DIRECTOR REMUNERATION, CORPORATE GOVERNANCE AND PERFORMANCE: A COMPARISON BETWEEN GOVERNMENT LINKED COMPANIES VS NON GOVERNMENT LINKED COMPANIES

Nazrul Hisyam Ab Razak*

Abstract

This study has examined the relationship between director's remuneration, corporate governance structure and performance of a sample of 150 companies listed on the Bursa Malaysia from year 2008 until 2013. The sample was selected to provide matched-pair of government linked companies (GLCs) and non-government linked companies (non-GLCs), as it was anticipated that these group would have different governance structure, the key difference being government ownership. The result holds even when we control for company specific characteristic such as corporate governance, company size, leverage, director's remuneration, board size and auditors. This study uses panel based regression model to examine the impact of government control mechanism on company performance using two important measurers. These are accounting based measure proxies by ROA and non-accounting based measures by Tobin's Q. Statistically significant relationships were found across the groupings and for different performance measures. Findings appear to suggest that there is a significant impact of government ownership on company performance after controlling for company specific characteristics.

Keywords: Director Remuneration; Corporate Governance; Government Ownership

*School of Management, University of Bradford, Emm Lane BD9 4JL Bradford West Yorkshire, U.Kingdom
Faculty of Economics and Management, Universiti Putra Malaysia, Serdang Selangor, Malaysia
Email: nazrul@upm.edu.my ; n.h.abrazak@bradford.ac.uk

Introduction

Directors' remuneration is the payment made for services or employment of directors on the board the company or corporation. Directors may be compensated by fee, salary, and or use of the company's property as an agreement between them and the company. However, the amount of remuneration cannot exceed the amount specified in the articles of association (AOA) as stated in company law. The directors can be sue by the stakeholder if they exceed the stated amount or pay themselves too big a share of profit instead of distributing it as dividends. Without the approval of shareholders, it is generally illegal for companies to compensate directors for loss of office.

Boards of directors' are categorized into two different categories for instance, executive and non-executive directors. Executive directors are deemed as non-independent directors. They are assigned by specific operating roles within the entities for example finance, administration and operation. In the other hand, non-executive directors are deemed as independent directors because they are not directly involved operating function. They are given tasks such as chairing remuneration committee, audit committee and nomination committee within the board's purview to monitor the executive directors. (Talha M., Sallehhuddin A. and Masuod S., 2009).

To run the company successfully, the levels of make-up remuneration should be sufficient to attract and retain the directors. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of executive directors. In the case of non-executive directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular non-executive concerned. Companies should establish a formal and transparent

procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. Details regard to the remuneration of each director should be disclosed in the company's annual report.

In Western company, there has been considerable concern about the remuneration of company directors which has been fairly widespread among shareholders, employers, politicians and the press, has focused on three elements within the executive remuneration package. For example there is the size of basic pay increases, the large gains from share options, particularly in the recently privatized energy and water utilities and the compensation payments to directors on loss of office.

The main objective in this paper is to determine whether GLCs perform better than non-GLCs after controlling company specific characteristics such as directors' remuneration, corporate governance and company performance. Meanwhile, for each GLCs and non-GLCs, we also look on which of these companies specific characteristic explain performance of companies in Malaysia. We used to concentrate on GLCs in Bursa Malaysia and compare with other selected companies which categorized as non GLCs. We like to know whether government involvement will lead to positive or negative impact on company performance.

According to Putrajaya Committee on GLC High Performance (2006), Government Linked Companies (GLCs) GLCs are defined as companies that have a primary commercial objective and in which the Malaysian Government has a direct controlling stake. Controlling stake refers to the Government's ability to appoint BOD members, senior management, make major decisions for example contract awards, strategy, restructuring and financing, acquisitions and divestments. The category of GLCs comprises companies that are controlled by the respective State Governments and State-level agencies. Kumpulan Wang Simpanan Pekerja (EPF), Khazanah Nasional Bhd, Permodalan Nasional Bhd (PNB), Lembaga Tabung Haji (LTH), Kumpulan Wang Persaraan (KWAP) and Lembaga Tabung Angkatan Tentera (LTAT) are among the country's main GLICs. (Hooy, C. W. & Tee C. M. 2010).

There are segregation of three core groups namely accounting ratios, company size and market measurement in the evaluation performances of GLC in accordance to Lewellen and Huntsman (1970), Meeks and Whittington (1975), Cosh (1976), Coughlan and Schmidt (1985), Kerr and Bettis (1987) and Conyon et al. (2000),. We add another perspective which is board independence according to the studies by Main (1991), Jensen (1993) and Conyon and Peck (1998). Hence, all our proposed variables have played an important role in determining GLCs' directors' remuneration with the exception of market performance and board structure.

GLCs can be either fully owned or partially owned by the government. GLCs are consider as a legal entity which created by a government to undertake commercial or business activities on their behalf as the rightful owner. There are two main definitions of GLCs. Firstly, a company is categories as a GLCs if a government owns an effective controlling interest (>50%). Secondly, the definition proposed that any corporate entity that has a government as a shareholder is defined as GLCs. In the Malaysia context, Vision 2020 necessitated the role of GLCs in growing and shaping the economy. GLCs contribute approximately 16-18% of the nation's gross capital formation and 9-10% of national GDP. (Khazanah Nasional Berhad)

In Malaysia, GLCs and their controlling shareholders, GLICs (Government Linked Investment Companies), constitute a significant part of the economic structure of the nation. GLCs employ an estimated 5% of the national workforce and account for approximately 36% and 54% respectively of the market capitalisation of Bursa Malaysia and the benchmark Kuala Lumpur Composite Index. Even with active divestment and privatisation, GLCs remain the main service providers to the nation in key strategic utilities and services including electricity, telecommunications, postal services, airlines, airports, public transport, water and sewerage, banking and financial services.

GLCs are playing a significant role in the development of the Malaysian economy. However, overall public perception of GLCs in Malaysia has been tarnished by the low performance of key players, namely Malaysia Airline System (MAS) and Proton Holdings Berhad. Government intervention affects a company's performances are mixed with the results of prior studies on the extent. This study assesses the impact of government intervention on earnings management of a corporate. (Y. W. Lau and C. Q. Tong, 2008)

Government created a state-owned enterprise (SOEs), state enterprise, or government business enterprise, to undertake commercial activities on behalf of an owner government. There is no standard definition of a government-owned corporation (GOC) or state-owned enterprise (SOE). Hence, the two terms can be used interchangeably. The definition purposed they have a distinct legal form and they are established to operate in commercial affairs. While they may also have public policy objectives, GOCs should be differentiated from other forms of government agencies or state entities established to pursue purely non-financial objectives that have no need or purpose of satisfying the shareholders with return on their investment through price increase or dividends.

