DOI: https://doi.org/10.24191/ijsms.v6i2.15576

Gender and Ethnic Diversity, and Economic Value Added: Evidence from Government-Linked Companies

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Received: 30 April 2021
Accepted: 26 August 2021
Published: 30 September 2021

ABSTRACT

Board diversity was further emphasized in the revised Malaysian Code of Corporate Governance (MCCG) 2017, as this can allow for more board effectiveness in constructive debates and better decisions. With this recommended deliverable, the code believes that companies should perform and will be more equipped to face the ever-changing business environment and challenges. This study examines the influence of boardroom diversity on corporate performance using Government-Linked Companies (GLCs) in Malaysia as units of analysis. The study used secondary data of publicly listed GLCs in Malaysia for seven years (2012 to 2018). We used gender and ethnicity to proxy for boardroom diversity while economic value added (EVA) represents the company's performance. We also used panel data multiple regression to analyze the data. After controlling for firm size and firm age, the empirical results revealed that board ethnicity is negatively and significantly related to firms' economic performance. Board gender, however, provides insignificant results. We also find the firm size to be significant and positively related to EVA. This preliminary result on board composition requires further research on how Malaysian GLCs can address the MCCG's recommended governance compliance, particularly on the monitoring roles of the board on firm performance.

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Keywords: *Board diversity; Government-Linked Companies; economic value added*

INTRODUCTION

Government-Linked Companies' (GLCs) performance is an issue in Malaysia amidst their business activities and often profit-oriented meddling and involvement in the private sector. The issue became imminent after the Asian Financial Crisis (AFC) in 1997-1998, when companies and GLCs were adversely affected. Since then, the management of GLCs' performances had received public and political attention since they are the key drivers in the country's economy (Janang, Tinggi & Kun, 2018). The government launched the Malaysian Code of Corporate Government (MCCG) in 2000, with the aim, amongst others, to improve financial disclosure and accountability. The revised MCCG in 2007 focused on strengthening the roles of the board of directors and the audit committee (Janang, 2017). Other revisions of the MCCG in 2012 and 2017 aims to further raise the corporate governance standards among companies in Malaysia. One of the enhancements made in the revised MCCG 2017 is strengthening board composition, independence, accountability, and transparency. Besides recommending more board independence, greater clarity on board remuneration and tenure, board diversity is also laid out in MCCG good practices. This study then led to our investigation of boardroom diversity and company performance, focusing on publicly listed GLCs in Malaysia. Past studies tend to apply financial indicators such as return on assets (ROA) and return on equities (ROE) to measure companies' performance. However, our study investigated performance from the economic perspective and extended the previous literature to examine the gender and ethnicity diversity in the boardroom.

Past documented studies used various tools to measure performance. This paper adds an economic measurement tool, which is Economic Value Added (EVA). Marshall (1920) defines EVA to suggest that all companies can obtain capital when they earn more capital cost and debt. Hence, the companies can use EVA to disregard any misrepresentation of the financial report. The EVA will help managers relook their business operation and see whether the companies are becoming more or less valuable. The role of EVA is to help the company's managers make better

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investment decisions and identify performance improvement in any future opportunities. Even though EVA is not a recent performance measurement tool and was used long before the MCCG implementation, the measurement is more economically realistic and comprehensive than accounting and market measurement (e.g., ROA, ROE, and Tobin's Q).

