

BOARD RESPONSIBILITY AND CORPORATE PERFORMANCE

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Abstract

How to cite this paper: Salin, A. S. A. P., Ismail, Z., & Smith, M. (2024). Board responsibility and corporate performance. *Corporate Board: Role, Duties and Composition*, 20(1), 23–32. <https://doi.org/10.22495/cbv20i1art2>

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ISSN Online: 2312-2722

ISSN Print: 1810-8601

Received: 19.10.2023

Accepted: 12.04.2024

JEL Classification: G3, M12, M14, M40, M48

DOI: 10.22495/cbv20i1art2

The purpose of this study is to examine the relationship between board responsibility and the performance of the company. It is the ultimate responsibility of the board to properly discharge their duty as stipulated by the laws and prohibit any unnecessary actions and decisions that are detrimental to the company (Salin, Ismail, et al., 2019). Board responsibility in this study is proxied by having a clear board function, formation of sustainability policy, directors' access to information and existence of a board charter. This study uses archival analysis of the annual report of the top 500 publicly listed companies in Malaysia by market capitalisation. This study finds that only sustainability policies had a significant positive relationship with corporate performance which is consistent with many prior empirical findings (Orlitzky et al., 2003). No significant relationship was found between clear board function, directors' access to information and the existence of a board charter with corporate performance. It can be concluded that board responsibility in terms of sustainability does influence the corporate performance of the company. This paper is relevant as it shows that by adopting a good sustainability policy and strategy, the company can improve overall managing efficiency and create long-term values which enhance the worth of the company.

Keywords: Board Responsibility, Board Function, Sustainability, Board Charter, Accountability, Board Information

Authors' individual contribution: Conceptualization — A.S.A.P.S. and Z.I.; Methodology — A.S.A.P.S., Z.I., and M.S.; Formal Analysis — A.S.A.P.S., Z.I., and M.S.; Investigation — A.S.A.P.S.; Data Curation — A.S.A.P.S.; Writing — Original Draft — A.S.A.P.S.; Writing — Review & Editing — Z.I. and M.S.; Visualization — A.S.A.P.S. and Z.I.; Supervision — Z.I. and M.S.; Project Administration — A.S.A.P.S.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

Acknowledgments: The Authors thank the students who assisted this study.

1. INTRODUCTION

Many cases of corporate scandals documented evidence that moral misconduct among employees and top management may have contributed to

the financial collapse experienced by the company. Cases involving giant corporations like Waste Management, Enron, WorldCom, Tyco, HealthSouth, Freddie Mac, American Insurance Group, Lehman Brothers, and Satyam show that the company's poor

working culture had profound effects on its ethical environment, ultimately leading to the destruction of the company (Sims & Brinkman, 2003; Salin, Manan, et al., 2019). In essence, the employees generally and top management particularly as a whole are responsible for ensuring the company's profitability and survival in the long run. This can be achieved if all the members of the organization run the company responsibly and properly discharge their responsibilities. In contrast, deterioration in work ethics such as abuse of power and breach of trust would lead to a decline in business activities, loss of assets, damage in reputation, and ultimately performance of the business (Ali et al., 1995; Salin, Ismail, et al., 2019).

Due to this, the adoption of good governance practices is critical to ensure the company has a good management structure through which the objectives of the company are properly set, and the means of attaining those objectives and monitoring performance are correctly determined. In this context, one of the important mechanisms of corporate governance that can shape the operation and hence, performance of the company is board responsibility. Jensen (1993), for example, described the board of directors as the apex of the internal control system in the company. The directors need to make certain that the internal control system of the company is capable of managing any type of unexpected threats and risks and forms part of its corporate culture at every level of the company and across all operations (Alias et al., 2019; Nawawi & Salin, 2018; Karim et al., 2018).

Thus, it is interesting to investigate the tasks and duties of the directors as this group of people is important and crucial for the success of the company. For example, Nguyen et al. (2016) documented evidence that any misconduct committed in the banking and financial institutions can be eliminated if the board of directors can provide better and close monitoring of their institutions. Prior studies on boards of directors concentrated on the board committees (Al-Matari, 2022; Alves & Carmo, 2022; DeBoskey et al., 2018; Ruigrok et al., 2006), board independence (Kostyuk, 2005; Bhagat et al., 2007; Upadhyay et al., 2014; Alijoyo & Sirait, 2022; Otman, 2021), and board remuneration (Hall & Murphy, 2003; Frydman & Jenter, 2010; Jaafar et al., 2019). However, the issue of board responsibility did not get considerable attention from the scholars.

