

**THE ROLE AND INFLUENCE OF
CORPORATE LEADER VALUES ON
CORPORATE GOVERNANCE MECHANISMS
AND FINANCIAL REPORTING QUALITY**

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Lihat Sebelah

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AND FINANCIAL REPORTING QUALITY**

By

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TABLE OF CONTENTS

	Page
Acknowledgement	ii
Table of Contents	iv
List of Tables	ix
List of Figures	xi
List of Abbreviations	xii
Abstrak	xiii
Abstract	xv
CHAPTER 1 – INTRODUCTION	
1.1 Introduction	1
1.2 Background of the Study	1
1.3 Problem Statement	7
1.4 Research Questions	11
1.5 Research Objectives	11
1.6 Scope of the Study	12
1.7 The Significance of the Study	13
1.8 Chapter Organization	16
CHAPTER 2 – LITERATURE REVIEW	
2.1 Introduction	17
2.2 Financial Reporting	18
2.2.1 Financial Reporting Quality	20
2.2.2 Earnings Management Concept	24
2.3 Corporate Governance	27
2.3.1 Corporate Governance Experiences in Developed Countries	29
2.3.2 Corporate Governance Experiences in Malaysia	31
2.3.3 Corporate Governance Model	33
2.4 The Importance of Corporate Leader Values	37
2.5 Corporate Governance System and Financial Reporting Process	40

2.6	Effective Mechanisms of Corporate Governance	43
2.6.1	Board Independence	45
2.6.2	Board Size	47
2.6.3	CEO Duality	49
2.6.4	Audit Committee Independence	50
2.6.5	Audit Committee Expertise	52
2.6.6	Insider Ownership	53
2.6.7	Outsider Ownership	54
2.6.8	Institutional Ownership	55
2.7	The Role of Corporate Leader Values in Corporate Governance	56
2.8	Spirituality is the Basis of Corporate Leader Values	60
2.9	The Positive Outcomes of Spirituality	63
2.10	The Role of Corporate Leader Values in Corporate Governance and Financial Reporting Quality	65
2.11	Summary and Conclusion	71

CHAPTER 3 – THEORETICAL FRAMEWORK AND HYPHOTESSES DEVELOPMENT

3.1	Introduction	90
3.2	Theoretical Framework	90
3.3	Hypotheses Development	97
3.3.1	Direct Relationship between Corporate Governance Mechanisms and Earnings Management	97
3.3.1(a)	Board Independence and Earnings Management	97
3.3.1(b)	Board Size and Earnings Management	99
3.3.1(c)	CEO Duality and Earnings Management	100
3.3.1(d)	Audit Committee Independence and Earnings Management	102
3.3.1(e)	Audit Committee Expertise and Earnings Management	103
3.3.1(f)	Insider Ownership and Earnings Management	105
3.3.1(g)	Outsider Ownership and Earnings Management	107
3.3.1(h)	Institutional Ownership and Earnings Management	108

3.3.2	Indirect Relationship of Corporate Leader Values on Corporate Governance Mechanisms and Earnings Management	109
3.3.2(a)	Spiritual Health and Spiritual Values	112
3.3.2(b)	Recognition & Appreciation and Sense of Community	114
3.3.2(c)	Team Values, Corporate Values and Corporate Concern	116
3.4	Summary and Conclusion	118

CHAPTER 4 – RESEARCH METHODOLOGY

4.1	Introduction	119
4.2	The Worldview and Assumptions of the Study	119
4.3	Sample Selection	121
4.4	Sources of Information	123
4.5	Definition and Measurement of Variables	124
4.5.1	Dependent Variable	124
4.5.2	Independent Variable	129
4.5.2(a)	Board Characteristics	129
4.5.2(b)	Audit Committee Characteristics	130
4.5.2(c)	Ownership Structure	131
4.5.3	Moderating Variable	132
4.5.3(a)	Layout of Questionnaire	133
4.5.3(b)	Variable, Component and Item Number of Corporate Leader Values	134
4.5.3(c)	Pilot Test	136
4.5.4	Control Variable	137
4.6	Analyses of Data	140
4.6.1	Factor Analysis	140
4.6.1(a)	Factor Analysis Assumptions	140
4.6.1(b)	Reliability Analysis	141
4.6.2	Descriptive Statistics Analysis	142
4.6.3	Multiple Regression Analysis	142
4.6.3(a)	Multiple Regression Analysis Assumptions	143