Past corporate governance researchers, particularly studies on the earlier MCCGs, commonly stated one key aspect of corporate governance and monitoring mechanism: ownership structure or board structure of the company (Li, Sun, & Yannelis, 2018; Janang et al., 2018; Paniagua, Rivelles & Sapena, 2018; Alqatamin, 2018). Our study looks at one enhancement initiative for board effectiveness as recommended by the revised MCCG 2017, which is either director diversity or board diversity. We look from the perspective of gender diversity and examine whether these practices have significantly influenced performance. The Malaysian Code of Corporate Governance (MCCG, 2012) stated that board diversity could contribute to efforts that demand better decisions to employ, retain and promote better employees in management. In recent years, board diversity has received substantial attention within the issues of corporate governance. The point of board diversity and corporate risk-taking is relatively unexplored in Malaysia. The majority of the public listed firms have fewer incentives to increase women's participation in the boardrooms. The issue in boardroom diversity is when there is slow progress for gender diversity in the boardroom. In most countries and Malaysia alike, the focus on the family comes first to women instead of being business community members (Kamarulzaman, 2019). The then Deputy Minister of Women, Family and Community, Hannah Yeoh, stated that "there is lack of opportunities, awareness, and infrastructure, such as childcare centers at the workplace to sustain women in the workforce and it is not about of lack of women leaders in community" (Yunus, 2018).

Victor (2017) reported that only 95 out of 928 publicly listed companies had achieved the 30 percent target, while 372 companies are still without a single woman sitting on the board (Victor, 2017). The Malaysian Code of Corporate Governance (MCCG, 2017) recommended that the appointment of the board and senior management should be based on the objective criteria for diversity in skills, experience, age, cultural background, and gender. Under the Shared Prosperity Vision 2030, unveiled by the then Prime Minister Tun Dr Mahathir Mohamad, highlights some economic development challenges, including the ongoing income disparity between the Bumiputeras and the non-Bumiputeras (Ministry of Economic Affairs, 2019). Slow progress in the Bumiputera economy was reportedly due to the unbalanced policy targets and relatively limited market access for Bumiputeras. Thus, Government-Linked Companies were created as an umbrella to Bumiputera Small and Medium Enterprises (SMEs). Therefore, the vision is to strengthen and encourage business linkages and clusters among Bumiputera enterprises. It is also to increase participation between the private sector, the GLCs, and Bumiputera enterprises.

Our study hopes to provide a preliminary understanding of whether the independent variables are influential in determining the performance of Malaysian Government-Linked Companies. Hence, this study's main objective is to examine whether board diversity, as a proxy by gender and ethnicity, impacts the firm. We observed 32 companies with a cumulative Government Linked Investment Companies (GLICs) shareholding of more than 20 percent, currently listed at Bursa Malaysia Securities Exchange Bourse (commonly known as Bursa Malaysia). We used consecutive annual financial data for a seven-year period from 2012 until 2018. Thus, it gives us a panel data set of not more than 224 firm-year observations.

LITERATURE REVIEW

Agency theory is relevant in any study that is related to corporate systems and governance. This theory explains how governance issues occur in companies as conflicts arise between the shareholders, managers, and financial managers (Jensen & Meckling, 1976). Berle and Means (1932) initially mentioned this theory, which attempts to explain the link between a company's owners and managers. Long before Jensen and Meckling (1976) model existed, Berle and Means (1932) had already written extensively on the separation of ownership in large public companies. Since the ones who own a company and those who control it are separated, the small investors who owned most of the public companies would have little chance to influence corporate decision-making (Berle & Means, 1932). However, Jensen and Meckling (1976) designed a model to illustrate how lower managerial ownership leads to an increase in the non-related monetary incentives spent by the managers as they do not entirely affect the costs. They emphasized that the ownership structure situation is to be aware

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of how much the firm's insiders own the shares and be mindful of how concentrated the holdings of the outside shareholders were. They argued that since major investors bring implications in observing expenses and have adequate voting power to impact corporate governance, they are better than the minor shareholders.

Jensen and Meckling (1976) used the agency model as a formal context to explain the behavior of the company's agents (managers). The main point of this model is an exchange in the arrangement of agency costs between having pretty much insider ownership. Agency costs arise whenever the administrators additionally control an outsider's funds other than their own because there is an essential advantage. The argument is as what Berle and Means (1932) had specified, where a separation of ownership and control in large firms can create a space for directors to utilize the firms' capital to their advantage. Jensen and Meckling (1976) expressed the theory of ownership structure based on agency problems or conflict of interest between the directors and the minority shareholders. Since both parties may seek to maximize the theory's utility and self-interests, a dispute of interest arises. Jensen and Meckling (1976) proposed an effective mechanism that corresponds to the interest of the proprietors and directors with the investors and directors.