The purpose of this study is thus to examine the relationship between board responsibility and the performance of the company. It is the ultimate responsibility of the board to properly discharge their duty as stipulated by the laws and prohibit any unnecessary actions and decisions that are detrimental to the company. In essence, this study wishes to answer the following research question:

RQ: What is the impact of the board's responsibility on the performance of the company?

This study is original as it explores and examines board responsibility from the Malaysian Code of Corporate Governance (MCCG) perspectives. This code specifies four important areas of board responsibility namely having a clear board function, formation of sustainability policy, directors' access to information and existence of a board charter. All these areas need to be incorporated and

embedded into a systematic and complete structure of the governance of the company to ensure the company can be run and managed efficiently and effectively.

There are several contributions to this study. First, the result of the study will highlight the importance of board responsibility in managing and ensuring the good performance of the company. Second, this study will help the regulatory authority, policy-makers, and the company itself to guide and monitor the responsibility of the directors. In particular, guidelines and best practices on board function, sustainability, access to information, and board charter can be established to ensure the directors are held accountable for every aspect of their decision-making. Finally, this study will contribute to the literature and theoretical understanding of board responsibility in the emerging countries' context. Much corporate governance literature only focuses on explaining the relationship between corporate governance attributes and corporate performance in general, without considering the contribution of board function, sustainability, access to information, and board charter to the good governance of the company.

The rest of this paper is structured as follows. Section 2 reviews the relevant literature. Section 3 analyses the methodology that has been used to research board responsibility. Section 4 presents the result of the study. Section 5 discusses the findings. Finally, Section 6 concludes the paper.

2. LITERATURE REVIEW

2.1. Corporate governance in Malaysia

Corporate governance is not new and has been an important agenda for business and their related regulatory authorities for many years. In Malaysia, corporate governance did not receive considerable attention prior to 1980. This could be due to the small number of Malaysian corporations and business entities, which were often owned and controlled by family members. However, with the bankruptcy of a huge firm, Perwaja Steel, in the 1980s, corporate governance became a major issue that drew widespread public attention. Additionally, the Asian Financial Crisis in 1997 revealed poor governance practices in Asian countries, including highly concentrated private ownership and family control in corporate directorships (Allen & Gale, 2000; Gliberman et al., 2011; Shahar et al., 2020).

Due to this, the regulatory authorities took a significant step to change the way Malaysian capital and financial markets were managed and governed as a result of the crisis (Salin et al., 2023; Shan et al., 2013). For that reason, in 1999, the High-Level Finance Committee was established, and in 2000, the MCCG was implemented, which must be followed by all Malaysian listed firms. MCCG was amended several times, in 2007, 2012, 2017, and 2021. This is to ensure the MCCG remain relevant in the dynamic and fast-changing business environment and hence, improve the accountability of the board of directors over a period of time. The MCCG comprises, among other things, precise

criteria for the appointment of directors and board committee members, a clear role and structure for the nominating, remuneration, and audit committees, shareholders engagement, ethics, and the requirement of the development of internal audit functions. In addition, MCCG also places a strong emphasis on board responsibilities. This includes standards such as having a clear function and responsibility for the board, a commitment to sustainability, easy access to information, and the creation of a board charter.

2.2. Board clear function

When the board's responsibilities are clearly defined, it will be able to carry out its duties efficiently (Bebchuk & Weisbach, 2010). Böhm et al. (2016), for example, discovered a link between the breadth of tasks outlined in audit committee charters and the frequency of audit committee meetings. The directors basically are in charge of shaping and implementing organizational strategy (Pastra et al., 2021), monitoring management and company performance (Pan & Huang, 2022), ratifying managerial decisions, giving managerial incentives, and assisting with strategic planning efforts, among other things. These tasks may be regarded in two ways: first, as an advisor to the board, and second, as a monitor of the management team (Andoh et al., 2023; Armstrong et al., 2010).