In the past, pay-performance and board independence empirical studies in US and UK have ignored the area of GLCs. Therefore, it is a need to explore new study to discuss about the relationship between directors' remuneration, corporate governance and company performance in Malaysia GLC and Non-GLC Company. Besides, there is a need to understand pay-performance link in GLCs by looked at development scenario of Malaysian GLCs over the last decade. Hence, to fill up this research gap, conduct pay-performance analysis based on a sample of Malaysian GLCs for the year 2008-2013 through a panel regression approach is needed.

This study consists of 150 Malaysian listed companies for period of year 2008 until 2013. The main finding shows that government ownership will reduce company performances. Meanwhile, companies which pay high director remuneration will improve their performances compare to company which pay lower remuneration to director. Then for comparison between 30 GLCs and 70 non-GLCs, there is no major difference between these two on corporate governances mechanisms, agency cost proxy, which is role duality.

This study will contribute to the literature in several ways. The study examines the impact of improved corporate governance mechanisms especially directors' remuneration in Malaysian public listed companies especially government owned companies. It aims to provide a significant contribution as it recognizes the importance of corporate governance in the integrity of financial reporting and in harmonizing the objectives of both the company's management and its stakeholders. In this research, the study also will provide a window of opportunity for Malaysian regulators to take a deeper look at the Malaysian Code on Corporate Governance regarding director's remuneration and other corporate governance characteristics. It is most important to regulators, investors, academics and others who contend that good corporate governance is important for increased market liquidity and the confidence of the public and investors in Malaysian public listed companies especially family companies leads to a lower cost of capital, therefore more investment opportunities yield a positive NPV leading to more employment/taxes and general good for society? This is an important point of corporate governance which should not be lost.

Empirical studies on director's remuneration, government ownership, corporate governance and performance

The understanding on the empirical differences in corporate control particularly government involvement had advance recently. Many researchers discussed on director's remuneration, corporate governance and company performance but there are little research investigates about this topic among GLCs and non-GLCs.

Lau, Y. W. and Tong, C. Q. (2008) found that Government-linked companies (GLCs) play a vital role in the development of the Malaysian economy. Results of earlier studies on the extent to which government intervention affects a company's performance are mixed. This study empirically evaluates the impact of government intervention on company value in the circumstance of the Malaysian economy. Results of statistical analysis conducted from 2000 to 2005 on 15 GLCs over six years. This reveals a significant positive relationship between the degree of government ownership and company value. Meanwhile, this study has found that contrary to the adverse public perception of GLCs in Malaysia that government intervention improves company value. Results of this study provide preliminary evidence on the control structure of Malaysian GLCs in creating company value and effectiveness of the ownership.

In the case of Malaysia, *Hooy, C. W. and Tee C. M. (2009)* investigated pay-performance framework of Malaysian Government Linked Companies (GLCs) for the financial year 2001-2006 using panel regression approach. The GLCs pay determinant is modeled upon 4 core groups namely accounting

ratios, company size, market measurement and board structure. Besides, accounting ratios are found to be significantly positive linked to company size and pay remains the dominant pay determinant. In this study, empirical findings suggest that corporate governance compliance is not reflected in paid. The insignificant abnormal returns entail that GLCs board adopts a prudent risk management policy. In the result, insignificant relationship is indeed confusing as GLCs fulfill the minimum 33% threshold required by the Malaysian code of corporate governance as reported in Securities Commission (2007).

In a related study, *Said R., Zainuddin Y.H. and Haron H. (2009)* found that audit committee and government ownership are significantly and positively interrelated with the level of corporate social responsibility disclosure. Government ownership is the most significant variable that influences the rank of corporate social responsibility disclosure. Meanwhile in Singapore, *Ang J. S. and Ding D. K. (2005)* investigated the governance structure of government-linked companies (GLCs) in Singapore. This study found that Singaporean GLCs have higher valuations and better corporate governance than a control group of non-GLCs. The results hold even when they control for company specific characteristic for example profitability, leverage, company size, and foreign ownership. As GLCs are generally interrelated with better governance practices, the results support the view that investors in the Singaporean market do rate the higher standards of corporate governance found in the GLCs. Unfortunately, finding done by *Nazrul et. al (2012)* indicate that Malaysian GLC underperform than nonGLCs based on performances and other corporate governance mechanisms and control variables.

Hooy C. W. and Tee C. M. (2010) investigated the pay-performance and monitoring issues in Malaysian government linked companies (GLCs) which involve 21 Malaysian public listed GLCs data from financial year 2001 until 2006. This study indicated that chief executive officer (CEO) pay is regressed to individual performance as well as benchmarked against industry average. The pay–performance relationship in Malaysian GLCs is periodically significant, meaning that CEO pay is not properly aligned to performance. However, pay-earning-sensitivity (EPS) is high and statistically significant when individual performances are scaled against industry average in GLCs with more than 50% independent directors.

Abdullah S.N. (2006) investigated the extent to which company's performance, the structure of the board of directors and ownership determine directors' remuneration in Malaysia among distressed companies. The research uses publicly available data from a sample of 86 distressed companies and corresponding 86 non-distressed companies for 2001 financial year. This research found that there is a negative association between the extent of outside block holdings and directors' remuneration. The findings showed that directors' remuneration is not related with company's profitability as measured by ROA. With regard to corporate governance, board independence and the extent of non-executive directors' interests are found to have negative influence on directors' remuneration. Additionally, findings also reveal directors' remuneration is positively associated with company's growth and size.

According to *Ramasamy B., Ong D. and Yeung M. C. H.(2005),* the study is to analyze the effects of market structure components and other performance measures to better understand the dynamics and determinants of performance within the Malaysian palm oil sector. These findings suggested that size is negatively related to performance while privately owned plantation companies are more profitably managed. This study has found empirical evidence that company size and the company ownership are important determinants of financial performance in the Malaysian palm oil sector. *Dobbins R., Lowes B. and Pass C. (2007)* attempts to relate selected financial variables to the amount of directors' remuneration as disclosed in published accounts. The study concluded that managerial compensation is determined by the size of the company rather than its accounting profits or market value.

