ROLES OF BOARD OF DIRECTORS: EVIDENCE FROM MALAYSIAN LISTED COMPANIES

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Abstract

This study examines the extent of roles played by the board of directors (BOD) in Malaysian listed companies and the significant differences on the roles based on the company characteristics and board characteristics: firm size, leverage, growth, firm performance (ROA), family controlled companies, and CEO duality. Data are gathered from two sources whereby questionnaires are used to ascertain the extent of BOD participation in the board roles in the financial year 2006 and companies' annual reports are used to gather financial and board data. Using a sample of 112 companies, descriptive analysis shows that BOD mostly performs greater monitoring roles, other than performance evaluation. Strategy roles focus more on reviewing company's strategic plan and defining company's vision. Outside directors are required to focus on protecting shareholders' interests, provide a balanced view, and have strategic thinking capabilities. The results of t-test analysis indicate that to some extent the roles played by the BOD are significantly different in terms of firm size, firm performance and family companies. The results have some implications to the corporate governance practices.

Keywords: board roles, board performance, monitoring, strategy, resource dependence, family companies, CEO duality

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1. Introduction

Most studies on the corporate governance, in the fields of finance and economics, have been focusing on the monitoring role of the board of directors (BOD) which is assumed to be the most important role to enhance shareholders wealth. BODs are widely believed to play an important role, particularly in monitoring top management (Fama, 1980; Fama & Jensen, 1983). They are in charge of protecting and promoting the interests of shareholders (Byrd & Hickman, 1992). In theory, the aims of BODs are to maximize managerial control, minimize agency costs, maximize and protect economic value of the firm, act as representatives of various corporate stakeholders, and act as an instrument of control between stakeholders, board and organization.

Within corporate governance structure, outside directors have an important position to monitor the management and executive directors. Outside directors are seen as the check and balance mechanism to enhance board's effectiveness. They are expected to bring independence into the board and add to the diversity of skills and expertise of the directors (Shamsul Nahar, 2004). The role of outside directors in the BOD is vital as business adviser and 'watchdog' to ensure managers act in the interests of outside shareholders.

According to Wan and Ong (2005), board of directors is assumed to perform various roles, such as strategy, service, monitoring and resource dependency. Most studies conducted focus on identifying the level of importance of BOD tasks (Ingley & Van der Walt, 2005; Wan & Ong, 2005). Little knowledge is known about the BOD participation in conducting their expected roles. Are the roles played indifferent according to company characteristics or/and board characteristics? Thus, the objective of this paper is to examine the extent of roles of board of directors in Malaysian listed companies. The paper is also intended to provide further evidence whether there is significant difference of roles played by the BODs in terms of company characteristics (firm size, leverage, growth, firm performance, and family-controlled companies) and a board characteristic i.e. CEO duality. Findings of this study may be relevant to answer some phenomena in corporate governance studies such as the inconclusive results of having CEO duality practices and the relevance of family-controlled companies.

1.1. Board of Directors' Roles

Table 1 outlines some theoretical perspectives on board roles according to prominent theories such as legalistic perspective, agency theory, stewardship theory, and resource dependency theory, and their respective operational definitions.

According to legalistic perspective, BODs are persons responsible for the corporate leadership. BODs are not supposed to interfere in the day-to-day operations of the company, which is run by the chief executive officer (CEO) of the company. Operationally, boards only carry out legal duties which are to represent the interests of the shareholders, to select and replace the CEO, to provide advice and counsel to top management, and to serve as control mechanism by monitoring managers and company performance.

Agency theory recognizes the imperfection of existing governance structures in protecting shareholders' interest and concerns with the consequences from the conflict of interests between managers and shareholders (Jensen & Meckling, 1976). Agency problems arise due to the separation of control and ownership (Berle & Means, 1932). It is assumed that the interests of managers are not necessarily aligned with the interests of shareholders (Morck et al, 1988; McConnell & Serveas, 1990; Wong & Yek, 1991; Short & Keasey, 1999). Thus, board of directors is considered as an efficient mechanism for monitoring firm's managers on behalf of its investors. Allowing managers to have shareholdings in a company may be considered a good mechanism or incentive to ensure that they maximize the firm's performance. Increasing board independence (having more outside directors) and separate titles of chairman and chief executive director are required to prevent managerial entrenchment. Combined titles of CEO and chairman (CEO duality) would provide the CEO to have information asymmetry. CEO would indulge in opportunistic behaviors (managerial entrenchment) such as controlling the flow of information to the board and deciding agenda to be on the board meetings (Haniffa & Cooke, 2002). Operationally, the roles of BOD are to maximize shareholders' wealth, reduce agency cost, select or dismiss CEO, evaluate CEO and company performance, and also involve in strategic decision process and control.

Stewardship theory describes the board as a good steward of the corporation. Contrary to agency theory, stewardship theory views managers as good stewards and work for high corporate return. BOD under the stewardship theory serves a performance function. Boards are responsible to ensure the stewardship of corporate assets. Operationally, they are involved in defining company objectives and vision, formulating strategy, reviewing strategy, and risk management activities. Having an executive director (inside director) dominating the board and a duality role of the CEO chairing the board could lead to higher performance (Donaldson & Davis, 1994; Muth & Donaldson, 1998; Haniffa & Cooke, 2002). Inside directors are argued to be more capable than outside directors to lead to strategic roles as they possess more knowledge and expertise on the firm operation. Accordingly, the separation of titles (CEO/Chairman) may weaken organizational leadership (Roberts, 2002).