Based on agency theory, boards are required to protect shareholders' interests while meeting their fiduciary duties to all major stakeholders (Fama & Jensen, 1983). According to Geletkanycz and Boyd (2011), when a company's earnings start to fail, the board will take necessary actions such as re-evaluating firm direction, locating valuable resources (Boeker & Goodstein, 1991), and assisting the management team (Carpenter & Westphal, 2001) to transform the company back on track. Furthermore, Tuggle et al. (2010) discovered that poor business performance increases board attention to observe and implement disciplinary measures against management (Bhagat & Bolton, 2008). Based on these arguments, the first hypothesis is:

H1: There is a positive relationship between the existence of a board's clear function and responsibilities with corporate performance.

2.3. Sustainability policy

Encouraging sustainability, which includes environmental, social, and governance facets as well as economic areas of business, will improve the company's solid reputation as a corporate citizen in the eyes of society (Orsato, 2006; Balasubramaniam et al., 2021). The firm will earn good investor perception and public confidence by generating a profit and meeting current wants without jeopardising future generations' comparable needs. This will have an indirect influence on the firm's long-term positive performance (Disli et al., 2022). For example, many businesses now use sustainable development as fundamental strategic planning to obtain long-term advantages (Chabowski et al., 2011) and outperform their competitor (Goyal et al., 2013). The bulk of past research studies

indicates a favourable link between corporate governance and corporate social responsibility (Rao & Tilt, 2015).

Furthermore, Perrini and Tencati (2006) contend that when a firm adopts a sustainability-oriented managerial style, it creates added value. For example, López et al. (2007) discovered variations in performance between listed and non-listed firms in the Dow Jones Sustainability Index. They argue that businesses that include sustainability in their business strategy will have a better competitive edge over competitors that do not (Adams & Zutshi, 2004). A sustainability strategy that takes into account quality, environment, branding, reputation, customer loyalty, and human development will lead to greater corporate management and administration (Orlitzky et al., 2003), decent systems of internal control, decision-making, problem-solving and cost reductions (Adams, 2002), and hence superior performance (Khan & Farooq, 2023; Cheng et al., 2016). The second hypothesis then is:

H2: There is a positive relationship between the adoption of a sustainability policy promoted by the board and corporate performance.

2.4. Director's access to information

The effectiveness of directors in the performance of their duties may be limited by the availability of information and costs associated with acquiring such information (Adams & Ferreira, 2007). Because of that, the directors need to understand the firm-specific knowledge and sufficient information to help them execute their role as directors (Armstrong et al., 2010; Bebchuk & Weisbach, 2010) both as a monitor and advisor. Even exceptionally brilliant and experienced directors, according to Jensen (1993), are unable to fulfil their roles successfully if they are given insufficient information.

As a result, a competent director will be able to solve a restricted information environment by seeking alternate information sources from third parties as well as soft information through ongoing networking connections (Cassar et al., 2015; Fang et al., 2021). The board also is in a stronger position to execute its monitoring job of evaluating the company's performance owing to the information capabilities that they have over outside monitors (Jensen & Meckling, 1976; Fama & Jensen, 1983). As a result, a favourable information environment is critical in settling agency conflict across diverse parties within and outside the firm (Armstrong et al., 2010). For example, limitations on businesses' information systems in providing facts and figures relevant to monitoring management behaviour would reduce the efficacy of the company's governance. Directors require this information to comprehend the variables that impact the bottom-line numbers of financial statements and consequently aid them in the managerial assessment process (Bushman et al., 2004). In short, good access to information is essential for the board to have both a short-term and long-term view of the firm (Nicholson & Kiel, 2007). These arguments lead to the third hypothesis below:

H3: There is a positive relationship between a director's access to information and corporate performance.

2.5. Board charter

The board charter is a document that specifies the strategic objective, duties, functions, and responsibilities of the board. It clearly explains the board's function, specifies its powers, outlines the board's structure, and offers insights to potential board members and top management. A clear board charter is essential for assisting the board in setting the direction and controlling the management and organisation (Australian Institute of Company Directors [AICD], <https://www.aicd.com.au/>). This is due to the fact that having this charter will serve as a reminder of the board's tasks and obligations, as well as obligations from the other directors on how directors would execute their duties, not just individually, but also as a team member of the board as a whole. According to an empirical study, a board that functions as a team has a higher influence on corporate success than an individual director (Charas, 2015).

