40%	-4.64%	Negative
16	MUH	1.00%	4.27%	Positive
17	AIM	-0.18%	-9.60%	Negative
18	AIM	0.24%	0.31%	Positive
19	MUH	4.18%	0.32%	Positive
20	MUH	0.53%	0.37%	Positive
21	MUH	0.37%	0.58%	Positive
22	YFG	-1.00%	-0.98%	Negative
23	YFG	-3.87%	0.33%	Positive
24	PDZ	0.28%	0.85%	Positive
25	MUH	-0.18%	1.56%	Positive
26	MUH	1.71%	-10.22%	Negative
27	MUH	0.50%	-10.09%	Negative
28	MUH	0.56%	-0.78%	Negative
29	EKA	-2.17%	-16.42%	Negative
30	MUH	0.25%	-3.52%	Negative

13 out of 30 events reflected a positive influence on the share prices of the respective companies after occurrence of boardroom tussles. On the other hand, 17 events reflected negative influence on the respective companies after the occurrence of the boardroom tussles. The rationale could most probably be similar to event period one day before and after the event.

In summary, all three window periods showed almost consistent impact before and after boardroom tussles. For clearer illustration, the influence of boardroom tussles on the share prices can be represented in Figure 4.10.

Figure 4.10: Influence of boardroom tussles on the share prices



Based on the result, we may make a conclusion that the impact of boardroom tussles on the share price of the listed company last on average of two (2) days after the event. Five (5) days may not be the best option for measurement purposes as other factors, i.e. other news in the market, could influence the behavior of the share prices.

4.3.2 Cumulative Abnormal Return

Reports of the descriptive statistics for the cumulative abnormal returns on event periods for events are reported in Table 4.11.

Table 4.11: Cumulative Abnormal Returns

No.	Company	Cumulative Abnormal Returns					
		T-1	T1	T-3	T3	T-5	T5
1	APP	-10.55%	1.41%	-1.46%	-2.51%	-1.46%	-1.10%
2	APP	-4.83%	-4.37%	0.13%	0.40%	5.35%	0.13%
3	ANZO	1.95%	-2.67%	1.47%	-1.50%	7.31%	-1.55%
4	ANZO	1.95%	-2.67%	1.47%	-1.50%	7.31%	-1.55%
5	APP	0.13%	-0.41%	0.54%	5.66%	1.21%	0.43%
6	MUH	3.22%	-1.85%	-0.77%	4.18%	-3.49%	-1.37%
7	MUH	0.46%	0.67%	3.80%	13.20%	0.28%	-1.53%
8	MUH	0.46%	0.67%	3.80%	13.20%	0.28%	-1.53%
9	MUH	-2.00%	1.81%	0.70%	-1.97%	-2.73%	2.96%
10	KAB	4.41%	-7.58%	4.70%	-1.24%	-1.47%	-1.18%
11	WGB	-10.16%	-1.47%	0.12%	-0.59%	-2.44%	0.80%
12	WGB	10.43%	-13.56%	-0.21%	-4.42%	2.37%	4.57%
13	SCAN	-1.22%	6.18%	1.56%	0.56%	-2.62%	-0.34%
14	WGB	4.02%	-9.11%	-2.67%	-5.17%	10.40%	-1.48%
15	WGB	4.02%	-9.11%	-14.21%	-5.17%	10.40%	-4.64%
16	MUH	2.89%	2.85%	-0.34%	-0.05%	1.00%	4.27%
17	AIM	0.46%	1.30%	1.97%	4.25%	-0.18%	-9.60%
18	AIM	0.26%	5.53%	0.30%	25.26%	0.24%	0.31%
19	MUH	-0.03%	-0.83%	3.07%	-0.10%	4.18%	0.32%
20	MUH	0.38%	1.85%	0.40%	0.42%	0.53%	0.37%
21	MUH	-1.21%	5.02%	0.46%	0.42%	0.37%	0.58%
22	YFG	-0.66%	-0.65%	-0.84%	-0.87%	-1.00%	-0.98%
23	YFG	-0.18%	2.72%	0.39%	-0.69%	-3.87%	0.33%
24	PDZ	0.30%	1.30%	0.46%	-0.03%	0.28%	0.85%
25	MUH	-0.17%	-4.52%	-0.12%	6.28%	-0.18%	1.56%
26	MUH	-1.45%	13.34%	6.02%	0.02%	1.71%	-10.22%
27	MUH	0.54%	-0.81%	-5.88%	-0.85%	0.50%	-10.09%
28	MUH	-0.68%	-9.62%	-0.68%	0.82%	0.56%	-0.78%
29	EKA	-2.43%	-17.52%	-2.43%	-2.59%	-2.17%	-16.42%
30	MUH	0.25%	9.00%	0.25%	3.44%	0.25%	-3.52%

Based on the computed figures above, the cumulative abnormal returns were used to run independent paired T-test in order to compare the means before and after the events. The purpose was to measure whether the impact of the boardroom tussles (before and after the events) on the share price, are statistically significant.