Resource dependence theory considers the board to have the ability to span the firm's boundaries (Zahra & Pearce, 1989). In a corporation, the board is viewed as a vehicle to interact with the external environment and thus acts as a co-optation mechanism for seeking access to external resources for corporate performance enhancement (Pfeffer & Salancik, 1978; Johnson et al., 1996). The theory suggests the role of the board should be in corporate strategy (Zahra & Pearce, 1989), and the board is viewed as a facilitator of strategy formulation/implementation (Baysinger & Butler, 1985). The theory views that directors who have link with outsiders (cross directorships or multiple directorships) are likely to have access to external resources (Muth & Donaldson, 1998) which are pertinent to ensure performance enhancement.

The above theories have highlighted the issue of overlapping roles. For instance the legal perspective and the agency theory are concerned with the role of BOD in protecting the shareholders' interests, which emphasizes on monitoring roles. The agency theory also considers issue of strategy in terms of monitoring the strategic decision process. The stewardship theory and resource dependence theory are more focused on the strategic and service roles. In fact, as discussed above, part of the strategic roles in stewardship theory is also considered as service roles in resource dependency theory.

Whilst the theories are relevant in explaining the firm performance, it has been suggested that integrating them with other organizational perspectives may lead to a better explanation (Hillman & Dalziel, 2003; Roberts, McNulty & Stiles, 2005). BODs do not only play the monitoring roles (agency theory), but they are also expected to lead (stewardship theory and resource dependence) the firm in order to increase shareholders' wealth. Thus, the study uses agency theory, stewardship theory, and resource dependency perspective to conceptualize the roles of BOD.

Table 1. Theoretical Perspectives on Board of Directors' Roles

	Legalistic	Agency Theory	Resource Dependence	Stewardship
Board role	• Representing and protecting shareholders' interest • Managing the corporation without interference in day-to-day operation	• The primary role of boards is to monitor actions of agents (executives) to ensure their efficiency and to protect principals (owners) interests	• Boards are co-optative mechanism to extract resources vital to company performance • Boards serve a boundary spanning role • Boards enhance organizational legitimacy	• Boards ensure the stewardship of corporate assets
Operational definition of boards' role	• Selecting CEO • Monitoring CEO performance • Representing shareholders' interests • Evaluating company performance	• Maximizing shareholders' wealth • Reducing agency cost • Selecting CEO and company performance CEO • Evaluating CEO and company performance • Strategic decision making and control	• Scanning the environment • Representing the firm in the community • Securing valuable resources	• Defining company objectives / setting corporate direction • Setting vision and mission • Formulating strategy • Setting ethical tone • Involving in risk management activities
Theoretical Origins	Corporate law	Economics & Finance	Organizational theory & Sociology	Organizational theory

Sources: Zahra & Pearce (1989); Hung (1998); Stiles (2001)

1.2 Dimensions of Board Roles

The absence of an integrated approach to dimensions of board roles has resulted in the board roles being conceptualized in several different ways (Nicholson & Kiel, 2004). The inconsistent approach is found in the conceptualization of service roles. Some studies considered other services (other than monitoring roles) provided by the board in either one of three categories: categorize either in service (Mintzberg, 1983) or in strategy (FCCG, 2001); or break down other services into strategy and service (Zahra & Pearce, 1989; Brennan, 2005), or into service and resource (Johnson et al.,1996; Nicholson & Kiel, 2004; Kula, 2005); or categorize other services into strategy, service and resource (Wan & Ong, 2005). Issues pertinent to some of the studies are discussed below.

Mintzberg (1983) discussed the roles of board of directors primarily in two contexts. The first context is related to the board as a device to control the organization, and the second one is related to the board as a device to serve the organization. Mintzberg identified seven roles of BOD which are (1) selecting and dismissing the CEO, (2) exercising direct control during periods of crisis, (3) reviewing managerial decisions and performance, (4) co-opting external influences, (5) establishing contacts and raising funds for organization, (6) enhancing organization's reputation, and (7) giving advice to the organization. He then further categorized the seven roles into two, i.e. monitoring (1-3) and service (4-7).

Mintzberg argued that in practice there is indirect control by management in the monitoring roles. The outgoing CEO has considerable influence to suggest a new CEO because the former knows the key members of his organization. In reviewing managerial decisions and performance, data and reports are usually provided by the CEO. The second and third role are argued to be related to the CEO succession. Mintzberg concluded that the real power of the board is to appoint the CEO to the knowledge of the outgoing CEO.

The reason to have BOD in an organization was not merely to gain control but also to serve the organization, i.e. to complement the expertise of the management. On the extreme case, the board could also be used as a facade which opt neither of the roles. This happens when some individuals or group such as top management or the sole owner of the company has full control of the organization. In essence, the board only exists as a legal formality. Mintzberg pointed out, in practice, the difficulties of disentangling items in service roles. However, the boards that exist primarily to exercise some kind of control over the organization can be distinguished from the boards that are designed to serve the organization. Board that acts as a control device seeks to act as a vehicle for external control of organization on behalf of the dominant external influencer, monitor closely managerial performance, and review managerial activities to ensure decisions reflect external interests. Board that acts as a tool to serve the organizations is selected to deal with tangible problems of the organization such as its need for funds or government connections, its need for precarious status in society, and its need to fill a gap in its knowledge base.

Zahra and Pearce (1989) identified three interrelated board roles which are strategy, control and service, which are based on legalistic, resource dependence, and agency theory perspectives of BODs. Enhancing reputation and establishing external contacts are considered part of service roles. Internal contingencies, including the phase of life cycle, CEO-style and company size, and external contingencies such as environmental variables, industry type, and legal requirements are argued to influence the roles played by the BODs.