4.7	Regression Model	144
4.8	Summary and Conclusion	147

CHAPTER 5 – FINDINGS

5.1	Introduction	148
5.2	Sample Profile	148
5.3	Factor Analysis and Reliability Analysis	150
5.4	Descriptive Statistics Analysis	155
	5.4.1 Descriptive Statistics for Corporate Leader Values Factors	155
	5.4.2 Descriptive Statistics for Corporate Governance Mechanisms	157
5.5	Correlation Analysis	160
5.6	Multivariate Analysis	164
	5.6.1 Hypothesis Testing on Direct Relationship between Corporate Governance Mechanisms and Earnings Management	164
	5.6.1(a) Board Characteristics and Earnings Management	165
	5.6.1(b) Audit Committee Characteristics and Earnings Management	167
	5.6.1(c) Ownership Structure and Earnings Management	168
	5.6.2 Hypothesis Testing on Indirect Relationship of Corporate Leader Values at Individual Level on Corporate Governance Mechanisms and Earnings Management	170
	5.6.2(a) Spiritual Health and Spiritual Values	170
	5.6.2(b) Recognition & Appreciation and Sense of Community	176
	5.6.3 Hypothesis Testing on Indirect Relationship of Corporate Leader Values at Team and Corporate Level on Corporate Governance Mechanisms and Earnings Management	179
	5.6.3(a) Team Values	179
	5.6.3(b) Corporate Values and Corporate Concern	181
5.7	Summary and Conclusion	185

CHAPTER 6 – DISCUSSION AND CONCLUSION

6.1	Introduction	186
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6.2	Recapitulation of Findings	187
6.3	The Role of Corporate Leader in Corporate Governance and Financial Reporting Process	190
6.4	Corporate Leader Values Level Among Malaysian Listed Companies	193
6.5	Direct Relationship between Corporate Governance Mechanisms and Earnings Management	195
	6.5.1 Board Characteristics and Earnings Management	195
	6.5.2 Audit Committee Characteristics and Earnings Management	197
	6.5.3 Ownership Structure and Earnings Management	199
6.6	Direct Relationship between Corporate Leader Values and Earnings Management	201
6.7	Indirect Relationship of Corporate Leader Values at Individual Level on Corporate Governance Mechanisms and Earnings Management	202
	6.7.1 Spiritual Health and Spiritual Values	202
	6.7.2 Recognition & Appreciation and Sense of Community	205
6.8	Indirect Relationship of Corporate Leader Values at Team and Corporate Level on Corporate Governance Mechanisms and Earnings Management	206
6.9	The Role and Influence of Corporate Leader Values on Corporate Governance Mechanisms and Financial Reporting Quality	207
6.10	Implications of Study	212
6.11	Limitation of Study	216
6.12	Suggestions for Future Research	217
6.13	Conclusion	219
	REFERENCES	222
	APPENDICES	
	LIST OF PUBLICATION	

LIST OF TABLES

		Page
Table 1.1	Summary and examples of corporate failure	4
Table 2.1	Comparison between market and control governance model chain	34
Table 2.2	Selected Malaysian Code of Corporate Governance (Revised 2007)	45
Table 2.3	Summary of studies relating to corporate governance mechanisms and financial reporting quality: Evidence from East Asian countries	73
Table 2.4	Summary of studies relating to corporate governance mechanisms and financial reporting quality: Evidence from Malaysia	76
Table 2.5	Summary of studies relating to spirituality at workplace and organizational/team/individual/leader performance	83
Table 2.6	Summary of studies relating to ethical leadership/business ethics and organizational performance/financial reporting quality	88
Table 3.1	Theoretical framework by research question and research objective	94
Table 4.1	Sampling frame by industry	122
Table 4.2	Distribution of sample by industry	123
Table 4.3	Layout of the questionnaire to corporate leader	133
Table 4.4	Variable, component and item number of corporate leader values	134
Table 4.5	Construction questionnaire items of corporate leader values	135
Table 4.6	Average Cronbach's alpha value	136
Table 4.8	Definition, measurement and operationalisation of variables	139
Table 5.1	Profile of respondents	149
Table 5.2	Results of the factor analysis for corporate leader values	151
Table 5.3	Transformation of initial factors to form a new factor of corporate leader values	153
Table 5.4	Reliability coefficients for corporate leader values factors	154