Doucouliagos H., Haman J. and Askary S. (2007) explored the relationship between directors' pay and performance within Australian banking from 1992 to 2005. The results indicated an absence of a contemporary relationship between directors' pay and bank performance. In contrast to total directors' pay, the evidence concluded a strong positive and direct association between CEO remuneration and prior year bank performance. The pay performance association is stronger and more direct for CEO remuneration than it is for total directors' remuneration. The study explained that the important determinants of directors' pay are the size of the bank (positive relationship), age (negative relationship), lagged values of directors' pay (positive relationship), and bank specific effects.

Cubbin J., Hall G. (1982) found that there is strong correlation between company size and executive remuneration by follow the rewards to individual U.K. managers over time, thereby controlling for quality variation. This may simply reflect variations in managerial quality across companies. The study also shows that the absence of a correlation between profitability and remuneration is not evidence in favor of the managerial theories. Besides, this study indicates that larger salaries are reflections of managerial discretion which may itself be associated with faster growth, especially external growth.

Meanwhile, *Margaritis.D and Psillaki.M (2008)* examined the relationship between efficiency, leverage and ownership structure using a sample of French companies from low- and high-growth industries. This study found no statistically significant relationship between ownership structure and company performance in the computers and textiles industries. There is a reverse causality relationship from efficiency to leverage and ownership structure. The effect of efficiency on leverage is positive but significant only at low to mid-leverage levels. The results suggest that in the upper range of the leverage distribution the income effect resulting from the economic rents generated by high efficiency offsets the substitution effect of debt for equity capital. This study also found that more dispersed ownership structures are generally associated with less debt in the capital structure except for highly leveraged companies in the textiles industry.

In a related study, *Guest P.M. (2009)* examined the impact of board size on company performance for a large sample of 2746 UK listed companies from year 1981 to year 2002. This study finds that board size has a strong negative impact on profitability, Tobin's Q and share returns. The negative relation is strongest for large companies, which tend to have larger boards. Problems of poor communication and decision-making is the main causes of undermine the effectiveness of large boards.

Anthony Kyereboah-Coleman (2007) explored the effect of corporate governance on the performance of companies in Africa by using both market and accounting based performance measures covering the five year period 1997-2001. These findings showed that large and independent boards enhance company value and that combining the positions of CEO and board chair has a negative impact on corporate performance. Furthermore, the size of audit committees and the frequency of their meetings have positive influence on Tobin's q (a market based performance measure) but seem to have no significant relationship with company's profitability. This study recommends a clear separation of the positions of CEO and board chair and also to maintain relatively independent audit committees for enhanced performance of corporate entities.

Kajola, Sunday. O (2008) examined the relationship between four corporate governance mechanisms; board size, board composition, chief executive status and audit committee; and two company performance measures (return on equity, ROE, and profit margin, PM), of a sample of twenty Nigerian listed companies between 2000 and 2006. The results show a positive significant relationship between ROE and board size as well as chief executive status. The implication of this is that the board size should be limited to a sizeable limit and that the posts of the chief executive and the board chair should be occupied by different persons. This study further reveals a positive significant relationship between profit margin and chief executive status. There is no significant relationship between the two performance measures and board composition and audit committee. This is consistent with prior empirical studies.

Ibrahim H. , Samad M. F. A. and Amir A. found that the board size, independent director and duality for family and non-family ownership have a strong significant influence on company performance. There is a strong relationship between companies with smaller boards and company value suggesting that small board size could be a good and superior corporate governance mechanism for companies to improve performance. The study finds that the company value of family ownership is weaker when a duality role exists yet non-family ownership experience higher profitability when the CEO also serves as chairman of the board.

Krauter E. and Sousa A.F. (2009) investigate the existence of a relationship between executives' remuneration and financial performance in 28 manufacturing companies. The study suggest that there is a relationship between the average variable salary and financial measures: return on equity and return on sales and the benefit index and financial measures: sales growth return on equity, and return on sales. In contrast, there is inexistence of a significant linear relationship among the variables.

Brick I.E., Palmon O. and Wald J.K. (2005) found a significant positive relationship between CEO and director compensation. They hypothesize that this relationship could be due to unobserved company complexity, or to excess compensation of directors and managers. In the other hand, if the positive relationship between CEO and director compensation is symptomatic of cronyism, the relationship between excess compensation and company performance should be negative.

Oviantari I. (2011) investigated the relationship between Indonesian directors' remuneration and company performance. A sample of 100 listed companies throughout the period 2008-2009 has been found that there has been positive relationship between directors and commissioners' remuneration and company performance. Return on Assets (ROA) in this study has a significant negative influence on the remuneration of directors of commissioners. This is because the period after the 1998 economic crisis so the value of ROA is still experiencing negative conditions. Shareholders react by changing the team of directors and commissioners when the value of ROA has decreased. In the result, when replacement team has greater remuneration in the hope, there would be better performance improvement contribute by new management.

Main B. G. M., Bruce A. and Buck T. (1996) examine empirical approach to the study of executive pay in Britain. The study implies that due to executive share options there is a statistically and empirically significant connection between boardrooms pays and company performance. It also indicates that there are strong correlation between the level of emoluments of an executive and the value of share options. Much higher issues of executive share options would generate pay packages that are intimately linked to company performance in an empirically significant manner.

Conyon M. J. (1997) investigated the impact of corporate governance innovations on top director compensation in a sample of 213 large UK companies from 1988 to 1993. The study found that there were positive relationship between director compensation and current shareholder returns. There was also some evidence that governance variables play a role in shaping top director pay. Companies which adopt remuneration committees are seen to have lower growth rates in top director compensation. *Dogan E. and Smyth R. (2001)* examined the determinants of Board compensation in Malaysian companies listed on the Kuala Lumpur Stock Exchange over the period 1989 to 2000. This study found that there is a statistically significant positive relationship between Board remuneration and sales turnover and a statistically significant negative relationship between Board remuneration and ownership concentration. On the other hand, the relationship between Board remuneration and company performance is ambiguous, while there is no evidence of a significant relationship between Board remuneration and sector performance.

Bruce A., Buck T. and Main B. G. M. (2005) explored the interlinked nature of three available theoretical lenses, namely principal-agent, executive power, and stewardship/stakeholder theories with a discussion of executive pay in the UK and in Germany. This study argues that executive pay structures, the choice of theoretical perspective and evaluations of pay and governance are closely inter-related. Different countries' patterns of corporate governance in general and executive pay in particular, cannot be explained by conventional principal-agent theory alone.