Nicholson and Kiel (2004) argued that understanding board roles and the interplay between the roles and the company environment is central to any assessment of board effectiveness. They identified contingency factors that might have impact on board role requirements. They categorized board roles into three key activities. (a) control of the organization, which includes monitoring management, minimizing agency cost, and establishing strategic direction of the firm; (b) provision of advice to management (service roles), which includes providing advice on strategic matters; and (c) provision of access to resources, including access to finance, information and power.

Kula (2005) examined the impact of board roles (monitoring, service and resource dependency roles), board structure and board process on the performance of small and non-listed Turkish companies, which are highly concentrated in the hands of family ownership. Board roles were measured in terms of time allocated by the board on controlling top management, on strategic issues, and on resource acquisition. Firm performance was measured by financial and non-financial measures using a five-point scale from "1" as very unsatisfactory to "5" very satisfactory. She found only resource dependence role had a significant relation to firm performance.

Wan and Ong (2005) examined the relationship between board structure and board roles, mediated by board process, of Singapore listed companies. They classified board roles into control (monitoring), service, strategy and resource dependency. In their study, resource dependence referred to the roles of outside directors. Their results showed that board process had a significant relationship to monitoring, service and strategy roles. Their findings highlight the need to differentiate service roles from strategic roles. Hence, the present study adopts the classification of board roles based on Wan and Ong's. In addition, Wan and Ong examined the BODs' roles in Singaporean companies which are very relevant to the Malaysian environment as companies in both countries have high family ownerships (Claessens et al., 2000).

Brennan (2005) summarised various roles of BODs whether they are likely to have a positive, negative or neutral effect on firm performance. Out of nineteen (19) items identified and classed into strategy, monitoring and service roles, he identified eight (8) items that might have negative effect on firm performance (one item for strategy roles, and seven items for monitoring roles). The items are as follows:

1. Setting tone at the top/ethical culture of the organization
2. Setting risk appetite of organization
3. Ensuring corporate survival
4. Specifying lines of authority of management and board
5. Ensuring compliance with statutory and other regulations
6. Reviewing social responsibilities
7. Monitoring and evaluating management
8. Controlling operations

Two monitoring items i.e. "monitoring and evaluating management" and "controlling operations" were argued to have both positive and negative effects on firm performance. It is noted that almost all items in the monitoring roles do not ensure positive effect on firm performance because exercising tight control by the board may function as constraints on management and limits managers to pursue shareholder value. The control mechanisms imposed with the intention to reduce self-serving behavior of managers do not fully work as they might improve accountability of the managers but reduce the efficiency of management. However, all items in service roles would be expected to produce positive effects. There are:

1. Enhancing company reputation and prestige
2. Participating in relationships with outside bodies
3. Assisting organization in obtaining scarce resources
4. Acting as ambassador for the firm
5. Providing support and wise counsel to CEO

In Malaysia, the law relating to the roles and responsibilities of directors can be found in the Companies Act 1965 and the Articles of Association. The Articles of Association contain regulations for the internal management of a company's affairs (Zubaidah, 2002). In the Companies Act 1965, detailed duties or responsibilities of directors are set out in Section (S) 122 to 141. The duties can be classified into three, i.e. (1) fiduciary duty; (2) duty of care, diligence and skill; and (3) statutory duties (Ernst & Young, 1992).

Fiduciary duty (S.132) refers to the duty to act honestly in the best interest of the company. Directors must not allow their personal interests to conflict with their duties. Duty of care, diligence and skill requires directors "to act with due care and diligence in the discharge of their duties as expected of a similar person (having the skill) in that position." (S.132 [1], p.146). Directors are also subject to statutory duty for various disclosure obligations (S.131 and S. 135). The law sets out general duty of directors to make disclosure, such as disclosure of directors' interests in the company and related company, and any changes in those interests. Accordingly, fiduciary duty, duty of care, diligence and skill, and statutory duties are related to monitoring roles.

The Malaysian Code of Corporate Governance (FCCG, 2001) outlines principal responsibilities of board of directors in public listed companies, which are to:

1. review and adopt a strategic plan for the company;
2. oversee the conduct of the company's business to evaluate whether the business is being properly managed;
3. identify principal risks and ensure the implementation of appropriate systems to manage these risks;
4. do succession planning, including appointing, training, fixing compensation, and replacing senior management (where applicable);
5. develop and implement an investor relations programme or shareholder communication policy for the company; and
6. review the adequacy and the integrity of the company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Table 2 summarizes the dimensions of board roles based on the literature presented above.

Table 2. Dimensions of Board Roles

Sources	Monitoring	Strategy	Service	Resource
Mintzberg (1983)	/		/	
Zahra & Pearce (1989)	/	/	/	
Johnson et al. (1996)	/		/	/
Nicholson & Kiel (2004)	/		/	/
Kula (2005)	/		/	/
Brennan (2005)	/	/	/	
Wan & Ong (2005)	/	/	/	/
Companies Act 1965	/			
MCCG (2001)	/	/		

2. Research Methodology

2.1. Construction of Questionnaire

Items in the questionnaires related to board roles were adapted from Wan and Ong (2005), MCCG (2001), Brennan (2005), and Ingley and Van der Walt (2005). Four dimensions of board roles used in this study are strategy, service, monitoring, and resource dependence. First, the study considered the items from Wan and Ong's study as a basis. Then comparisons were made between the roles of BOD from Wan and Ong's study with the roles of BOD as recommended in the Malaysian Code of Corporate Governance (MCCG Code) and also with available literature review on board roles.

After examining the board roles items closely, it was found that board roles in Wan and Ong's study fulfill most of the board roles stated in the MCCG Code. However, for strategy roles, it was found that Wan and Ong did not consider the role of risk management activities specifically whereas risk management activities are among the priority roles emphasized in the MCCG Code. Random checks were done in the annual reports of the main board companies in the sections of Corporate Governance Statement and in the Statement of Internal Control. They revealed that BODs in most cases undertake risk management activities. Thus, three items related to risk management as suggested by the MCCG Code were added ("identify principal risks of the company", "set risk appetite of the company", and "ensure implementation of appropriate systems to manage risks") in the questionnaire.