Table 5.5	Research objectives by analyses of data and table of results	155
Table 5.6	Descriptive statistics for corporate leader values factors	156
Table 5.7	Descriptive statistics of dependent and independent variables for 2010	158
Table 5.8	Descriptive statistics of dichotomous variables for 2010	160
Table 5.9	Pearson correlation coefficients among variables (N = 120)	162
Table 5.10	Regression results for direct relationship between corporate governance mechanisms and earnings management in 2010	166
Table 5.11	Hierarchical regression results for indirect relationship of sense of spiritual health (SH) of corporate leader on corporate governance mechanisms and earnings management in 2010	172
Table 5.12	Hierarchical regression results for indirect relationship of sense of spiritual values (SV) of corporate leader on corporate governance mechanisms and earnings management in 2010	174
Table 5.13	Hierarchical regression results for indirect relationship of sense of recognition and appreciation (RA) of corporate leader on corporate mechanisms and earnings management in 2010	177
Table 5.14	Hierarchical regression results for indirect relationship of sense of community (SC) of corporate leader on corporate governance mechanisms and earnings management in 2010	178
Table 5.15	Hierarchical regression results for indirect relationship of team values (TV) of corporate leader on corporate governance mechanisms and earnings management in 2010	180
Table 5.16	Hierarchical regression results for indirect relationship of corporate values (CV) of corporate leader on corporate governance mechanisms and earnings management in 2010	182
Table 5.17	Hierarchical regression results for indirect relationship effects of corporate concern (CC) of corporate leader on corporate governance mechanisms and earnings management in 2010	184
Table 6.1	Summary of the hypotheses testing results	189
Table 6.2	Research objectives by discussion sections	192

LIST OF FIGURES

		Page
Figure 2.1	Corporate governance roles in financial reporting	42
Figure 3.1	Conceptual framework	96
Figure 5.1	Moderating effects of spiritual values (SV) on outsider ownership and earnings management (DCA)	175

LIST OF ABBREVIATIONS

BEIM	Business Ethics Institute of Malaysia
BMF	Bumiputra Malaysian Finance
BNM/GP1	<i>Bank Negara Malaysia/Garis Panduan 1</i>
BRC	Blue Ribbon Committee
CEO	Chief Executive Officer
CPI	Corruption Perception Index
EPF	Employees Provident Fund
FASB	Financial Accounting Standards Board
FRS	Financial Reporting Standards
GAAP	Generally Accepted Accounting Principle
GCB	Global Corruption Barometer
GLCs	Government Linked Companies
IIM	Institute of Malaysian Integrity
IPOs	Initial Public Offerings
ISIS	Institute of Strategic and International Studies
JPI/GP1	<i>Jadual Panduan 1/Garis Panduan 1</i>
KLSE	Kuala Lumpur Stock Exchange
LTAT	<i>Lembaga Tabung Angkatan Tentera</i>
LTH	<i>Lembaga Tabung Haji</i>
MACA	Malaysian Anti Corruption Academy
MASB	Malaysian Accounting Standard Board
MCCG	Malaysian Code of Corporate Governance
MD	Managing Director
MICG	Malaysian Institute of Corporate Governance
MICPA	Malaysian Institute of Certified Public Accountant
MSWG	Minority Shareholders Watchdog Group
NIP	National Integrity Plan
NYSE	New York Stock Exchange
PLCs	Public Listed Companies
PNB	<i>Permodalan Nasional Berhad</i>
SC	Securities Commission
SEC	Securities Exchange Commission
SGX	Singapore Exchange
SOCISO	National Social Security Organization of Malaysia
UK	United Kingdom
USA	United States of America
U.S.	United States