The result of the test was as follows:-

<u>For window period one day before and one day after the event</u>

t-Test: Paired Two Sample for Means

	Variable 1	*Variable 2*
Mean	0.000186008	-0.011032322
Variance	0.001523595	0.004183134
Observations	30	30
Pearson Correlation	-0.294645125	
Hypothesized Mean Difference	0	
df	29	
t Stat	0.724420476	
P(T<=t) one-tail	0.237306001	
t Critical one-tail	1.699127027	
P(T<=t) two-tail	0.474612003	
t Critical two-tail	2.045229642	

Analysis:

The P two-tail is 0.474612003, which is larger than the alpha of 0.05. Therefore, there is no significant difference between the share prices before and after the event. Based on the results, we may conclude that we are 95% confident that the impact of boardroom tussles (one day before and one day after the event) on the share prices of Malaysian public listed companies are <u>not statistically significant</u>.

The result of the test was as follows:-

<u>For window period three days before and three days after the event</u>

t-Test: Paired Two Sample for Means

	Variable 1	*Variable 2*
Mean	0.011834824	0.007198921
Variance	0.005943607	0.010165651
Observations	30	30
Pearson Correlation	0.079719148	
Hypothesized Mean Difference	0	
df	29	
t Stat	0.208228648	
P(T<=t) one-tail	0.418252997	
t Critical one-tail	1.699127027	
P(T<=t) two-tail	0.836505993	
t Critical two-tail	2.045229642	

Analysis:

The P two-tail is 0.836505993, which is larger than the alpha of 0.05. Therefore, there is no significant difference between the share prices before and after the event. Based on the results, we may conclude that we are 95% confident that the impact of boardroom tussles (three days before and three days after the event) on the share prices of Malaysian public listed companies are <u>not statistically significant</u>.

The result of the test was as follows:-

<u>For window period five days before and five days after the event</u>

t-Test: Paired Two Sample for Means

	Variable 1	*Variable 2*
Mean	0.024704198	-0.016606827
Variance	0.013124544	0.0149108
Observations	30	30
Pearson Correlation	0.237976264	
Hypothesized Mean Difference	0	
df	29	
t Stat	1.547574833	
P(T<=t) one-tail	0.06628477	
t Critical one-tail	1.699127027	
P(T<=t) two-tail	0.13256954	
t Critical two-tail	2.045229642	

Analysis:

The P two-tail is 0.13256954, which is larger than the alpha of 0.05. Therefore, there is no significant difference between the share prices before and after the event. Based on the results, we may conclude that we are 95% confident that the impact of boardroom tussles (five days before and five days after the event) on the share prices of Malaysian public listed companies are <u>not statistically significant</u>

In conclusion, impact of boardroom tussles on the share price of the listed companies, in all three (3) window periods have proven to be statistically not significant. This could be due to the following possible factors:-

a) Shareholders do not aware of their rights. Some shareholders do not know their right as a member of a public listed company. They tend to invest in companies but do not involve in the affairs of the company. Shareholders have the right to speak at general meeting but many of them opt to remain silent as they do not aware of their rights. Therefore, when there is tussle, these groups of shareholders may opt to step aside and ignore such tussles.

b) Influence of major shareholders. In most cases, the major shareholders are the parties who involved in the tussles. Mostly, such tussles happen due to power struggle. Being the party who initiated or actively involved in the tussle, there may not be much impact of the share prices as the primary objective of the major shareholder is to gain control over the company's stakes.

c) Statistically, the results may have shown insignificant due to limitation in the sample size. Perhaps, a study on a wider population covering few countries could project an opposing result.

CHAPTER 5: CONCLUSION

5.0 Introduction

This chapter is made up of six (6) sections; (i) hypothesis testing; (ii) Comparison of Results with Other Related Studies; (iii) discussing in findings; (iv) limitation in research; (v) Recommendation for Future Research; and (vi) conclusion.

5.1 Hypothesis Testing

The hypotheses of the study are as follows:-

H_0: There is a no significant relationship between the events of boardroom tussles and share price of public listed company in Malaysia.