Meanwhile, *Talha M., Sallehhuddin A. and Masuod M. S. (2009)* examine the corporate governance and directors' remuneration as being practiced by five different ASEAN countries i.e. Singapore, Malaysia, Indonesia, Philippines, and Thailand. This study implies that governance is about how an entity is being controlled and directed.

Policies and Practices	**Malaysia**	**Singapore**	**Thailand**	**Indonesia**	**Philippine**
Individual director remuneration disclosure	Yes	Yes	Yes	Yes	Yes
Shareholders approval on directors' remuneration	Yes	Yes	Yes	Yes	Yes
Shareholders approval on stock-	Assumed not necessary (it is	Yes, and approved by	Yes	Yes	Yes

based incentive plans	not discussed within the scope of provisions requiring shareholders approval)	independent Shareholders.			
Remuneration committee recommends on directors' remuneration	Yes	Yes	Yes	Yes	Yes
Separation roles of the Chairman of BOD and CEO	Yes	Yes	Yes	Yes	Yes
Recommended maximum length of contract	3 years	2 years	1 years/12 months	1 years/12 months	18 months with possible extension to 5 years

Meanwhile, *Unite A.A. , Sullivan M.J. , Brookman J. , Majadillas M.A. , Taningco A. (2008)* , investigate the relationship between executive compensation and company performance in the Philippines. This study show positive relation between executive compensation and performance in the Philippines for those companies not affiliated to a corporate group, but that this relation does not hold for affiliated companies. Besides, *Wan-Hussin W.N., Salim B. (2009)* investigated the association between remuneration committee and ownership structures on pay-for-performance. This study finds that pay-for-performance relationship is weaker at high level of managerial ownership which is consistent with agency theory prediction.

Kato T., Kim W., Lee J.H. (2004), investigated the first rigorous econometric estimates on the pay-performance relations for executives in Korea on 251 companies from year 1998 to 2001. This study finds that cash compensation of Korean executives is statistically significantly related to stock market performance and that the magnitude of the sensitivity of pay to stock market performance is comparable to Japan and the U.S. Moreover, an alternative performance measure is found to play a less important role in the determination of Korean executive compensation.

Kato T., Long C. (2004), described the relationship between executive compensation with company performance in listed companies in China from 1998 to 2002.This study find that there is significant sensitivities and elasticity of annual cash compensation (salary and bonus) for top executives with respect to shareholder value in China. In addition, sales growth is shown to be significantly linked to executive compensation. Besides, private ownership seems to be strengthening the executive pay-performance link and thus making the listed companies more effective in solving the agency problem, compared to both government ownership and collective ownership. In contrast, government ownership weakens the pay-performance link and such effects persist, be it direct or indirect.

Hearn B. (2011) examined the contrasting impact of company-level as opposed to state-level governance on directors self-rewarding behavior, or director compensation in West Africa using sample of 51 IPO companies gathered from across West African region. This study found evidence of the primacy of state-level governance institutions over and above individual company-level measures and larger board sizes are less effective governance mechanisms in inhibiting self-rewarding behavior. Besides, substantial evidence showed enhanced self-rewarding behavior and expropriation of private benefits of control is closely associated with higher rule of law, lower political stability and lower media and analyst freedom which are characteristics of authoritarian dictatorial regimes.

Many researchers discussed on director's remuneration, corporate governance and company performance but there are little research investigates about this topic among GLCs and non-GLCs. Some of the research found that there is a negative association between directors' remuneration with company's profitability but some of the research indicated that there is positive relationship between directors and commissioners' remuneration and company performance. Most of the study found that GLCs have higher

valuations and better corporate governance than a control group of non-GLCs. Besides, study shows that company company size, leverage, board size, director's remuneration for GLCs and non-GLCs have a strong significant influence on company performance.

Research Methodology

The main purpose of this study is to investigate what factors that can be effects directors' remuneration, corporate governance and company performance in government linked company and non-government linked company public listed companies of Bursa Malaysia (Malaysian Stock Exchange).

In this study, a sample of 30 GLCs in Malaysia is selected over the period through 2008 until 2013, while a control sample of 120 companies with no government link were included in the first analysis. However, a sample of 30 family GLCs and 30 non-GLCs will be selected in the second analysis if the sample result from the first analysis had failed. Each selected company is listed on Bursa Malaysia. No company under Practice Note PN3, PN4, PN17 or Amended PN17 is being selected to be the sample in order to avoid sample bias. This sample was selected based on several criteria below:

1. A complete set of data is available in database such as Data-stream. Total populations of GLCs in Malaysia were 57 companies.
2. This matching of 120 samples is base on size of company and their industries.
3. Financial institutions are excluded as they are governed by difference set of rules and acts.

Variables are the items that have been identified in order to conduct in a research to measure the result. Variables that included in this research are dependent variable, independent variables and control variables. This study utilise an accounting measure (ROA) and non accounting measures (Tobin's Q) as the dependent variable, which are employed as proxies for company performance. ROA is the average annual realised rate of return measured by dividing earning after tax by total. The independent variables consist of government owned, company size, leverage, director's remuneration, board size, and auditors.

This study also using panel based regression model to examine the impact of government control mechanism on company performance using an important measures. These are accounting based measure proxies by ROA. Specifically ordinary least square (OLS) will be used to capture the equivalence of the parameter estimates between GLCs and non-GLCs. Secondary data is utilized in this study because obtaining secondary data is usually less expensive than acquiring primary data. In addition, it requires less time to collect secondary data. Besides, the accessible population for primary data may be less representative of the target population than that for secondary data. Panel based multivariate regression were used to analyze the relationship between the various specific characteristics and company performance. Model is based on one measures namely accounting based performance that is return on asset (ROA) and non accounting based performance (Tobin's Q). The operational form of the models is as follow:

$$\boldsymbol{Value = ß_0 + B_1Gowned + B_2FSize + B_3Leverage + B_4DR + B_5BSize + B_6Aud + \varepsilon_{it}}$$

$$\boldsymbol{DR = ß_0 + B_1Gowned + B_2FSize + B_3Leverage + B_4ROA + B_5BSize + B_6Aud + \varepsilon_{it}}$$

Where:
Value consist of

$$\boldsymbol{ROA} = \frac{\text{NT}}{\text{TA}}$$

$$\boldsymbol{Tobin's\ Q} = \frac{\text{Market Value of Equity + Total Debt}}{\text{Book Value of Total Asset}}$$

Gowned = Dummy variable that takes on a value of one when government owned, and zero otherwise

FSize = log natural of total assets

Lev = Degree of borrowing cash for capital

DR = log natural of total directors' remuneration

BSize = The board composition for the company

Aud = Dummy variable that the takes on a value of one
when the auditor is one of the big four companies,
and zero otherwise

ε_{it} = error term

Research Finding

The result presents the determinations of relationship between corporate performances with board size, leverage, auditors, board independent and company size. To examine the impact of director remuneration and corporate governance on company's performance in the context of Malaysia companies, this study compares the financial performance of GLCs with non-GLCs, and determined whether or not government ownership and various governance measures contribute to company performance. Besides that, this research will be determined which control variable will affect the result of company performance.