**PERANAN DAN PENGARUH NILAI PEMIMPIN KORPORAT TERHADAP
MEKANISMA TADBIR URUS KORPORAT DAN KUALITI PELAPORAN
KEWANGAN**

ABSTRAK

Walaupun selepas dua puluh tahun sistem tadbir urus korporat dilaksanakan, skandal dan kegagalan korporat masih terus berlaku. Kebanyakan kajian empirikal menunjukkan penemuan yang tidak konsisten dan tidak menyakinkan mengenai kesan mekanisma tadbir urus korporat seperti ciri-ciri lembaga pengarah dan jawatankuasa audit serta struktur pemilikan terhadap kualiti pelaporan kewangan. Keberkesanan tadbir urus korporat ini juga dipengaruhi oleh faktor institusi yang dibentuk oleh sejarah dan konteks politik. Kebanyakan syarikat di negara yang sedang membangun termasuk Malaysia menunjukkan pemilikan tertumpu yang tinggi, campur tangan kerajaan dan pengaruh keluarga. Keadaan ini mendorong kepada ketelusan yang rendah, pendedahan yang tidak mencukupi dan rampasan pemegang saham minoriti disebabkan pemegang saham majoriti cenderung untuk memaksimumkan faedah peribadi mereka. Penguatkuasaan prinsip tadbir urus korporat yang diamalkan oleh syarikat-syarikat tidak mencerminkan kualiti pentadbir korporat yang mentadbir syarikat-syarikat tersebut. Dengan itu, adalah penting untuk mengkaji peranan nilai pemimpin korporat memandangkan sesebuah organisasi itu biasanya dibentuk oleh sikap, nilai dan visi pemimpin korporat. Visi, falsafah, hala tuju masa depan yang dikongsi bersama oleh Ketua Pegawai Eksekutif amat penting kepada syarikat dalam memastikan semua urusan pentadbiran dikendalikan dengan secepat dan seberkesan yang mungkin. Nilai-nilai

yang dipegang dan dikongsi oleh pemimpin akan membentuk tahap kualiti pelaporan syarikat. Oleh itu, kajian ini akan memenuhi kekosongan ini melalui pemeriksaan peranan dan pengaruh nilai pemimpin korporat terhadap mekanisma tadbir urus korporat dan sejauh mana pengurusan perolehan berlaku. Pelaporan kualiti 120 buah syarikat bukan kewangan yang tersenarai di Bursa Malaysia pada tahun 2010 telah diperiksa. Kajian ini menggunakan model Jones (1991) yang telah diubahsuai untuk mengukur pengurusan perolehan melalui pengiraan '*discretionary accruals (DA)*' dan '*discretionary current accruals (DCA)*' manakala nilai pemimpin korporat diukur dengan pendekatan spiritualiti di tempat kerja sepertimana yang dikemukakan oleh Ashmos and Duchon (2000). Soal selidik berasaskan penilaian diri diedarkan kepada pemimpin korporat terutamanya Ketua Pegawai Eksekutif untuk mengenalpasti persepsi nilai pemimpin korporat bagi sesebuah syarikat. Penemuan kajian menunjukkan bahawa kesedaran keteguhan kerohanian mempunyai potensi untuk menguatkan sistem tadbir urus korporat melalui kerjasama dan sokongan pengarah bebas dalam mengurangkan aktiviti pengurusan perolehan. Penemuan kajian ini mencadangkan bahawa integriti dan etika pemimpin korporat adalah penting untuk membangunkan budaya korporat yang baik dalam mengekalkan manfaat jangka panjang kepada pihak berkepentingan terutamanya apabila membentangkan laporan kewangan korporat berkualiti baik.

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ABSTRACT

Even after twenty years of implementing corporate governance system, corporate scandals and failures are still happening. Most empirical studies show inconsistent and at best, inconclusive findings regarding the effects of corporate governance mechanisms such as board and audit committee characteristics and ownership structure on a quality of financial reporting. The effectiveness of corporate governance is also affected by institutional factors that are shaped by history and political contexts. Most corporations in developing countries including Malaysia demonstrate high concentration ownership, government intervention and family dominance. This would lead to low transparency, inadequate disclosure and minority shareholder expropriation as majority shareholders tend to maximise their private benefits. The enforcement of corporate governance principles practised by corporations does not reflect the quality of corporate people who actually govern the corporations. Hence, it is important to study the role of corporate leader values as an organization is typically shaped up by the attitude, values and vision of a corporate leader. The vision, philosophy, future direction shared by the CEO is important to corporations in ensuring all governance related matters are handled as efficiently and as effectively as possible. The values held and shared by the leader will shape the extent of reporting quality by the corporation. Thus, this study will fill the void by examining the role and influence of corporate leader's values on corporate

governance mechanisms and the extent of earnings management. Reporting quality of 120 non-financial companies listed on Bursa Malaysia is examined for the year 2010. The study employs Modified Jones Model to measure earnings management through the calculation of discretionary accruals (DA) and discretionary current accruals (DCA) whilst the corporate leader values are measured using workplace spirituality approach as proposed by Ashmos and Duchon (2000). The self-evaluated questionnaire has been distributed to corporate leaders, particularly CEOs, to determine the sense of corporate leader values for each company. The findings of the study show that sense of spiritual values of corporate leader has potential to strengthen the corporate governance system through cooperation and support of independent directors in mitigating earnings management activities. The findings suggest that the integrity and ethics of corporate leader are important to develop a good corporate culture in sustaining long-term benefits to stakeholders, particularly when disclosing good quality corporate financial reports.