For the monitoring roles, most items were adapted from Wan and Ong, except item "evaluate the skill mix on the board" that was taken from the MCCG Code. Items "ensure corporate survivals", "specify lines of authority of management and board", and "review social responsibilities of the company" were from Brennan's. For service roles, three items from Brennan's ("enhance company reputation", "act as ambassador for the company", and "participate in developing relationships with outside parties") were added whilst the rest were from Wan and Ong. For resource roles, three items were from Wan and Ong ("bring in skills relevant to the company", "provide a balanced/independent view onto the board", and "represent shareholders' interests effectively") and six items were from Ingley and Van der Walt's.

In constructing the questionnaire, the content validity of the instrument was assessed based on the literature review and a pre-test study to BODs and senior academics. A preliminary study was conducted to refine and clarify questions and items in the instrument with regards to their meaning, clarity of each statement, relevance of items and problems encountered in completing the questionnaire. Feedbacks from five directors were considered. The questionnaire was also checked by two senior academics who have experience in survey research. Based on their suggestions, some modifications to the questionnaire were done. Then, a pilot study was conducted amongst 30 directors. In the questionnaire, six (6) demographic questions and 34 items on board performance (7 strategy, 11 monitoring, 7 service, and 9 resource) were asked. The demographic items asked the position of respondent in the company's BOD, type of non-executive directors, age of respondent, numbers of years respondent has been on the board, educational background and other positions. For board performance variables (strategy, monitoring, services and resource), BOD was required to indicate the extent of BOD participation or involvement in the board roles of the company for the financial year 2006 using a 5-point scale ranging from 1 (*very little*) to 5 (*very much*) as used by Kula (2005) and other survey studies that examined participation in decision-making.

In summary, the operational definitions of the BOD roles are as follows:

(1) Monitoring roles refer to the selection and reward of CEOs, evaluation of CEOs and company performance, and maximization of shareholders' wealth;
(2) Service roles refer to providing advice to top management and promoting reputation of the company externally;
(3) Strategy roles refer to strategic functions of board in terms of direction and planning including risk management; and
(4) Resource dependency roles refer to functions of outside directors.

2.2. Sample Size and Data Collection

Unit of analysis of this study is company. Respondents are BODs of companies listed on the main board of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange, KLSE) for the year 2006. Only the main board companies were selected in order to control other factors that might influence performance of companies in other boards such as size differences and risks. There were 520 companies listed on the main board in the year 2006 [after excluding finance companies, distressed companies (PN4, and PN17), REITS, and companies listed after 2004]. Details of the companies' information were gathered from the annual reports on the Bursa Malaysia websites.

A survey method using mail questionnaire was used to collect data on BOD involvement in the board. Due to poor response rate in survey studies conducted in Malaysia, which is about 10% to 20%, questionnaires were sent to all 520 companies. This study used one initial mailing and two follow-ups. In the actual survey, the questionnaire with cover letters (to the company secretary and BOD) and self-addressed envelope was sent to the company secretary. The company secretary was asked to direct the questionnaire to a member of BOD, which could be a chairman, CEO/managing director (MD), an executive (ED) or a non-executive director (NED). In the other cover letter to the BOD, instructions were given on how to answer the questionnaire and the BOD was asked to return the completed questionnaire within a month period.

Data for firm size (total assets), debt ratio (total debt to total assets), growth (proxy by Tobin's Q), CEO duality, and types of family controlled of the sample firms were collected from companies' annual reports in 2006.

To achieve the first objective, descriptive statistics for each item in board roles are conducted. Ranking is done based on the mean value of items. To achieve the second objective, the t-test for testing the equality of means is conducted. Before running the analyses, the sample is first split into two equal groups based on the sample median to check the effect of family-controlled companies (famco), firm performance (ROA), firm size, debt ratio, and growth. For the effect of CEO duality, two groups are formed i.e. companies with different persons as CEO and chairman are assigned "1" while companies with same persons act as CEO and chairman as "0".

3. Results and Discussion

3.1. Sample Profile

Out of 520 questionnaires sent, only 112 are usable which represents a response rate of 21.54%. In terms of composition of respondents, CEO/Managing Director represents the highest frequency of 36 (32.14%), followed by executive director of 30 (26.79%). The non-executive directors, comprising of independent directors and non-independent non-executive directors are 24 (21.43%). There are 11 (9.82%) company secretaries who have participated in the study. Responses from the company secretaries are also included in this study as they are holding key management positions akin to the CEOs (Zubaidah, 2002). In most cases they usually respond on behalf of the directors. Furthermore, their nature of work and close working with the company directors justify them to be included in the study. In total, based on the type of director, 60.71% of the respondents represent the executive director (non-independent executive director) while 29.47% are the non-executive director (independent director and non-independent non-executive director).

In terms of years employed as BOD or working with BOD, nearly all respondents which are about 108 (96.4%) had more than three years experience. Thus, almost all respondents have enough experience in understanding the roles of BOD in their companies. About 60 (53.60%) respondents have educational background either in Finance, Economics or Business. Forty four respondents (39.30%) have degrees in other fields, which are usually related to the core business of the companies. With respect to sector, almost all sectors are covered in this study. Nearly 80% of the respondents come from four sectors namely Industrial Product (IP), Trading and Services (TS), Construction (CONST) and Property (PROP).