Table 1 presents the descriptive statistics for the dependent and continuous independent variables. Table 1 shows the, minimum, maximum, mean, standard deviation, variance, skewness and kurtosis for each dependent and independent variables. For the gowned, the minimum and maximum values are 0 and 1.0 respectively. The sum is 150 while mean score and standard deviation of gowned are 0.2013 and 0.4013 respectively with the variance of 0.1610. The skewness and kurtosis of company size are 1.4926 and 0.2283 respectively. For the company size, minimum and maximum values are 15.2685 and 26.2383 respectively. The sum is 15212.2872 while mean score and standard deviation of company size are 20.283 and 1.560 respectively with the variance of 2.435. The skewness and kurtosis of company size are 0.642 and 1.079 respectively. In term of leverage, the range is 6.88 with the value between 0.0001 and 6.8835. The mean score and standard deviation 0.343 and 0.4245 respectively on leverage. The variance on leverage is 0.182. The skewness and kurtosis respectively are 7.966 and 100.188. Besides that, the value of return on asset between -11.1 and 0.7 and the mean score and standard deviation of return on asset are respectively 0.038 and 0.4392 with the variance of 0.193. The skewness and kurtosis respectively are 8.026 and 101.046. The minimum and maximum values of return on equity are -7.1105 and 12.03 respectively. The mean score is 0.135 and standard deviation is 0.6956 with the variance of 0.484. The skewness and kurtosis of return on equity are respectively 7.74 and 151.247. Furthermore, the minimum and maximum values of Tobin's Q are between 0.0146 and 130.266 and the mean score and standard deviation are respectively 4.291 and 10.7138 with the variance of 114.785. The skewness and kurtosis are respectively 7.6408 and 69.8680.

In term of board size, the minimum and maximum values are respectively 6.86 and 18.6. While the mean score is 13.917 and standard deviation is 1.287 with the variance 1.656. The skewness and kurtosis are -0.263 and 1.845 respectively. For the number of directors, the minimum value and maximum value is between 3.0 and 23.0. The mean score and standard deviation is 8.19 and 2.34 respectively with the variance of 5.462. In term of skewness and kurtosis, it is 0.758 and 1.809 respectively. Lastly, the minimum and maximum values of auditor are 0 and 1.0 respectively, while the mean score is 0.787 and standard deviation is 0.41. The variance is 0.168. The skewness and kurtosis of auditor are -1.402 and -0.034 respectively.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Gowned	750	0	1	0.2013	0.4013	1.4926	0.2283
Company Size	750	15.2685	26.2383	20.283	1.5606	0.6424	1.0786
Leverage	750	0.0001	6.8835	0.3428	0.4245	8.0257	101.0460
Return on Asset	750	-11.1195	0.7176	0.0416	0.4392	-22.1376	559.1580
Return on Equity	750	-7.1105	12.0317	0.1349	0.6956	7.7395	151.2475
Tobin's Q	750	0.0146	130.2657	4.2907	10.7138	7.6408	69.868
Directors' Remuneration	750	6.8596	18.6114	13.917	1.2867	-0.2631	1.8451

Board Size	750	3	23	8.1923	2.3407	0.7583	1.8089
Auditors	750	0	1	0.7867	0.4099	-1.4023	-0.0335
Valid N (listwise)	750						

Table 2 reports the correlation matrix for the dependent and continuous independent variables. The findings suggest that there is a significant relationship between Tobin Q with government ownership. Meanwhile, ROA show there is no significant relationship with government ownership. In the others hand, Tobin's Q show a strongly significant positive relationship with government ownership. This implies that GLCs perform better than non-GLCs in term of non counting based performance. Table 2 shows the correlation between variables in the regressions. The correlation matrix is used to explore the strength of relationship between two variables.

Government owned has a medium positive relationship with company's size (r= 0.374) at 0.01 level of significant. It also have a weak positive relationship with leverage (r= 0.104), Tobin's Q (r=0.223), board size (r= 0.225) and auditor (r= 0.222) at 0.01 level of significant. The relationship between government ownership and other variables are very weak; there are namely ROA, ROE and director's remuneration. The r values are 0.0041, 0.043 and 0.054 respectively.

Company size has a medium positive relationship with directors' remuneration (r= 0.388) and board size (r= 0.403) at 0.01 level of significant. Besides, it is weakly positive correlated with ROA (r= 0.164) at 0.01 level of significant and auditor (r= 0.248) at 0.01 level of significant. The relationship between company size and other variables are very weak; there are namely leverage, ROE and Tobin's Q. The r values are 0.0164, 0.074 and 0.0634 respectively. The r value of ROE is at 0.05 level of significant. Company size has a medium positive relationship with government ownership (r= 0.374) which correlation is significant at the 0.01 level.

Leverage has a strong negative relationship with ROA (r= 0.601) at 0.01 level of significant. The relationship between leverage with Government ownership, ROE and Tobin's Q are weak. The r values are 0.104, 0.107 and 0.242 accordingly. All the correlations mentioned above are at 0.01 level of significant. In addition, it has very weak positive relationship with company size (r= 0.0164), directors' remuneration (r= 0.0422) and very weak negative relationship with board size (r= -0.0366) and auditors (r= -0.069).

The finding suggest that there is strong negative relationship between ROA and leverage (r= -0.601) at 0.01 level of significant. It has weakly correlated with company size (r= 0.164) and auditor (r= 0.119) at 0.01 level of significant. Besides, the relationship between ROA and other variables are very weak; they are namely government owned, ROE, Tobin's Q, directors' remuneration and board size. The r values are 0.0041, 0.0381, -0.0187, 0.090 and 0.0499. The r value of directors' remuneration is at 0.05 level of significant.