Furthermore, by making the charter public, it will become a source of information not only for the board but also for stakeholders in measuring the performance of the directors individually and the board collectively. As a result, it offers shareholders advice and confidence that the board has adopted a rigorous and complete governance approach (AICD, <https://www.aicd.com.au/>). According to Böhm et al. (2016), there is a link between the obligations outlined in the charters and the audit committee's actual activities. Thus, it is highly recommended that the board charter be published on the company's website. This is because stakeholders can measure the performance of the entity and how far all the resources accounted for have been fully utilised for the benefit of stakeholders (Shariman et al., 2018). The fourth hypothesis is:

H4: There is a positive relationship between the existence of a board charter and corporate performance.

2.6. Theoretical framework

This study used a classic agency theory introduced by Jensen and Meckling (1976) to understand the interaction between corporate governance and business phenomenon. This theory proposes a structured strategy for overcoming an organisational problem involving information asymmetry between a company's owner (shareholders or principal) and manager (agent) (Gedajlovic et al., 2005). As a result of this problem, a control mechanism, known as agency costs, which are borne by the principal, is required to monitor the agent's performance (Jaafar et al., 2014). From the standpoint of corporate governance, shareholders must dedicate certain funding to the search for directors who have high moral integrity and responsibility to establish a strong monitoring infrastructure within the company. These include establishing a clear board function, implementing a system to support and promote sustainability policy, constructing dedicated resources to ensure a systematic and comprehensive system for directors to access useful and important information, and ensuring that a board charter exists and is complied with. Being equipped with these types of monitoring mechanisms may well help to ensure the long-term success of a corporation.

3. RESEARCH METHODOLOGY

3.1. Sample and period of study

The companies selected for this study were the top 500 companies based on their quantified market capitalisation as of 31 December 2013 listed under the Malaysian Stock Exchange. To ensure impartiality, certain groups of companies were eliminated. These included companies from the finance and banking industries, newly listed companies, companies that were delisted or removed from the stock exchange during the period of study, companies under restructuring and reorganisations, and companies that were under close supervision and business restructuring by the regulators. The final companies selected for this study were 437 companies. In terms of period, this study collected data for two years, i.e., 2013 and 2014.

3.2. Variables

The dependent variable for this study is corporate performance, proxied by four measurements: return on equity (*ROE*), return on assets (*ROA*), Tobin's *Q*, and market-to-book ratio (*MTB*). These measurements are commonly used by corporate governance scholars such as Gompers et al. (2003), Bhagat and Bolton (2008), Mitton (2004), Barber and Lyon (1996), Kaplan and Zingales (1997), and Donker et al. (2008).

The independent variables of this study consist of the board's clear function, sustainable policy, director's access to information, and board charter. These variables are measured based on the requirements of the MCCG. To evaluate these independent variables, an assessment instrument was constructed using a 3-point Likert scale: "2" indicates beyond the level of disclosure (more information), "1" indicates minimum disclosure (as required by MCCG), while "0" represents no disclosure (no information). All items are considered of equal importance to avoid subjectivity and bias, i.e., equal weight (Barros et al., 2013). The initial instrument was validated by several experts in corporate governance research to enhance its construct validity. Overall, 26 items were developed and used to measure the board's clear function, 14 items for both sustainable policy and director's access to information, and 18 items for the board charter.

In this study, company size (*Size*), leverage (*Lev*), and age (*Age*) were designated as control variables. Company size is measured based on the log of total assets (Bebchuk et al., 2009; Mitton, 2004), while leverage is computed based on total liabilities over total assets (Bhagat & Bolton, 2008; Bebchuk et al., 2009).

Company age is determined based on the years since the company's incorporation (Bebchuk et al., 2009; Camfferman & Coke, 2002; Alsaeed, 2006; Owusu-Ansah, 1998).

3.3. Model specification

In testing the hypotheses, a regression model was used as follow:

$$PERF = BFunc + Sust + Accinf + BChart + Size + Lev + Age + \epsilon \quad (1)$$

where,

PERF = performance;

BFunc = board function;

Sust = sustainable policy;

Accinf = access to information;

BChart = board charter;

Size = size of the company;

Lev = leverage;

Age = years since incorporation;

ε = error term.