Table 3. Profile of Respondents

	Frequency	Percentage (%)
Position:		
Chairman	11	9.82
CEO/Managing director (MD)	36	32.14
Executive director (ED)[a]	30	26.79
Non-executive director (NED)[b]	24	21.43
Company secretary (CS)	11	9.82
Director Type:		
Executive director (ED)	68	60.71
Independent director (INE)	20	17.86
Non-independent non-executive director (NINE)	13	11.61
Years employed as BOD:		
Less than 3 years	4	3.60
3 - 6 years	30	26.70
6 - 10 years	19	17.00
More than 10 years	59	52.70
Educational Level:		
Degree in Finance/ Economics / Business	60	53.60
Degree in other fields	44	39.20
Others	7	6.30
Missing	1	0.90
Industry Type:		
Consumer product (CP)	9	8.00
Industrial product (IP)	28	25.00
Trading and services (TS)	28	25.00
Technology (TECH)	3	2.70
Infrastructure (INFRA)	1	0.90
Construction (CONST)	17	15.20
Property (PROP)	15	13.40
Plantation (PLT)	11	9.80

Note.

[a] ED is executive directors other than the Chairman or the CEO/MD.

[b] NED is non-executive directors other than the Chairman.

3.2 . Descriptive Statistics of Variables

Table 4 presents descriptive statistics for categorical variables. Following Mishra et al. (2001) for the definition of family controlled companies (at the cut-off 10% of family ownership), 42 (37.50%) companies fall under family controlled companies and 70 (62.50%) companies under non-family controlled companies. Since the ownership of 20% to 49% would provide the power to influence the company decisions, type of family controlled companies based on the cut-off 20% were determined. Accordingly, this leads to 39 (34.80%) family controlled companies and 73 (65.20%) non-family controlled companies. For CEO duality category, there are 18 (16.07%) companies with CEO duality and 94 (83.93%) companies with non-duality (independent leadership) which suggests that most companies comply with the MCCG requirement to have independent board leadership.

Table 4. Descriptive Statistics for Categorical Variables

	Frequency	Percentage (%)
Types of companies (FAM10)[c]		
Family controlled	42	37.50
Non-family controlled	70	62.50
Types of companies (FAM20)		
Family controlled	39	34.80
Non-family controlled	73	65.20
CEO duality[d]		
Non-duality	94	83.93
Duality	18	16.07

Note:
[c] Definition of family control companies is adopted from Mishra et al. (2001) which is based on the 10% cut off point, both direct and indirect family shareholdings.
[d] Duality refers to CEO and chairman of the board are the same person, while non-duality is otherwise.

Table 5 presents descriptive statistics of the continuous variables. In terms of total assets (TA), on average the total assets are about RM18,800,000,000. The average debt ratio (DEBR) is about 0.40. The average Tobin's Q (GROWTH) is 0.92 with a minimum of 0.27 and maximum of 2.45. The average family ownership is 16.41% with a minimum of 0% and a maximum of 78.93%. The descriptive statistics for this study are not much difference from previous studies conducted in Malaysia (Chee & Fauziah, 2005; Haniffa & Hudaib, 2006).

Table 5. Descriptive Statistics for Continuous Variables

Variables	Mean	SD	Skewness	Min	Max
TA	1880000000	4500000000	6.778	61136209	41800000000
LGTA	20.40	1.25	0.70	17.93	24.46
DEBR	0.41	0.21	0.44	0.02	1.00
GROWTH	0.92	0.38	1.60	0.27	2.45
ROA	0.07	0.05	0.11	-0.05	0.17
FOWN	16.41	23.06	0.96	0.00	78.93

Note: N=112. TA is total assets, a proxy for firm size; LGTA is logarithm of total assets; DEBR is debt ratio (total liabilities/total assets), a measurement for leverage; GROWTH is proxied by Tobin's Q. FOWM is percentage of family ownership measured as a total of direct and indirect interest. ROA is return on assets (EBIT/total assets).

3.3. BOD Involvement/Participation

In general, the analysis shows that all the means are above 3.00 which indicate the importance of the roles. The findings suggest that all 34 items listed in the questionnaire were perceived by the BOD as being frequent roles required from the BOD. The most frequent roles played by the BOD based on the mean of 4.00 and above and ten least frequently roles played by the BOD based on the mean of less than 3.80 are shown in Table 10. It can be seen that the frequently roles played are in the monitoring roles (other than performance evaluation) which comprises six out of fourteen items. Items of performance evaluation in monitoring roles are positions in the group of least frequently roles played by the BOD. The most frequently role played by the BOD is to ensure the conduct of company complies with statutory and other regulation. In general, the involvement of BOD in strategy roles compared with other roles is just moderate. Comparatively, involvement in monitoring roles is given more attention. This finding is similar to what have been found in Ingley and Van der Walt's (2005) survey on the importance of board tasks in the New Zealand companies.

Table 6. General Ranking of BOD Roles

A. Most frequent roles played by BOD	
Ranking	Roles
1	Ensure compliance with statutory and other regulations (M)
2	Ensure corporate survival (M)
3	Take into account the interests of stakeholders in the achievement of company objectives (Se)
	Provide a balanced (independent) view (Rd)
4	Require information of company performance (M)
5	Review strategic plan for the company (St)
6	Review company performance against strategic plan (M)
7	Specify lines of authority of management and board (M)
8	Monitor top management in decision making (M)
9	Represent shareholders' interests effectively (Rd)
10	Promote goodwill / support of stakeholders' interests (Se)
11	Have strategic thinking capabilities (Rd)
12	Enhance company reputation (Se)
13	Define vision of the company (St)
14	
B. Least frequent roles played by BOD	
Ranking	Roles
1	Provide channels of communications between firms (Rd)
2	Benchmark strategic plan with industry data (St)
3	Are chosen for their contribution to management performance (Rd)
4	Participate in developing relationship with outside parties (Se)
5	Have internal mechanisms to evaluate board members' performance yearly (M)
6	Involve in succession planning for top management (M)
7	Review social responsibilities of the company (M)
8	Provide advice and counsel to top managers (Se)
9	Set risk appetite of the company (St)
10	Evaluate performance of top company executives (M)

Note: "St" is item in strategy roles. "M" is item in monitoring roles. "Se" is item in service roles. "Rd" is item in resource dependency roles.