Another theory that is relevant to this research is the stewardship theory. Like Agency theory, it explains the association between the principals and the agents. However, stewardship theory substitutes the lack of trust in managers, as argued by the agency theory. In agency theory, the principal uses authority and monitoring to keep the tendency of unethical issues. Stewardship theory, however, described the agents work as stewards for the company and are not encouraged by their self-interest but to reach the company's objectives and its principals (Davis, Schoorman, & Donaldson, 1997). Under stewardship theory, the principals expect the agent to perform as a steward, and it depends on the psychological inspirations and adjacent situation on the individual. When the individual notices the situation to be disapproving, they will act in an agency behavior and improve their interest rather than its profit (Davis et al.,1997). From a stewardship point of view, the agent is self-fulfilled and motivated when the company achieves its objectives. Besides, the stewardship relationship is a connection that commonly benefits both the principal and agent. The importance of structure allows the steward maximum independence built on trust (Donaldson & Davis, 1991). The participation between principal and agent eliminates the conflict of interest in the nature of humanity in a stewardship relationship (Eddleston & Kellermanns, 2007).

The revised MCCG 2017 stated that board diversity remains a critical element of a well-functioning board and is considered a primary measure of good governance. The board with diverse group members, be it gender, age, and racial composition, allows for ideal decision-making by a mandate with a different understanding and point of view. It also provides challenging wisdom which will enable companies to maximize business and improving governance performance. Therefore, diversity signifies that the company is in good condition to meet the needs of various markets to improve its reputation and performance (Securities Commission Malaysia, 2012). Board diversity includes the director's experience, skills, ability, race, gender, culture, and nationality. The board with diverse characteristics may have a different understanding and perspective to tackle various issues. A well-positioned board in this favour can help terminate stereotyping while making profitable decisions aligned to customer and investor requirements. The board diversity hopes to contribute efforts that demand decisions to employ, retain, and promote better employees in management, including women. Gender is not the only characteristic of board diversity, but it has brought global impact as an essential element of board growth. The stakeholders have given gender diversity in corporate performance more attention. Thus, the code highly recommended that the board appointment committee approve women applicants on the board as part of their employment policies. The revised MCCG also recommends that companies disclose their gender diversity policies and targets in the annual reports and the measures taken to meet those targets.

The target for 30 percent women involvement on boards of the Top 100 listed companies by 2020 is considered far-reaching, with only 19.20 percent women involvement by December 2017. Other than gender, ethnicity is also another board diversity element. Malaysia is a country with a diverse population, comprising three main ethnic groups: Malays (Bumiputera), Chinese, and Indian (Tamil). Malaysia has a diverse religious foundation, ethnicity, culture, and language. This national diversity should correlate with corporate board diversity, and corporate boards that empower ethnic diversity can enhance and create the value of a firm (Hassan, Marimuthu & Johl, 2015). The background of culture in Malaysia has developed the nation's population and employment, but only large companies are interested in promoting ethnic diversity on the board (Hassan et al., 2015). There are different results and inconsistencies from previous studies that relate board diversity at the top management level and its implication on financial performance (Adnan et al., 2016).

Gender Diversity and Firm Performance

Gender diversity among the board of directors has gained so much attention among policymakers, researchers, and the financial media. Whether increasing the proportion of women in the boardroom can influence performance, the subjet has been reported in several studies. Lee-Kuen, Sok-Gee, and Zainudin (2017) investigated the relationship between gender diversity and corporate performance, using the Blau and Shannon Index, dummy variable, and percentage of women to measure the proportion of women in the study. The results revealed that these measurements for independent variables were significant and positively related to firm performance. One female on the board does not affect strong performance; however, it increases the firm's financial performance with a higher degree of female representation. Kuen et al. (2017) also reiterated that female presence in the boardroom would contribute to a different perspective in the decision-making. The study collected data using a sample of 336 observations from 76 non-financial firms listed on the FTSE Bursa Malaysia Top 100 Index for four years between 2009 to 2013.