3.4. Alternative methods

One of the most popular alternative methods for conducting this kind of research is by conducting a survey among the directors of the company. A survey instrument can be constructed and comprised of numerous questions that measure all

the independent and dependent variables of interest. Any suitable statistical analysis such as structural equation modelling can be employed to test the relationship between independent and dependent variables. However, the biggest limitation of this method is the reluctance of the respondents (directors) to respond to the questionnaire questions for many reasons such as information confidentiality, directors' busyness, and lack interest in participating in academic research.

4. RESULTS AND DISCUSSION

4.1. Descriptive analysis

Table 1 shows the descriptive results of the study. It shows a non-exemplary result of all the variables.

Table 1. Descriptive statistics for 2013 and 2014

Variables	N	2013					2014				
		Minimum	Maximum	Mean	Median	Std. Dev.	Minimum	Maximum	Mean	Median	Std. Dev.
<i>BFunc</i>	437	0	18	6.79	7.00	3.761	0	21	6.62	7.00	3.874
<i>Sust</i>	437	0	14	5.04	4.00	3.756	0	14	4.03	3.00	3.725
<i>Accinf</i>	437	1	11	5.63	6.00	1.767	0	11	5.59	5.00	1.780
<i>BChart</i>	437	0	14	4.86	4.00	4.504	0	11	2.89	3.00	2.105
<i>ROE</i>	437	-0.6950	1.6580	0.1056	0.0920	0.1715	-1.2930	12.8330	0.1393	0.0880	0.7221
<i>ROA</i>	437	-0.3890	0.5910	0.0610	0.0540	0.07903	-0.3260	6.3380	0.0702	0.0500	0.3101
<i>TobinQ</i>	437	-0.4400	14.3540	1.6949	1.3550	1.3014	-12.5035	11.1836	1.0491	1.1510	1.9197
<i>MTB</i>	437	0.0260	13.4590	0.9920	0.6290	1.2773	0.0190	14.7720	0.9064	0.5388	1.3116
<i>Size</i>	437	4.6392	7.9957	5.9290	5.8461	0.5838	4.7367	8.0440	5.9731	5.8815	0.5814
<i>Lev</i>	437	0.0000	0.6429	0.1255	0.0879	0.1363	0.0000	0.6070	0.1280	0.0836	0.1387
<i>Age</i>	437	1.0000	41.0000	17.3157	18.0000	8.5236	2.0000	43.0000	18.8352	19.00	8.6668

Note: *BFunc* = board function, *Sust* = sustainable policy, *Accinf* = access to information, *BChart* = board charter, *ROE* = return on equity, *ROA* = return on asset, *MTB* = market-to-book value, *Size* = size of the company, *Lev* = leverage, *Age* = years since incorporation.

The average marks scored by the companies for board function was only approximately seven in both 2013 and 2014, representing about 27 per cent of the total marks allocated for this practice. For sustainability, the average score for 2013 was five, which slightly decreased in 2014 to four, from the total available 14 marks. For access to information, the average marks scored in 2013 and 2014 were approximately six out of a total maximum of 14 marks. Finally, for board charter, the average marks scored in 2013 and 2014 were approximately 5 and 3, respectively, well below the maximum of 18 marks.

For the dependent variables, four measurements are employed in this study and divided into two groups. The first group is *ROE* and *ROA*, employed to measure the performance of the company based on its accounting profit. The average value of *ROE* increased slightly from 10.56 per cent in 2013 to 13.93 per cent in 2014. However, the maximum value increased from 165.8 per cent in 2013 to 1,283.30 per cent in 2014, while the minimum value recorded decreased from -69.5 per cent in 2013 to -129.3 per cent in 2014. For *ROA*, the average value increased from 6.1 per cent in 2013 to 7.0 per cent in 2014. The maximum value also increased from 59.1 per cent in 2013 to 633.80 per cent in 2014. The minimum value also improved from -38.9 per cent in 2013 to -32.6 per cent in 2014.

The other group of performance measurement comprise *MTB* and *TobinQ*, which are based on the market value of the company. For these measures, the majority of the companies had a good value that was close to 1 for *MTB* and higher than 1

for *TobinQ*, indicating that the market value and share price of the companies were equal to or more than their replacement cost or book value of assets. For example, the ratio of *TobinQ* was 1.6949 in 2013. Although it deteriorated to 1.0491 in 2014, the ratio was still higher than 1. The maximum value was 14.354 and 11.1836 in 2013 and 2014, respectively, while the minimum value was -0.44 in 2013 and -12.5035 in 2014. Meanwhile, for *MTB*, the maximum value was 13.459 and 14.772 in 2013 and 2014, respectively, and its minimum value was 0.026 and 0.019 in 2013 and 2014, respectively.