H_1: There is a significant relationship between the events of boardroom tussles and share price of public listed company in Malaysia.

Based on the results presented in Chapter 4, the study does not have enough evidence to reject the null hypothesis H_0. It can be concluded that the boardroom tussles is insignificantly related to share price of Malaysian public listed companies. In view of absence of similar studies on the subject matter, this finding may be comparable to other related studies made in the past.

5.2 Comparison of Results with Other Related Studies

Based on the other related studies, the findings of this research paper is consistent with the following past studies:-

a) Mishra, Randoy and Jensen (2001). The authors argued that owing to some disadvantages of having larger board, a smaller board is more effective than a large board. Most boardroom tussles cases leads to departure of directors from the companies. By comparing with Mishra, Randoy and Jensen (2001), this research paper have consistent findings that concludes that departure of directors due to boardroom tussles are insignificantly related to share price of public listed companies. However, Mishra, Randoy and Jensen (2001)'s findings were not extended to the Malaysian's population whereas this research paper studied the impact amongst Malaysian public listed companies. Further studies on boardroom tussles covering a wider population such as few countries are recommended to be made in the future for a more meaningful comparison.

b) Jensen & Menking (1975). The authors concluded that a separation of ownership between the directors and shareholders could be less favorable on the financial performance of a company. In another word, it means that the higher the concentration of ownership, the lesser then board's self-opportunistic behavior and therefore, the higher the shareholders' wealth. Boardroom tussles is often an event that takes place due to power struggle. One group of controlling party may attempt to take control of the company's stakes which often results to disagreements and conflicts. Eventually, one party will take control of the company. Usually, this is done by way of removing the other controlling parties. This may result to a higher concentration of ownership held by the party who took control of the company's stake. Therefore, this research paper is consistent with Jensen & Menking (1975) to the extent that separation of ownership which could reduce the risk of boardroom tussles are insignificant to the financial performance of companies.

On the other hand, the findings of this research paper are also inconsistent with the following past studies:-

a) Liu, Aharony, Richardson, & Yawson, 2016. The authors found that lawsuits may trigger significant negative market reactions, resulting in the loss of shareholder wealth. In most cases, boardroom tussles do not end with a mutual consensus with the conflicting parties. The parties may go to the extent of suing each other and incurring high amount of legal cost. According to (Liu, Aharony, Richardson, & Yawson, 2016), the lawsuits are significantly related to the firm's financial performance. However, in this research paper, it was concluded otherwise. This may be due to difference in market behavior from varying countries. Perhaps, the Malaysian shareholders are not threatened by legal issues taking place in the companies they have invested. There could be a slight possibility that Malaysian shareholders are not well aware of the impact legal issues and costs on their investment. Perhaps, further research is to be carried out to study the factors that influence the shareholders' behavior in determining their investment in public listed companies.

b) Fiordelisi et all., 2014; Perry & de Fontnouvelle (2005). The authors concluded that the operational risk events and especially fraud events can imply significant financial losses. Risk and fraud events are common factors of boardroom tussles in Malaysia. There were cases reported whereby a director is suspended due to fraud investigation. This in turn may leads to legal actions taken by the directors and eventually increases the financial risk of the company. However, based on the findings of this research paper, it was concluded that such events are insignificant to share prices in Malaysia. Perhaps, the Malaysian investors are paying less attention on the tussles and more keen on the prospect of the company at large.

5.3 Discussion of Findings

In the overall analysis, the findings reflect that the events of boardroom tussle in this study, namely, (i) issuance of notice of general meeting relating to removal of director; (ii) announcement on outcome of general meeting on removal of director; (iii) filing of legal actions against the director and/ or shareholder; and (iv) suspension of director, do not statistically affect the share price of Malaysian public listed companies.

The findings show that boardroom tussles are not statistically significant but the events do have positive and negative relationship on the financial performance of the public listed companies. This was measured by determining the abnormal returns of each event of boardroom tussles.

The data was analyzed under three (3) separate window periods, namely, (i) 1 day before and after; (ii) 3days before and after; and (iii) 5 days before and after.

For (i), 14 out of 30 events reflected a positive influence on the share prices of the respective companies after occurrence of boardroom tussles. On the other hand, 16 events reflected negative influence on the respective companies after the occurrence of the boardroom tussles.

For (ii), 14 out of 30 events reflected a positive influence on the share prices of the respective companies after occurrence of boardroom tussles. On the other hand, 16 events reflected negative influence on the respective companies after the occurrence of the boardroom tussles.