Similarly, Johl, Kaur, and Cooper (2015) found that women's contribution is positively related to corporate performance, as measured by ROA. They investigated the impact of board characteristics and corporate performance of 700 public listed companies in Malaysia for the year 2009. The findings are similar to Tagizadeh and Saremi (2013), which used 150 public listed firms in Malaysia using data from 2008; as well as Fan (2012) that found gender diversity has risen the value of firms (Tobin’s Q) listed in the main board of Singaporean Stock Exchange. A study conducted by Hassan, Salleh, and Ibrahim (2020) on public listed companies in Malaysia also found gender to not significantly influence financial performance and corporate social responsibility (CSR) information disclosure.

Ethnic Diversity and Firm Performance

Board diversity generally categorizes the traits that members of the board have. This trait includes their demographic profile, such as gender, race, ethnicity, and intellectual diversity in skills and education (Erhardt, Werbel, & Shrader, 2003). In this study, we use ethnicity as another proxy for board diversity. Adnan et al. (2016) examined the issues involving the board of directors in Malaysia, which has received increasing attention by corporate investors as addressed by the Securities Commission of Malaysia. The study used a sample of 99 GLCs covering the period between 2007 until 2010 (4 years), to specifically study the impact of ethnic diversity on the financial performance of Malaysian GLCs. The results of the findings indicated a negative relationship between ethnic diversity and ROA and between ROE. Hence, the study suggested that higher ethnic diversity among GLCs will reduce a firm's performance as measured by ROA and ROE. Hassan, Marimuthu, and Johl (2015) stated that Malaysia is a country with a diverse population and broadly categorized into three main ethnic groups: Malay Bumiputera, Chinese and Indian. However, the results of their study found ethnic diversity is significant and negative towards market performance, suggesting that the greater the ethnic diversity at the board level tends to lower the market performance. Regardless of the study outcome, the study suggested establishing mandatory disclosure for the proportion of ethnic diversity at the board level. The study used a large sample of 565 companies from a total population of 965 companies, covering five years.

In line with the past literature and argument above, we hypothesize that gender and ethnicity diversity does not significantly affect the performance of government-linked companies in Malaysia (H1).

METHODOLOGY

This paper examines whether gender and ethnic diversity impact the performance of Government-Linked companies in Malaysia. This study also attempts to explain whether agency theory and stewardship theory hold in explaining firm performance from the perspective of gender and ethnic diversity. The research design explains a method that applied inductive logic that described their processes in a separate section and argued on the strength of data.

Our study employs Economic Value-Added (EVA) as a measure of corporate performance to avoid biases created by accounting adjustments.

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The application of EVA promotes capital discipline by forcing managers to examine the cost of capital utilized. It allows for more managerial responsibility in measuring the economic return on all investments. EVA enables managers to analyse their business operations and rapidly determine whether they are becoming more or less valuable. EVA is an old measurement method and utilized even before the Malaysian Code of Corporate Governance was implemented. EVA is likewise concentrated on the income statement, where it is largely gathered and created.

This study uses data that represent gender and ethnic proportion to develop an association between board diversity and the firm performance of GLCs, as measured by EVA. We use annual data of seven years from 2012 to 2018. The analysis conducted includes Descriptive analysis and Panel Linear Regression by using STATA version 14 statistical software. The secondary data includes financial and non-financial data taken manually from annual reports for all Malaysian GLCs extracted from Bursa Malaysia's website. We used a total of 32 GLCs currently listed in Bursa Malaysia. This provides a panel data of not more than 224 firm-year observations.