Table 7 to Table 10 presents in detail the board involvement in each dimension of board performance. In Table 7, the greatest involvement in strategy roles is reviewing strategic plan. The next involvement is defining vision of the company. The finding is consistent with that of Stiles (2001) and the emphasis of those roles in the MCCG (2001). The finding is also in agreement with Lorsch (1995) that directors should approve corporate strategy, review and evaluate the strategic plan. The finding also suggests that management has substantial involvement in setting direction and formulating strategy while the BOD takes full responsibility to review the strategic plan. To some extent, BOD also involves in formulating a strategic plan for the company. Thus, the management shares the task of strategic plan with the BOD although in some companies the task is left to the management. From the finding, we can say that BOD takes an active role in the strategy process.

The result also indicates that BOD contributes to a great extent in defining the vision of the company, as shown by the mean of 4.02. The result is in agreement with Ingley and Van der Walt (2005) which suggest that developing corporate vision is an important task of the board members. The result also indicates that BOD is also committed to risk management matters which are to ensure the implementation of appropriate risk management systems in the company and identify principal risks of the company. The role of the board is to check on the implementation of appropriate system to manage the risks in the company. Thus, the result suggests that BOD should have knowledge on this matter in order to scrutinize the plan forwarded by the management. The result is in line with the result from Ingley and Van der Walt (2005) which indicates that risk management issues are among the most often discussed topics in the board meetings.

Table 7. Board Involvement in Strategy Roles

	1 Very little	2	3	4	5 Very much	Mean Score*	SD
	%	%	%	%	%		
Review strategic plan for the company (St3)	0.0	1.8	18.2	43.6	36.4	4.15	.77
Define vision of the company (St1)	0.9	4.5	23.4	34.2	36.9	4.02	.93
Ensure implementation of appropriate systems to manage risks (St6)	0.0	2.7	21.4	53.6	22.3	3.96	.74
Identify principal risks of the company (St4)	0.0	6.3	20.7	51.4	21.6	3.88	.82
Formulate a strategic plan for the company (St2)	1.8	7.1	25.9	39.3	25.9	3.80	.96
Set risk appetite of the company (St5)	0.0	4.5	29.5	50.0	16.1	3.78	.77
Benchmark strategic plan with industry data (St7)	0.9	9.9	33.3	40.5	15.3	3.59	.89

*High mean scores indicate greater BOD involvement.

Table 8 presents board involvement in monitoring roles. Most items in monitoring roles get higher scores than the average score of 3.00. The greatest involvement of BOD in monitoring roles is to ensure compliance with statutory and other regulations imposed on the companies. In addition, BOD also pays considerable effort to ensure corporate survival in an attempt to protect the shareholders' interests in the companies. The result is similar to what has been found by Ingley and Van der Walt's (2005). The BOD also put considerable effort to check on the management oversight roles (M8, M9, M2, M3) such as monitoring decisions made by the top management, specifying lines of authority on management and board, requiring information of company performance, and reviewing company performance against strategic plan. However, performance evaluation items are given less weight in the monitoring roles as shown in items M4, M5, M6, and M7. The task of evaluating the skill mix on the board is given considerable commitment by the BOD to ensure directors have the right balance of skills, industry knowledge and experience as a prerequisite for effective boards (Lipton & Lorsch, 2002; Kiel & Nicholson, 2003; Nicholson & Kiel, 2004).

Table 8. Board Involvement in Monitoring Roles

	1 Very little	2	3	4	5 Very much	Mean Score*	SD
	%	%	%	%	%		
Ensure compliance with statutory and other regulations (M10)	0.0	0.0	9.8	43.8	46.4	4.37	.65
Ensure corporate survival (M1)	0.0	0.9	11.6	43.8	43.8	4.30	.70
Require information of company performance (M8)	0.0	1.8	13.4	52.7	32.1	4.15	.71
Review company performance against strategic plan (M9)	0.0	2.7	10.7	56.3	30.4	4.14	.71
Specify lines of authority of management and board (M2)	0.0	1.8	17.9	49.1	31.3	4.10	.75
Monitor top management in decision making (M3)	0.0	0.0	22.3	45.5	32.1	4.10	.73
Evaluate the skill mix on the board (M5)	0.9	4.5	25.9	44.6	24.1	3.87	.86
Evaluate performance of top company executives (M4)	0.0	13.4	19.6	41.1	25.9	3.79	.97
Review social responsibilities of the company (M11)	0.0	2.7	35.7	50.0	11.6	3.71	.70
Involve in succession planning for top management (M7)	0.9	11.6	28.6	38.4	20.5	3.66	.96
Have internal mechanisms to evaluate board members' performance yearly (M6)	2.7	9.8	25.9	42.9	18.8	3.65	.98

*High mean scores indicate greater BOD involvement.

Table 9 presents board involvement in service roles. The result indicates that in general, BOD provides considerable services to the companies. The greatest commitment of services provided by the BOD is to protect stakeholders' interests (Se6 and Se7). BOD also involves in considerable effort to enhance company reputation. The results are consistent with the role of corporate governance as a means to protect minority shareholders from the expropriation of managers (Mitton, 2002). It supports the argument that BOD alleviates the potential conflicts of interests between controlling shareholders and minority interests (La Porta, De-Silanes & Shleifer, 1999; Johnson et al., 2000; Mitton, 2002).