For (iii), 13 out of 30 events reflected a positive influence on the share prices of the respective companies after occurrence of boardroom tussles. On the other hand, 17 events reflected negative influence on the respective companies after the occurrence of the boardroom tussles.

In summary, all three window periods showed almost consistent impact before and after boardroom tussles. In average, 45.56% has reflected positive influences over the share price over the three window periods while 54.44% reflected otherwise. Perhaps, the positive influence was due to the fact that the events took place in favour of the majority shareholders. After all, most public listed companies are controlled by the majority shareholders and therefore, the major movement of share prices is often influenced by the major shareholder. As for the negative influence, perhaps the events have given a bad impression or reputation which has alerted the market at large (Gatzert, 2015).

As for the significant of the study, all three window periods projected that the there are no significant difference between the share prices before and after the event. It was concluded that the impact of boardroom tussles on the share prices are <u>not statistically significant.</u> This could be due to the following possible factors:-

a) Shareholders do not aware of their rights. Some shareholders do not know their right as a member of a public listed company. They tend to invest in companies but do not involve in the affairs of the company. Shareholders have the right to speak at general meeting but many of them opt to remain silent as they do not aware of their rights. Therefore, when there is tussle, these groups of shareholders may opt to step aside and ignore such tussles.

b) Influence of major shareholders. In most cases, the major shareholders are the parties who involved in the tussles. Mostly, such tussles happen due to power struggle. Being the party who initiated or actively involved in the tussle, there may not be much impact of the share prices as the primary objective of the major shareholder is to gain control over the company's stakes.

c) Statistically, the results may have shown insignificant due to limitation in the sample size. Perhaps, a study on a wider population covering few countries could project an opposing result.

5.4 Limitation in Research

The results obtained in this research may not be generally applied into overall context of Malaysia due to some limitations.

Firstly, this research study did not consider political, economy change, inflation, GDP growth, and other external factors that may have had a significant impact on company performance.

Secondly, the methodology in the research only focuses on data which is available in from Bursa Malaysia Securities Berhad.

Lastly, this research study only focuses on short time frame, from 2007 to 2017, and only focuses on Malaysian public listed companies.

5.5 Recommendation for Future Research

From the limitations suggested above, future researchers could further their studies and investigation from different performance measurements, for example, earning per share (EPS), dividend pay-out, total net asset, capital employed, working capital and other performance proxies.

Further studies could also be conducted focusing on external factors which may affect share prices, such as political issues, changes in public policy, global economic issues, amendments in new regulations governing company's affairs.

The period of study up to 20 to 30 years can be employed in future research. The sample observed can be diversified into small and medium enterprises to investigate the extent to which boardroom tussles impact the company performance.

Finally, further research should consider both quantitative and qualitative analysis such as interviews with the top management, directors, shareholders and regulators in their studies to grind out more comprehensive results.

5.6 Conclusion

This research was done mainly to study and investigate the abnormal return and cumulative abnormal return associated with a specific event, which in this case was the events relating to boardroom tussles. As mentioned before, a sample of 30 events of public listed companies was studied and researched throughout this paper. The analysis was conducted by way of event study whereby market model was utilized to compute the expected return.

Based on the results, it has been proven that boardroom tussles amongst Malaysian public listed companies are not statistically significant, despite previous global researches through their related studies have proven otherwise (Liu, Aharony, Richardson, & Yawson, 2016).

However, due to the limited sampling period of 10 years, it was almost impossible to gather at least 40 events as the sampling frame. Perhaps, with a wider sampling period, more events could have been identified. However, due to time limitation and the huge size of the population, it was nearly impossible to study the company announcements of the entire population for a wider sampling period. Nonetheless, this research was conducted with reliable sources through proper procedures and the findings are very much reliable.

Further research on this subject with a greater sample size could be considered for comparison purposes. One may opt to select a larger population such as studying the relationship of boardroom tussles amongst public listed companies in a wider population covering few countries at large.

The purpose of this study was to provide some insight to the stakeholders, such as shareholders and employees who place their stakes in the public listed companies. Due to the current trend of Malaysian public listed companies, it has been a concern to the stakeholders on whether to invest/ continue investing in companies that spending their funds at legal fees due to tussles.

Owing to insufficient researches available on boardroom tussles and firm's performance, this paper may be very useful for investors to make an informed decision on their investment. Since it has been proven that boardroom tussles do not affect the share prices significantly, the investors may invest or continue investing in this category of companies.

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