This study uses panel regression analysis to capture more information than single cross-sections and time-series data. The model specification is as follows:

$$LgEVA_{it} = \beta_0 + \beta_1 GenD_{it} + \beta_2 BEth_{it} + \beta_3 LgFSize_{it} + \beta_4 FAge_{it} + \varepsilon_{it}.$$

The above model shows both dependent and independent variables to examine the influence amongst boardroom diversity and firm economic performance. The foolability test results failed to reject the hypothesis of both time series a cross-section to be combined. Therefore, pooled OLS is the most suitable tool to examine the relationship.

In the model, i represents the firm unit, t denotes the point of time, and ε is the error term. EVA is the dependent variable representing the additional return that a firm can obtain through its production, sales, or purchases for certain goods and services. EVA is measured by net operating profit after tax minus weighted average cost of capital times invested capital (Young and O'Byrne, 2000). The key independent variables analyzed in this study include boardroom diversity variables, as proxied byare gender diversity (*GenD*), and board ethnicity (*BEth*). Following Lee-Kuen, et al.

(2017), and Johl et al. (2015), *GenD* is measured as the percentage of female directors on the corporate board. Meanwhile, following Hassan et al. (2015), *BEth* is calculated as the percentage of non-Bumiputera directors on the corporate board.

Table 1: Summary of the Variables

Variables	Measurement	Source	Adopted from
Economic Value Added *LgEVA*	Log of Net Operating Profit After Tax (NOPAT) - Weighted Average Cost of Capital (WACC) * Invested Capital (IC)	Companies' annual reports extracted Bursa Malaysia Website (2012-2018)	Young and O'Byrne (2000)
Gender Diversity *GenD*	Percentage of female directors		Johl, Kaur and Cooper (2015) Tagizadeh and Saremi (2013) and Fan (2012)
Ethnicity Diversity *BEth*	Percentage of Non-bumiputra director		Adnan, Sabli, Rashid, Hashim, Paino, and Abdullah (2016); Hassan, Marimuthu, and Johl (2015); Davies (2011); Carter, D'Souza, Simkins, and Simpson (2010); Erhardt, Werbel, and Shrader (2003)
Firm Size *LgFSize*	Log of Total Assets (in RM000')		Elvin and Hamid (2016)
Firm Age *FAge*	Age of the firm listed in the Bursa Malaysia (in years)		Sulong and Mat Nor (2008)

This study also controls some relevant corporate governance variables that may endogenously affect the firm's influence on economic performance. The control variables are firm size, *FSize* and firm age, *FAge*. *LgFSize* represents the total assets (in logged form), and *FAge* represents the firm's age listed in the Bursa Malaysia (Elvin and Hamid, 2016; Sulong and Mat Nor, 2008; Shumway, 2001).

RESULTS AND DISCUSSIONS

Table 2 reports the descriptive statistics of the variables used in this study. The table shows the minimum, maximum, mean, and standard deviation values for all variables. The average economic value added (EVA) for the sample companies is RM-4257.28, with a minimum value and maximum value of RM-19,058,731.95 and RM25,655,585.35. A positive EVA shows the firm's success in creating value for the firm's owner, and a negative EVA shows vice versa. *GenD* gives a mean value of 20.65%, which is lower than the recommended 30% by the government. The minimum value and the maximum value are 8.0% and 63.0%, respectively. The standard deviation value is 11.61%.

Table 2: Descriptive Statistic of the Variables

Variables	*EVA*	*GenD*	*EthnD*	*FSize*	*FAge*
Mean	–42571.278	0.2065	0.2865	61,262,474	18.2454
Min	–25,655,585.35	0.08	0.09	79,507	2
Max	19,058,731.95	0.63	0.80	806,991,681	56
Std. Dev	3706689.6	0.1161	0.1661	140,707,529.9	12.5732
Skewness	–2.3443	1.2344	0.9537	3.474	1.5644
Kurtosis	25.8177	4.7361	3.0912	14.9859	4.8091
N	220	178	173	220	220