Table 9. Board Involvement in Service Roles

	1 Very little %	2 %	3 %	4 %	5 Very much %	Mean Score*	SD
Take into account the interests of stakeholders in the achievement of company objectives (Se6)	0.0	0.9	10.7	52.7	35.7	4.23	.67
Promote goodwill / support of stakeholders' interests (Se7)	0.0	0.9	17.9	52.7	28.6	4.09	.70
Enhance company reputation (Se2)	0.0	1.8	22.3	46.4	29.5	4.04	.77
Ensure communication with shareholders is effective (se5)	0.0	1.8	27.7	46.4	24.1	3.93	.76
Act as ambassador for the company (Se3)	0.0	8.0	25.0	45.5	21.4	3.80	.86
Provide advice and counsel to top managers (Se1)	0.9	4.5	31.3	50.0	13.4	3.71	.79
Participate in developing relationship with outside parties (Se4)	0.0	8.9	33.0	42.9	15.2	3.64	.84

*High mean scores indicate greater BOD involvement.

Table 10 provides ranking of the importance of outside directors' involvement in the board. The results show that the roles of outside directors on the board focus on providing a balanced (independent) view and contribute to management performance. Outside directors are also required to have strategic thinking capabilities. Other than the common role of protecting shareholders' interests, the results emphasize the need of outside directors to have relevant skills to complement the management expertise.

Table 10. Outside Directors Involvement in Resource Dependency Roles

	1 Very little %	2 %	3 %	4 %	5 Very much %	Mean Score*	SD
Provide a balanced (independent) view onto the board (Rd2)	0.0	0.9	16.1	45.5	37.5	4.20	.73
Make contribution to management performance (Rd5)	0.9	5.4	31.5	56.8	5.4	4.10	.73
Have strategic thinking capabilities (Rd8)	0.0	0.9	17.0	58.0	24.1	4.05	.74
Bring in skills relevant to the company (Rd1)	0.0	2.7	22.3	48.2	26.8	3.99	.79
Make contribution to board committee (Rd3)	0.0	0.9	19.6	48.2	31.3	3.96	.77
Represent shareholders' interests effectively (Rd7)	0.0	3.6	26.8	49.1	20.5	3.87	.77
Have ability to balance risk and asset protection (Rd9)	0.9	3.6	22.3	59.8	13.4	3.81	.66
Are chosen for their experience in the industry (Rd4)	0.0	4.5	20.5	50.0	25.0	3.60	.71
Provide channels of communications between firms (Rd6)	0.0	11.7	43.2	36.9	8.1	3.41	.80

*High mean scores indicate greater BOD involvement.

3.4. t-test Analysis of BOD Roles

Table 11 presents the t-test analysis of BOD involvement based on two categories of family-controlled company i.e. family company (famco) vs. nonfamily company (nonfamco). Category of family company is based on the percentage of family ownership of 10% and higher. Those companies having family ownership less than 10% are grouped as nonfamily company. Accordingly, there are 42 companies fall under family company and 70 companies under nonfamily company. The t-test analysis shows significant differences ($p<0.05$) are found in one strategy roles' items (St7) and in two service roles' items (Se4 and Se7). The results indicate that BOD involvement is greater in family companies.

Table 11. *t*-test Analysis of Famco10 and BOD Roles

	Mean value (Famco=42)	(Nonfamco=70)	t-value
St7- Benchmark strategic plan with industry data	3.81	3.46	1.993*
Se4-Participate in developing relationship with outside parties	3.86	3.51	2.105*
Se7-Promote goodwill / support of stakeholders' interests	4.31	3.96	2.630**

* p<0.05. ** p<0.01.

Based on the 20% cut-off of family ownership, 39 companies are grouped as family company and 73 companies are nonfamily companies. Results of the t-test analysis are shown in Table 12, which indicates that BOD involvement is greater in family company. In strategy roles, the results indicate 3 items (St1, St4, St7) are significantly difference (p<0.05) between the two groups i.e. the tasks of defining company vision, identifying company principal risk, and benchmarking company strategic plan with industry data. For monitoring roles, it is found that family company has more internal mechanisms to evaluate board members' performance. For service roles, almost all items (Se1, Se2, Se4, Se5, Se6, Se7) are shown to have significant differences between the two groups. Family company performs more service roles than nonfamily company.

Table 12. t-test Analysis of Famco20 and BOD Roles

	Mean value (Famco=39)	(Nonfamco=73)	t-value
St1- Define vision of the company	4.29	3.88	2.575*
St4- Identify principal risks of the company	4.08	3.78	1.997*
St7- Benchmark strategic plan with industry data	3.87	3.44	2.446*
M6- Have internal mechanisms to evaluate board members' performance yearly	3.90	3.52	2.134*
Se1-Provide advice and counsel to top managers	3.95	3.58	2.566*
Se2-Enhance company reputation	4.31	3.89	2.815**
Se4-Participate in developing relationship with outside parties	3.92	3.49	2.625**
Se5-Ensure communication with shareholders is effective	4.13	3.82	2.040*
Se6-Take into account the interests of stakeholders in the achievement of company objectives	4.44	4.12	2.399*
Se7-Promote goodwill / support of stakeholders' interests	4.33	3.96	2.758**

* p<0.05. **p<0.01.

The result of the t-test analysis of the BOD roles based on the CEO duality category (see Table 13) shows that there is a significant difference (p<0.05) for the two group in one item only (Se7). The result indicates the higher involvement of BOD to promote stakeholders' interests in companies with CEO duality role (dual). The evidence does indicate that the commitment of companies with CEO duality is superior in terms of protecting the stakeholders' interests. The result also indicates that the involvement of BOD in monitoring roles, strategy roles, resource dependency roles and other service roles are not significantly difference between companies practicing CEO duality and independent board leadership (non-duality). The result suggests that CEO duality or independent board leadership is not a concern in terms of the extent of roles performed by the BOD.