ROE has weakly correlated with leverage (r= 0.107) at 0.01 level of significant and board size (r= 0.120) at 0.01 level of significant. In the same time, ROE has very weak positive relationship with number of variables; they are namely government owned, company size, ROA, Tobin's Q, directors' remuneration and auditor. The r values are 0.043, 0.074, 0.0381, 0.081, 0.079 and 0.0042. Company size, Tobin's Q and directors' remuneration have r value at 0.05 level of significant.

As for Tobin's Q, the correlation shows that it is weak and positive between Tobin's Q and directors' remuneration as well as board size. The r values are 0.125 and 0.120, both r values are at 0.01 level of significant. Tobin's Q has a very correlated with auditor with r value of 0.0473.

Directors' remuneration has a moderate strong positive relationship with company size (r= 0.388) at 0.01 level of significant. There is a weak relationship with board size (r= 0.192), auditor (r= 0.158), and Tobin's Q (r= 0.125) which is significant at the 0.01 level. Meanwhile, directors' remuneration also has very weak correlation with dummy variable of government owned (r= 0.054), leverage (r= 0.0422), ROA (r= 0.090) and ROE (r= 0.079). All of the r values are at 0.01 level of significant. The value of ROA and ROE is at 0.05 level of significant.

There is a weak positive relationship between board size and government owned (r= 0.225), ROE (r= 0.120), Tobin's Q (r= 0.120), directors' remuneration (r= 0.192), auditor (r= 0.167) and medium positive relationship with company size (r= 0.403), at 0.01 level of significant. In addition, board size has very weak negative relationship with leverage (r= -0.0366); while weak positive relationship with ROA (r= 0.0499).

Auditor has significant relationship with dummy variable government owned (r= 0.222), company size (r= 0.248), ROA (r= 0.119), directors' remuneration (r= 0.158) and board size (r= 0.167). All of these r values are at 0.01 level of significant. Besides, auditor has very weak relationship with leverage (r= -0.069), ROE (r= 0.0042) and Tobin's Q (r= 0.0473).

Table 2. Person Correlation Coefficient

	Gowned	Company Size	Lev	ROA	ROE	Tobin's Q	DR	Board Size	Auditor
Gowned	1	.374**	.104**	0.0041	0.0436	0.223**	0.0540	.225**	.222**
Company Size		1	0.0164	.164**	.074*	.0634	.388**	.403**	.248**
Lev			1	-.601**	.107**	.242**	.0422	-.0366	-.069
ROA				1	.0381	-.0187	.090*	.0499	.119**
ROE					1	.081*	.079*	.120**	.0042
Tobin's Q						1	.125**	.120**	.0473
DR							1	.192**	.158**
Board Size								1	.167**
Auditor									1

*** p-value <0.01 (Strongly significant)/** p-value <0.05 (Significant)/* p-value <0.1 (Partially significant)

Relationship between Corporate Performances and Corporate Governance mechanisms

Table 3 shows the result that government ownership variable indicate a strongly significant positive relationship with Tobin's Q but not for ROA. This means that GLCs perform better than non-GLCs. This result is consistent with *Ang J. S. and Ding D. K. (2005)* which found that GLCs have higher valuations and better corporate governance than a control group of non-GLCs.

Table 3 describes thatt he result that company size variable indicate a positive and strongly significant with ROA. This relationship is consistent with Hooy, C. W. and Tee C. M. (2009) which examine that accounting ratios are found to be significantly positive linked to company size. Meanwhile there is an inverse relationship between company size and company value, Tobin's Q. This finding is reliability with *Ramasamy B., Ong D. and Yeung M. C. H. (2005)* who examines the company size is negatively related to company performance.

Next, the finding also explores that leverage variable indicate a negative but strongly significant with return on asset (ROA) ($p<0.01$). The coefficient is 0.6064 with negative relationship. Leverage accounts for 0.6064 unit of negative impact towards ROA for every single unit it increases. But contrast with Tobin's Q which indicate a significantly positive relationship with leverage. The coefficient is 0.2212 with positive relationship. Leverage accounts for 0.2212 unit of positive impact towards Tobin's Q for every single unit it increase. This implies that the market perceives leverage as an effective mechanism to control management and improve performance. This is consistent with *Margaritis.D and Psillaki.M (2008)* where leverage is positive relative to company performance but significant only at low to mid-leverage levels.

The result indicate positive and partially significant ($p<0.1$) relationship between director remuneration and company performance. The coefficient is 0.0685 with positive relationship for ROA and 0.1263 for Tobin's Q. Similar findings has presented by *Doucouliagos H., Haman J. and Askary S. (2007) and Dugon E. and Smyth R. (2001)* that director remuneration have the significant to increase company performance in a single industry. Besides, *Conyon M. J. (1997)* also support that there were positive relationship between director remuneration and company performance. However, *Abdullah S.N. (2006)* indicated that directors' remuneration is not related with company's profitability as measured by ROA

For board size, a result show negative relationship ($t=-1.8221$) and no significant relationship ($p=0.06884$) with return on asset but contradict for Tobin's Q wihch positive at 1% level (coefficent of 0.1026). This represent that larger the board size, the performance of company will become lower. This is consistent with findings by *Guest P.M. (2009)* examine that board size has a strong negative impact on profitability, and share returns. The negative relation is strongest for large companies, which tend to have larger boards. Problems of poor communication and decision-making is the main causes of undermine the effectiveness of large boards.

From the Table 3 results explore that the auditor is not significant with return on asset (ROA) and Tobin's Q because both p-values are more than 0.1 ($p= 0.2513$ for ROA and0.8405 for Tobin's Q). The coefficient is 0.0346 positive relationships. The positive relationships indicate that auditor from big and quality audit company will affect the company performance. This is consistent with *Anthony Kyereboah-Coleman (2007*), the size of audit committees and the frequency of their meetings have positive influence on Tobin's q (a market based performance measure) but seem to have no significant relationship with company's profitability.