Note: N = 224 firm-year observation, EVA = Economic Value-Added, GenD = Gender Diversity, EthnD = Ethnicity Diversity, FSize = Firm Size, Fage = Firm Age

Meanwhile, *BEth* has a mean of 29.29%, ranging from a minimum of 9.0% to a maximum of 80.0%. The standard deviation figure was 16.61%. The skewness result demonstrates the normality of each variable investigated. The findings indicate that board ethnicity (*BEt*h) is the sole variable with a normal distribution since the value is 0.9537, and the rule of thumb for normal distribution skewness is zero. The skewness graph indicates that it will be somewhat to the right. Under kurtosis, the *BEth,* which is still the sole variable, has a normal distribution with a value of 3.0912, although the kurtosis rule of thumb is three. The skewness and kurtosis values for the other variables *GenD, FSize, and FAge* showed a non-normal presentation of the data. To normalise the data, the use of STATA vs 14. simply rescales the variables to the interval [0, 1]. Outliers will remain outliers because this is a linear rescaling.

The control variables used in this study are firm size and firm age. *The FSize* has an average value of RM61,262,474 which indicates that most of the companies in this sample were relatively large. The minimum and maximum *FSize* are RM79,507 and RM806,991,681, respectively. The standard deviation of company size was 140707529.9 implies that the size of the GLCs in Bursa Malaysia is quite different. While *FAge* has an average of 18.24 years with a minimum age of 2 years and maximum period of 56 years. The standard deviation is 12.57 years.

Table 3: Regression Model Summary

Variables	LgEVA
GenD	–1.976 (0.214)
Beth	–2.065 (0.027) **
LgFSize	0.110 (0.025) **
Fage	–0.015 (0.166)
Constant	4.639 (0.000) ***
R-Squared	0.1036
Adjusted R-squared	0.0641
BPLM Test	0.00
P-Value	(1.000)

Note: ***, ** and * denotes 1%, 5% and 10% significant level respectively

Multiple Linear Regression is utilized to evaluate the variability in the extension of the board diversity's influence towards EVA. This method will be able to indicate how much the variance in the dependent variable (EVA) is clarified by the independent variables (*GenD, BEth, FSize, and FAge*). Table 3 shows the results of the multiple regression analysis. The value of r-squared at 0.1036 implies that only 10.36% of the variance for the EVA is accounted for by the independent variables in the model. Adjusted R-squared is computed to take into account more observations. The value of the adjusted r-squared is 0.0641. It shows 6.41% of the variation in the EVA finding can be explained by the variation in the independent variables and control variables after the degree of freedom is taken into account.

Board ethnicity, *Beth* is found to negatively influence EVA at a 5 percent level of confidence, while firm size*, LgFSize* is positively and significantly affecting EVA. The study finds *GenD* and *FAge* insignificant in explaining their influence on EVA.

The results revealed that diversity among the board members of Malaysian GLCs provides mixed results. Although women's participation on GLC boards remained stable (20.65%), our results show no strong evidence that their presence has a significant influence on EVA. In addition, it might allude to the fact of presumably women's participation was limited to certain particular sectors at the strategic level notably in decision-making as shareholders remained cautious about women capacity to handle crises as opposed to males who could manage utilizing competitive approaches. However, the global increase of women sitting on the board cannot be overlooked; in truth, they are as capable of leading large corporations. In contrast, ethnic diversity yielded different results in this study, indicating that ethnic diversity had a substantial influence on company performance, which is similar to Hassan, Marimuthu, and Johl (2015), who observed that ethnic diversity had a negative influence on firm performance.