The control variables remained relatively stable both in 2013 and 2014. The average total assets for both years were approximately 6.0 with a range of approximately 4.5 to 8.0. The average number of years the company had been in business was 18 years, with the shortest duration being about one year, and the longest duration being 43 years. The leverage level was also low, with an average below 13 per cent. The maximum level of leverage recorded was 65 per cent and 60 per cent in 2013 and 2014, respectively.

4.2. Regression and hypotheses analysis

Table A.1 in the Appendix presents the multiple regression results of the study, depicting the relationship between independent variables (board function, sustainability policy, directors' access to information, and board charter) and dependent variables (corporate performance), along with the result of the control variables (company size, leverage, and age).

This study predicted a positive association between board clear function and corporate performance. However, Table A.1 indicates that this variable is not statistically significant across all corporate performance categories except *MTB* in the year 2014 ($\beta = 0.090$, $p < 0.1$). This suggests a weak relationship between the board clear function and corporate performance (*ROE*: 2013 - $\beta = 0.079$, $p > 0.1$; 2014 - $\beta = 0.059$, $p > 0.1$; *ROA*: 2013 - $\beta = 0.054$, $p > 0.1$; 2014 - $\beta = 0.036$, $p > 0.1$; *TobinQ*: 2013 - $\beta = 0.076$, $p > 0.1$; 2014 - $\beta = 0.035$, $p > 0.1$; *MTB*: 2013 - $\beta = 0.054$, $p > 0.1$). Therefore, *H1* was not supported and thus, rejected.

This study also predicts a positive corporate performance relationship if the company has good policies and practices on sustainability. Table A.1 shows a significant positive relationship between sustainability and corporate performance for *ROE* and *ROA* in 2013 while for *TobinQ* and *MTB*, the positive relationship is significant for both 2013 and 2014 (*ROE*: 2013 - $\beta = 0.207$, $p < 0.001$; *ROA*: 2013 - $\beta = 0.258$, $p < 0.001$; *TobinQ*: 2013 - $\beta = 0.372$, $p < 0.001$; 2014 - $\beta = 0.109$, $p < 0.05$; *MTB*: 2013 - $\beta = 0.382$, $p < 0.001$; 2014 - $\beta = 0.187$, $p < 0.001$). Based on these strong results, *H2* was supported and hence, accepted.

Table A.1 shows that there is no relationship between director's access to information with corporate performance in the majority of the corporate performance measurements (*ROE*: 2013 - $\beta = 0.078$, $p > 0.1$; 2014 - $\beta = 0.024$, $p > 0.1$; *ROA*: 2013 - $\beta = 0.075$, $p > 0.1$; 2014 - $\beta = 0.019$, $p > 0.1$; *TobinQ*: 2013 - $\beta = 0.060$, $p > 0.1$). The result is only significant with *TobinQ* in 2014 and *MTB* for both 2013 and 2014 (*TobinQ*: 2014 - $\beta = 0.088$, $p < 0.1$; *MTB*: 2013 - $\beta = 0.082$, $p < 0.1$; 2014 - $\beta = 0.215$, $p < 0.01$). Because of this, the earlier predicted positive relationship, *H3* was rejected.

Board charter is another requirement by MCCC to be adopted by the company. Contrary to predictions, this adoption had a significant impact on the performance of the company, but in the opposite way. However, the results showed that the relationship was only significant in the year 2013 for *ROE* and in both 2013 and 2014 for *ROA* (*ROE*: 2013 - $\beta = -0.082$, $p < 0.1$; *ROA*: 2013 - $\beta = -0.090$, $p < 0.1$; 2014 - $\beta = 0.086$, $p < 0.1$). The relationship was insignificant for the other corporate performance measurements, such as *TobinQ* and *MTB* (*TobinQ*: 2013 - $\beta = -0.065$, $p > 0.1$; 2014 - $\beta = 0.024$, $p > 0.1$; *MTB*: 2013 - $\beta = -0.058$, $p > 0.1$; 2014 - $\beta = -0.028$, $p > 0.1$). Based on this, *H4* was rejected.