Table 3. Regression for relationship between Company performances, corporate governance and specific characteristics

	ROA			Tobin's Q		
Variables	Coefficients	t-statistic	Significant	Coefficient	t-Statistic	Prob.
Gowned	0.0084	0.2634	0.7923	0.2097	5.4679	0.000***
Company Size	0.1637	4.5940	0.000***	-0.1115	-2.5919	0.0097***
Leverage	-0.6064	-20.9212	0.000***	0.2212	6.3204	0.000***
D Remuneration	0.0573	1.8243	0.0685*	0.1263	3.3284	0.0009***
Board Size	-0.0575	-1.8221	0.0688	0.1026	2.6907	0.0073**
Auditor	0.0346	1.1481	0.2513	0.0073	0.2013	0.8405
R Square	0.3977			0.1218		
Adj R square	0.3928			0.1147		
F-statistic	81.0052			17.0188		
Prob.	0.0000			0.0000		

*** p-value <0.01 (Strongly significant)/** p-value <0.05 (Significant)/* p-value <0.1 (Partially significant)

Relationship between Director's Remuneration, Performance and Company specific characteristics

Table 4 shows the result that government ownership variable indicate a negative and strongly significant with director remuneration (p<0.01). The coefficient is 0.130 with negative relationship. This means that for each additional increase in the company growth, director remuneration will decrease on average by 0.130. This table also finds that the result that company size variable indicate a positive and strongly significant with director remuneration (p<0.01). The coefficient is 0.380 with positive relationship. This means that for each additional increase in the company growth, director remuneration will increase on average by 0.380. This is consistent with study from *Abdullah S.N. (2006),* where directors' remuneration is positively associated with company's size.

Next, the finding explores that leverage variable indicate a positive and significant relationship with director remuneration. The coefficient is 0.104 with positive relationship. Leverage accounts for 0.104 unit of positive impact towards director remuneration for every single unit it increase. Meanwhile, the result indicates positive and partially significant relationship between return on asset (ROA) and director remuneration. The coefficient is 0.079 with positive relationship. This means that ROA presents 0.079 unit of positive impact towards director remuneration for every single unit it increases. This is similar with the study from *Abdullah S.N. (2006)* which indicates that directors' remuneration is not related with company's profitability as measured by ROA.

For corporate governance mechanisms such board size and auditor, results explore different result when related to director remuneration. For board size, a result show positive relationship (coefficient of 0.054) but not significant relationship with director remuneration.This represent that larger the board size, the higher the remuneration will be paid by companies. Meanwhile, from the Table 4, result finds that the auditor is partially significant with director remuneration because the p-value is 0.069. The coefficient is 0.082 positive relationships which indicate that auditor from big and quality audit company will affect the company performance.

Table 4. Panel fixed regression for relationship between directors' remuneration and selected variables

	Directors' Remuneration		
	Coefficient	**t-Statistic**	**Prob.**
Gowned	-0.1300	-3.5190	0.0005***
Company Size	0.3800	9.5120	0.000***
Leverage	0.1040	2.4440	0.0150**
Board Size	0.0540	1.4690	0.1420
Auditor	0.0820	2.3250	0.0200**
ROA	0.0790	1.8240	0.0690*
R Square	0.1750		
Adj. R Square	0.1690		
F-statistic	26.0750		
Prob (F-statistic)	0.0000		

*** p-value <0.01 (Strongly significant)/** p-value <0.05 (Significant)/* p-value <0.1 (Partially significant)

Relationship between corporate performances, corporate governance mechanisms and specific characteristics for Government-owned Companies

From Table 5, the model in this analysis explains 17% of company's performance in term of ROA for government owned companies. The adjusted R square for this model showed the value of 0.141. In overall, the model of government-owned is significant at 0.000 level with F-statistic value= 5.904. There is only 1 out of 5 variables are significant to ROA. This only 1 variable is leverage (p=0.000) that is negatively significant related with ROA. The coefficient for leverage is 0.387. This means that when the

leverage of government-owned companies is large, the company performance will become bad compare to those companies that do not have large amount of leverage.

For Tobin's Q, The model in this analysis explains 17.8% of company's performance for government-owned companies. The remaining 82.2% of Tobin's Q could be explained by other characteristics of company which are not included in this model. In general, the model for government-owned companies is significant at 0.000 level with F-statistic value = 6.254. Board size (p= 0.002) show significant positive relationship with Tobin's Q while auditor (p=0.034) show negative significant relationship with Tobin's Q. The coefficient for board size is 0.291 while auditor is -0.259. Board size is significant at 0.01 levels while auditor is significant at 0.05 levels in this model. In the other hand, company size, leverage and director's remuneration did not have significant relationship with ROA where its p-value is more than 0.1.

Table 5. Regression for relationship between Performances and company specific characteristics for Government-owned Companies

	ROA			Tobin's Q		
Variables	**Coefficient**	**t-statistic**	**Significant**	**Coefficient**	**t-statistic**	**Significant**
Company size	0.0210	0.2170	0.8290	-0.0520	-0.5420	0.5890
Leverage	-0.3870	-3.8750	0.0000***	0.1450	1.4620	0.1460
Directors' Remuneration	0.0120	0.1320	0.8950	0.0540	0.5970	0.5510
Board size	0.0270	0.2890	0.7730	0.2910	3.1510	0.0020***
Auditor	0.0240	0.2140	0.8300	-0.2340	-2.1400	0.0340**
R square	0.1700			0.1780		
Adjusted R Square	0.1410			0.1500		
F-statistic	5.9040			6.2540		
Prob (F-statistic)	0.0000			0.0000		

*** p-value <0.01 (Strongly significant)/** p-value <0.05 (Significant)/* p-value <0.1 (Partially significant)

Relationship between corporate performances, corporate governance mechanisms and specific characteristics for nonGovernment-owned Companies

From Table 6, the model in this analysis explains 58.7% of company's performance in term of ROA for non-government owned companies. The adjusted R square for this model showed the value of 0.584. In overall, the model of non-government-owned is significant at 0.000 level with F-statistic value= 168.276. Director's remuneration have no significant relationship with ROA where its p-value is greater than 0.1 (p= 0.107). This is consistent with Abdullah S.N. (2006) that indicate directors' remuneration is not related with company's profitability as measured by ROA. Company size (p= 0.000) and auditor (p= 0.033) is significant positive related with ROA, while leverage (p= 0.000) and board size (p= 0.006) are negatively related with ROA. The coefficient for company size, leverage, board size and auditor are 0.244, -0.735, -0.078 and 0.058 respectively.