Table 13. t-test Analysis of CEO Duality and BOD Roles

	Mean value (Nondual=94)	(Dual=18)	t-value
Se7- Promote goodwill / support of stakeholders' interests	4.02	4.44	-2.383*

* p<0.05

Table 14 present the results of t-test analysis based on the dichotomous category of firm size i.e. big size vs. small size. In general, the results indicate significant differences between the two groups where the involvement of BOD is greater in big size companies. For strategy roles, only one item, i.e. reviewing strategic plan for the company, is significant (p<0.05). Almost all items in the monitoring roles are significantly different between the two groups. This suggests that greater BOD involvement to monitor management decisions are conducted in big size companies. For service roles, only one item which is to act as ambassador for the company is significantly different (p<0.01). For resource dependency roles, outside directors with relevant skills (p<0.05), with a balanced view (p<0.05), with strategic thinking capabilities (p<0.01) are found to have greater involvement in big size companies. The results suggest the importance of outside directors to have relevant skills in order to be effective in board meetings.

Table 14. t-test Analysis of Firm Size and BOD Roles

	Mean value (Big=56)	(Small=56)	t-value
St3- Review strategic plan for the company	4.30	4.00	2.025*
M1- Ensure corporate survival	4.46	4.11	2.455*
M2- Specify lines of authority of management and board	4.36	3.84	3.896**
M3- Monitor top management in decision making	4.32	3.88	3.361**
M4- Evaluate performance of top company executives	4.04	3.55	2.679**
M5- Evaluate the skill mix on the board	4.04	3.70	2.108*
M7- Involve in succession planning for top management	3.84	3.48	1.987*
M8- Require information of company performance	4.30	4.00	2.296*
Se3- Act as ambassador for the company	4.04	3.57	2.924**
Rd1-Bring in skills relevant to the company	4.14	3.84	2.099*
Rd2-Provide a balanced (independent) view onto the board	4.34	4.05	2.093*
Rd8- Have strategic thinking capabilities	4.21	3.89	2.608**

* p<0.05. **p< 0.01.

There are significant difference in terms of board involvement between companies with high ROA and companies with low ROA as shown in Table 15 below. Companies with high ROA have more board involvement in certain items of strategy, monitoring, service and resource dependency roles. Specifically, in strategy roles there is significant different in defining company's vision (p<.05), reviewing strategic plan (p<0.01), and benchmarking company's strategic plan with industry (p<0.05). In monitoring roles, companies with high ROA are found to have more board involvement in ensuring corporate survival, and management oversight roles (M2, M3, M8, M9). For service roles, BOD in companies with high ROA has greater involvement in promoting company reputation externally (Se2, Se3, Se). For resource dependency roles, the result indicates that companies with high ROA require their outside directors to have greater involvement in providing a balanced view and in strategic thinking. The results, in general, indicate that greater board involvement is found in companies with higher performance (ROA).

Table 15. t-test Analysis of ROA and BOD Roles

	Mean value (High=56)	(Low=56)	t-value
St1- Define vision of the company	4.21	3.82	2.269*
St3- Review strategic plan for the company	4.36	3.93	3.059**
St7- Benchmark strategic plan with industry data	3.78	3.41	2.215*
M1- Ensure corporate survival	4.45	4.16	2.170*
M2- Specify lines of authority of management and board	4.25	3.96	2.187*
M3- Monitor top management in decision making	4.27	3.93	2.501*
M8- Require information of company performance	4.38	3.93	3.475**
M9- Review company performance against strategic plan	4.32	3.96	2.745**
Se2- Enhance company reputation	4.27	3.80	3.331**
Se3- Act as ambassador for the company	3.98	3.63	2.215*
Se4- Participate in developing relationship with outside parties	3.80	3.48	2.035*
Rd2- Provide a balanced (independent) view onto the board	4.34	4.05	2.093*
Rd8- Have strategic thinking capabilities	4.18	3.93	2.004*

* p < 0.05. ** p < 0.01.

The t-test analysis of BOD roles are also conducted based on the dichotomous category for debt ratio (high vs. low) and growth (high vs. low). However, results of the tests show no significant differences in the mean of both groups. The results suggest that BOD involvement is indifferent in terms of debt ratio and growth.

4. Conclusion

Greater board involvement in monitoring roles support the emphasis on monitoring roles by the Companies Act 1965 and various regulatory directives. However, the results in monitoring roles indicate the emphasis on management oversight roles of BOD rather than performance evaluation roles. The emphasis on strategy roles is given to the task of reviewing the strategic plan and defining the company vision. The BOD involvement in service roles are more on protecting the interests of all stakeholders. For resource dependency roles, the results indicate that outside directors are required to have a balanced (independent) view and related management skills to assist management. The results support the roles played by the outside directors to assist management decisions and protect the interest of the shareholders. The t-test analysis highlights the BOD involvement is greater in the family companies and big size companies. However, the BOD involvement is indifferent in most roles according to CEO duality, debt ratio and growth categories.

The limitation of the study is that the sample of the study only focuses on the main board companies. Thus, the findings of the study may not be generalized to other second board and MESDAQ companies. Further researches should be conducted in other boards (second board, MESDAQ, etc.) to determine whether the survey (instruments for board roles) holds in other boards. Further researches should also be explored to provide insights on corporate governance mechanisms that may influence BOD involvement on the board decision making and also to examine the extent of BOD involvement affecting the firm performance.

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