CORPORATE GOVERNANCE
AND COMPANY'S PERFORMANCE

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Project Paper Submitted in Partial Fulfillment of the Requirement for the Degree of Master of Business Administration

Open University Malaysia

2006

ABSTRACT

Theoretically, the principles of corporate governance are consistent with the concept of wealth maximisation and strategic management. It is to ensure the shareholder goal – wealth maximisation – is implemented. Given this objective, is there truly any correlation between corporate governance and company's wealth maximisation, reflected by its performance? In the past, certain studies discovered a strong correlation. Most others found weak results or no link between corporate governance and performance. To contribute further to the earlier findings, this study examined the relationships of board size, director independence, number of board meetings, non-duality role of Chief Executive, role of non-executive Chairman, number of board committees, voluntary training, continuous communication with investors and existence of director to whom concerns can be conveyed; for selected PLCs, against their ROE, ROA, EPS and share price. Results for individual relationships between each proxy of corporate governance and proxy of performance were inconsistent. In general however, the results imply weak relationships exist between corporate governance and company's performance. The findings from this study will become handy in the wake of shareholders' activism and provide guidance to corporate players in understanding their role; it may also offer relevant authorities or policy setters, ideas to mitigate any loopholes in policing corporate governance.

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