CONCLUSION AND RECOMMENDATIONS

Having a woman in the boardroom and racial diversity has been one of the recommended compliance principles in MCCG 2017. Gender diversity is also propagated in the United Nations Sustainability Development Goals No.5 in achieving gender equality and empowering women in leadership roles. This study tends to examine whether boardroom diversity, from the perspective of gender and ethnicity, has an impact on the performance of Government-Linked companies in Malaysia, using an economic indicator to measure performance. The results of this study provided preliminary evidence that empowering women at decision-making levels may still lag behind and that their presence in influencing performance requires further research. The presence of women may only be seen to fulfil the government's requirement but not to entitle them with the decision-making and monitoring role. In this study, gender diversity is found to not significantly influence business performance, and therefore cannot support the idea that gender affects company performance (EVA). This also confirms the study by Hassan, Saleh, and Ibrahim (2020) which found that women on corporate boards are not related to company performance.

The presence of diverse ethnicity in the boardroom can fulfil the policy to share the viewpoints of directors from different ethnic backgrounds because when a variety of viewpoints are thrown into the problem-solving mix, new and innovative solutions can be reached. However, our study found a significant but negative influence, consistent with Hassan et al. (2015). Since GLCs are government-controlled firms and are well noted for appointing directors mainly from the ethnic bumiputera majority, the need to have a more diverse functional board would help understand the companies' performance and the board's effectiveness.

There are several recommendations from the implication of this study to several parties. Firstly, future researchers need to include more corporate governance variables representing a bundle of variables, board composition alike. Corporate governance is a combination of corporate practices or mechanisms. It includes board composition and its effectiveness, as well as ethical behaviour and sustainability reporting. That is why firm performance cannot depend on the effectiveness of any one mechanism alone. Finding and evaluating the whole bundle of mechanisms is difficult and which is effective as a whole (Rediker & Seth, 1995; Schepker & Oh, 2013). Secondly, future researchers need to employ more robust methodology such as Generalized Method of Moment (GMM) or Panel ARDL to tackle the issue of endogeneity problem, where the problem is an obstacle in understanding the true relationship between the different aspects of corporate governance. Third, future research needs to emphasize splitting the model based on ownership structure, board effectiveness, and board diversity. By splitting the model, it could contribute to the body of knowledge by segregating the model into a different level of industry and firm size. Lastly, future researchers can venture to a larger scope of study including multinational corporations (MNCs) and multi-countries data.

This study has several theoretical and pragmatic implications. Agency theory and steward theory do not hold in our results, as reflected by the negative influence of ethnicity diversity and the insignificant influence of gender diversity on performance. Further study is needed by adding more board composition variables and the use of other measurements of performance. From the GLC perspective, having a diverse board of directors will inspire the board to commit more towards monitoring firm performance. Furthermore, it assists managers in developing more effective and efficient methods for adjusting to the continuously changing company environment. This research will be useful to investors since it will help them make wise investment decisions. Having a more diverse gender representation on a board of directors will help investors better appreciate how gender diversity creates value and improves economic performance. Finally, this analysis will help the government and policymakers achieve better results and policies for Malaysian Government-Linked Companies shareholders. This valuable guidance can assist authorities such as Bursa Malaysia in having disclosures on comprehensive laws and regulations, particularly on issues that have a significant effect on the company.

Our study is also with limitations. Many past studies conducted in Malaysia focused specifically on the board structure that is mandated to be disclosed in its financial reporting. Since the data only covers GLCs in

Malaysia, it cannot be generalized to firms that are fully private, or firms in other countries, which have different rules and regulations. Having more *Bumiputera* board members is part of the government's privatization policy, thus, could affect the significant influence that ethnicity has on performance. There are also missing data since some of the GLCs are no longer listed in Bursa Malaysia. The results of this study would be valid for listed state-owned companies in Malaysia and. Besides that, there are only limited numbers of past studies conducted in Malaysia to be used as references that might affect the empirical review of the literature and the investigation of the research problem. This research is the first of its kind to investigate listed companies controlled by the Malaysian government that focuses on EVA as a performance indicator. Future research may examine a longer time horizon and include other firm-specific corporate governance characteristics that significantly impact firms' EVA.

ACKNOWLEDGMENT

The authors are grateful to the Centre of Graduate Studies, UiTM Cawangan Sarawak for their support, and the anonymous reviewers for their insightful and valuable comments on this article.

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