Meanwhile, the model for non-government-owned companies analyses 10.5% of company performances in term of Tobin's Q. The remaining 89.5% of Tobin's Q could be explained by other characteristics of company which are not included in this model. The F-statistic is 13.819, it shows this model reaches statistical significant at probability level = 0.000. Leverage (p= 0.000), director's remuneration (p= 0.000), company size (p= 0.003), and auditor (p= 0.005) are strongly significant to Tobin's Q. Leverage, director's remuneration and auditors have positive relationship with Tobin's Q with coefficient of 0.214, 0.207 and 0.113 accordingly. When leverage, director's remuneration and auditor increases by 1 unit, Tobin's Q will increase by 0.214, 0.207 and 0.113 accordingly. In the other hand, board size did not have a significant relationship with Tobin's Q.

Table 6. Regression for relationship between Performances and company specific characteristics for nonGovernment-owned Companies

	ROA			Tobin's Q		
Variables	Coefficients	t-statistic	Significant	Coefficient	t-statistic	Significant
Company size	0.2440	7.8940	0.000***	-0.1360	-3.0040	0.0030
Leverage	-0.7350	-27.6650	0.000***	0.2140	5.4730	0.000***
D Remuneration	0.0480	1.6130	0.1070	0.2070	4.7500	0.000***
Board size	-0.0780	-2.7770	0.0060***	-0.0470	-1.1130	0.2580
Auditor	0.0580	2.1330	0.0330	0.1130	2.8380	0.0050
R square	0.5870			0.1050		
Adjusted R Square	0.5840			0.0970		
F-statistic	168.2760			13.8190		
Prob (F-statistic)	0.0000			0.0000		

Conclusion

The aim of this study is to examine whether or not government linked companied (GLCs) and non-government linked companies performance better. In particular, this study determines impact of alternative ownership/control structure of corporate governance especially director's remuneration on company performance by controlling other company specific factors. Hence, the main motivation to initiate this study is that whether or not government involvements in company provide control mechanism or incentive to perform better.

An important objective of this paper is to compare the financial performance of GLCs with non-GLCs, where each has a different set of governance structure, the key difference being government ownership. In the search for ownership structure suitable for an economy transition, from an underdeveloped to a developed one, a starting point is to examine the positive and negative attributes of the two dominant ownership/control structures, and ask if a structure incorporating some of their desirable attributes could evolve.

Government owned and run enterprises, in principle, represent the interest of a board base of individuals, not just the controlling shareholders. If ownership of the government evolves into a strong monitoring role without operational or managerial responsibilities, then it may fill the role of an external monitor when strong external institution investors are not yet available in the transition period.

This study uses simple parametric test of mean difference of the samples companies (GLCs) and control companies (non-GLCs). Then, panel based regression model is used to examine the impact of government control mechanism on company performance using two important measures.
First, there is an accounting based measure proxies by ROA. This measurement is used to determine whether government involvement, governance and company specific characteristic affect company performance. The study reveals the following result:

i. There is a positive and strongly significant (at 1% level) relationship between ROA and company size.
ii. There is a negative and strongly significant (at 1% level) relationship between ROA and leverage.
iii. There is a positive and partially significant (at 10% level) relationship between ROA and director's remuneration.
iv. There is a negative and partially significant (at 10% level) relationship between ROA and board size
v. There is no significant relationship between ROA, government ownership and auditor.

Secondly, this research also using non accounting based measurement, Tobin's Q. This measurement is used to determine whether government involvement, governance and company specific characteristic affect company performance. This research finds the following results:

i. There is a positive and strongly significant (at 1% level) relationship between Tobin's Q and government ownership.
ii. There is a negative and strongly significant (at 1% level) relationship between Tobin's Q and company size.
iii. There is a positive and strongly significant (at 1% level) relationship between Tobin's Q and leverage.
iv. There is a positive and strongly significant (at 1% level) relationship between Tobin's Q and director's remuneration.
v. There is a positive and strongly significant (at 1% level) relationship between Tobin's Q and board size
vi. There is no significant relationship between ROA and auditor.

In summary, GLCs seems have better valuations and better management of expenses compared to non-GLCs. GLCs do better than non-GLCs in many performance measures and do not appear to be worse off in other measures. Correspondingly, they are more highly valued.As a conclusion, GLCs tend to exhibit higher valuations than non-GLCs due to their ability to earn higher returns on their investment, including running more efficient and lower expense operation than non-GLCs. The results support hypothesis that GLCs outperform non-GLCs in accounting measures of internal process efficiency.

Implications of the study

The result of this study offer useful implications to researchers and practitioners. First, they advance prior theoretical research in the area of director's remuneration, corporate governance and company performance by shedding light on the factors affecting the company performance. In additional, this study will implicate whether involvement in corporate governance will give better impact on company performance or bad performance.

This study has focused on major phenomenon that is very extensive and major. Clearly, this represents a challenging task for research regardless of the more specific interests that the study may have. This study provides evidence on how effective corporate governance in giving impact to company performance. It is important to know which characteristics of corporate governance will give better impact to company performance. By knowing which characteristic is better to company performance, we can simply just focus on this characteristic. Besides that, based on the findings of this study, we can examine whether or not government involvements in company provide control mechanism or incentive to perform better. This research shows that company wills performance better if government involve in a company. This implicate that to perform better, we should support the involvement of government to our control mechanism.

This study has focused on major phenomenon that is very extensive and major. Clearly, this represents a challenging task for research regardless of the more specific interests that the study may have. This study has a number of limitations. The first is the mechanism of finding match-pair of GLCs and non-GLCs for the sample. Despite there being over nine hundred companies in Bursa Malaysia, the search for reasonably matched companies greatly restricted the coverage of the sample and means that is far from truly random. Further, although every effort was made to produce an accurate match-pair, the process inevitably involves compromise. For example, there was no exact pair in term of paid up capital. Although the effect on performance is probably minimal, an inaccurate match-pair could jeopardize the mechanism of the sample selection itself.

Recommendations for future research

Firstly, a report of the study which takes all the GLCs in Malaysia as sample and examines the relationship between corporate governance structures and performance. Research on the performance of GLCs is lacking in Malaysia with this thesis being the only significant study. Secondly, as a major government investment arm, GLCs provides the platform of government business participation in the

corporate sectors and contribute significantly to the economic development in Malaysia. Given this importance, there should be a comprehensive study on characteristics of all GLCs and company performance. The results might be different compared to the current study as this study picked up only GLCs that are matched-pair with non-GLCs and is therefore limited in its coverage. Thirdly, this paper may shed some new light into corporate finance literature on government involvement in company through government agencies and their performance. Lastly, this study may provide new literature in comparing among ownership structures in relation with company performance and may contribute to the existing corporate finance literature by providing a data set on government.

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