5. DISCUSSION

In contrast with other empirical research (Böhm et al., 2016), this study found no relationship between board clear function with corporate performance. The reason behind this result is that the top management of the publicly listed companies in Malaysia practised hands-on management, which was a leadership skill, knowledge, and competencies based on the environment that accumulated through experience over their lifetime and career progression. Although there were specific board functions outlined in the code of corporate

governance, this function was only a general benchmark and guide. Perhaps, the companies already have their own specific functions and roles listed which have a wider scope than those in the code. Furthermore, the board function has earlier been described in the Companies Act 2016. Thus, the new prescriptions in MCCC merely complement and provide a general guide to the core function required by the existing laws and regulations.

The result of the sustainability policy is coherent with many prior empirical studies which found that the sustainability policy contributed to the good performance of the company. Sustainability is one of the important issues in the current business environment and also an important agenda that interests stakeholders of the company. Due to this, it is crucial for the company to incorporate sustainability as a part of the management strategy and integrate sustainability activities into their business operation, which will benefit the company by creating short-term and long-term added values (Hart & Milstein, 2003), increasing company's worth (Lang & Lundholm, 2000), improving access to capital and financing (Cheng et al., 2014), contributing to superior and improved corporate management (Orlitzky et al., 2003), and playing a substantial part in eliminating unnecessary business costs (Adams, 2002).

For director's access to information, this study found no relationship between this variable and with performance of the company. This indicates that the information advantage possessed by the company generally, and by the directors specifically, was not applicable and did not contribute much to enhancing the performance of the company. This may be due to the fact that in the current business environment, information access cannot be used to differentiate from the companies' competitors. Any data or information held by the company today may be outdated tomorrow. In addition, a fast-moving and highly dynamic business climate forces companies not to be complacent with their status quo but always seek new opportunities to create business value.

In this context, according to Wagenhofer (2003), the level of Internet application in business operations and capital markets has been increasing over time. The Industrial Revolution 4.0 has also brought a substantial explosion of information technology, the rapid expansion of the internet, smart mobile phones, and countless software aimed at assisting both individuals and companies. Accordingly, the value of having information has almost disappeared because everybody has similar kinds of information. In the era of information and communication technologies, the competition between big and small companies has become very intense due to easy access to information. Because of this, there is no clear indicator of the relationship between a director's access to information and corporate performance. As the ability to access any information anywhere and at any time is almost equal to everyone, including companies, the information advantages and gaps between businesses are virtually zero.

The final aspect of board responsibility examined in this study is the board charter. The finding suggests that the practice of having a clear board charter may not directly contribute to better corporate performance. Previous empirical

research indicated that by having stated guidelines that clearly defines the roles, responsibilities, and authorities such as board charter, the company's administration becomes more efficient because the roles and responsibilities of top management are clearly separated and specified. This will then contribute to a better corporate performance (Bebchuk & Weisbach, 2010). However, this was not observed in this study. It is possible that there is duplication between the requirements of the board function requirements in the MCCG. This is because the major part of the board charter requirements is for a company to have the division of responsibility and powers between the board and management, different types of board committees, and between the Chairman and chief executive officer (CEO), which is not significantly different from the descriptions required for the board function. Not surprisingly, this variable also showed no significant relationship with the performance of the company.

6. CONCLUSION

The purpose of this study is to examine the relationship between the board's clear function, sustainable policy, director's access to information, and board charter on the performance of the company. Only sustainability had a significant positive relationship with corporate performance, which is consistent with many prior empirical findings. By adopting a good sustainability policy

and strategy, the company is able to cut unnecessary expenses, improve overall managing efficiency, reduce the cost of capital, and hence, create long-term values which enhance the worth of the company.

However, board function, access to information, and board charter recorded no significant relationship, conflicting with the earlier positive relationship prediction. For board function and board charter, this was possibly due to the requirements stated in MCCG being too elementary and very fundamental. The roles and responsibilities of the board are merely replicated and already included in the Companies Act 2016.

The study has several drawbacks. It only used the top 500 corporations in terms of market capitalization as a sample. Firms from the banking sector, newly listed companies, companies that were delisted from the stock exchange, companies that underwent restructuring, and companies whose financial statement period was not equal to 12 months were all removed from the sample, reducing it to 437. This represents only around half of the total number of companies investigated. Future studies should include all companies listed on the stock exchange because there is a propensity for this study to be skewed toward larger-sized businesses. Small-sized companies may have distinct governance procedures as they are constantly below the radar of regulatory agencies, financial analysts, and the general public.

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APPENDIX

Table A.1. Multiple regression results

Variables	ROE						ROA						TobinQ						MTB					
	2013			2014			2013			2014			2013			2014			2013			2014		
	R = 0.271			R = 0.141			R = 0.371			R = 0.197			R = 0.416			R = 0.250			R = 0.431			R = 0.429		
	R ² = 0.074			R ² = 0.020			R ² = 0.138			R ² = 0.039			R ² = 0.173			R ² = 0.062			R ² = 0.186			R ² = 0.184		
	Adjusted R ² = 0.058			Adjusted R ² = -0.004			Adjusted R ² = 0.124			Adjusted R ² = 0.023			Adjusted R ² = 0.159			Adjusted R ² = 0.047			Adjusted R ² = 0.173			Adjusted R ² = 0.171		
	F-value = 4.862			F-value = 1.246			F-value = 9.808			F-value = 2.468			F-value = 12.807			F-value = 4.078			F-value = 14.011			F-value = 13.811		
Sig. F: 0.000			Sig. F: 0.276			Sig. F: 0.000			Sig. F: 0.017			Sig. F: 0.000			Sig. F: 0.000			Sig. F: 0.000			Sig. F: 0.000			
	B	SE B	β	B	SE B	β	B	SE B	β	B	SE B	β	B	SE B	β	B	SE B	β	B	SE B	β	B	SE B	β
Constant	0.154	0.098		-0.493	0.313		0.129	0.043		-0.343	0.340		0.210	0.113		-1.573	1.066		1.693	0.234		0.355	0.192	
BFunc	0.004	0.002	0.079	0.008	0.007	0.059	0.001	0.001	0.054	0.006	0.008	0.036	0.004	0.003	0.076	0.017	0.025	0.035	0.006	0.006	0.054	0.009	0.005	0.090*
Sust	0.009	0.003	0.207***	0.006	0.008	0.041	0.005	0.001	0.258***	0.000	0.009	0.002	0.021	0.003	0.372***	0.056	0.028	0.109**	0.045	0.006	0.382***	0.019	0.005	0.187***
Accinf	0.008	0.005	0.078	0.008	0.017	0.024	0.003	0.002	0.075	0.007	0.018	0.019	0.007	0.006	0.060	0.095	0.057	0.088*	0.020	0.012	0.082*	0.045	0.010	0.215***
BChart	-0.003	0.002	-0.082*	0.016	0.014	0.062	-0.002	0.001	-0.090*	0.025	0.015	0.086*	-0.003	0.002	-0.065	0.022	0.047	0.024	-0.006	0.004	-0.058	-0.005	0.008	-0.028
Size	-0.017	0.018	-0.056	-0.120	0.058	-0.126**	-0.013	0.008	-0.094	-0.169	0.063	-0.163**	-0.017	0.021	-0.046	0.357	0.197	0.108*	-0.162	0.043	-0.216***	-0.141	0.036	-0.220***
Lev	-0.150	0.065	-0.120**	0.309	0.218	0.078	-0.147	0.029	-0.254***	-0.255	0.237	-0.059	-0.284	0.075	-0.185***	-0.636	0.743	-0.046	-0.692	0.156	-0.215***	-0.579	0.134	-0.217***
Age	-0.002	0.001	-0.089*	0.002	0.003	0.030	-0.001	0.000	-0.125**	0.003	0.003	0.047	-0.004	0.001	-0.156**	-0.019	0.011	-0.087*	-0.006	0.002	-0.115**	-0.002	0.002	-0.042

Note: Statistically significant at: *0.10, **0.05, and ***0.01. VIF is less than 10 and Tolerance for Collinearity is more than 0.1 for all variables: ROE = return on equity, ROA = return on asset, MTB = market-to-book value, BFunc = board function, Sust = sustainable policy, Accinf = access to information, BChart = board charter, Size = size of the company, Lev = leverage, Age = years since incorporation.