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THE EFFECT OF CORPORATE GOVERNANCE DETERMINANTS ON FIRM PERFORMANCE: MALAYSIA LISTED COMPANIES EVIDENCE

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Abstract

This study attempts to propose a structure of the relationships between the board of directors and audit committee characteristics; such as professional certification, size, commitment, and foreigner members; and firm performance.CG has garnered a lot of attention in the circles of academics and business practitioners in the previous years, which resulted in the development and eventual laying down of fundamentals of practice, empirical studies and conceptual models. To ensure success of firms, CG is a crucial component that guarantees accountability and responsibility and a set of principles that must be adopted into the firm's every department. CG has attracted a lot of attention as it concentrates on the long-term relationship through checks and balances, incentives for managers and management-investors relations and most importantly, transaction relationships involving disclosure and authority. The main goal of this study is to fill the void in the literature and provide an opportunity for further in-depth research to investigate this relationship.

1. Introduction

In the present global business environment rife with competitiveness, business organizations have to take extra steps to realize high levels of growth to gain and maintain investors' willingness to finance future plans of organizational expansions. On a general note, the decision to invest in a venture is mainly influenced by the ability of the business to remain stable and to generate profits (Mallin, 2007). This is due to the inability of degraded commercial enterprises to raise funds for their investment projects. Such situation may have an impact on businesses and the whole performance of the economy. It becomes incumbent for government to safeguard the business environment by exerting efforts towards facilitating corporate governance practices. According to the Organization for Economic Co-operation and Development (OECD), "good corporate governance is essential for the economic growth led by the private sector and for the promotion of the social welfare". In review, effective from 1997, i.e. from the era of Asian financial crisis, corporate governance has attracted new understanding as the legislations and institutions that regulate the business governance's as well as the relationships between corporations and government.

To ensure the viability of an organization, senior executives should focus with the board on corporate governance mechanisms. In general, corporate governance has been recognized as an important set of procedures used by the CEO and the Board of Directors. They observe practices within the organization to ensure effective decisions that enable the organization to achieve its goals of maximizing shareholder benefits. Therefore, effective and efficient management of the business is important to protect the interests of different stakeholders, such as shareholders, employees, customers and suppliers. Corporate governance also helps the government ensure the effective application of corporate responsibility (Vinton, 1998).

Among corporate and academic practitioners, corporate governance has become an important issue. This concentration in business world arises from perceived significance of moral and ethical behavior in business, and this builds overall atmosphere (environment, both legal and social) endorsing good corporate governance. In academe, it's evident that decisions for business are certainly not built in without recourse to procedures. Strategic decision makers look at wider goals rather than just business objects. For instance, managers are more interested in their individual goals and satisfaction levels rather than their subordinates or community benefits. Corporate governance, as a mechanism, has been hot topic to past and recent literature as they want to lower these conflicts between management and the investors interests.

Therefore, CG is in place and it intends to safeguard the owner's capital from selfish conducts of managers (Pandya, 2011; Pfeffer, 1972; ShleiferandVishny, 1986;

Jensen and Meckling, 1976; Abdurrouf, 2011; Mirza, Malek, & Abdul Hamid, 2019a) and to guarantee them that manager's act in the vested interests of the shareholder and stakeholders. Furthermore, this CG function and related regulations has gained global attention since it improves the whole economic efficiency to attain and align benefits of the individuals with firm's stakeholders (Hsu and Petchsakulwong, 2010; Saibabaand Ansari, 2011; Bozec, 2005). Similarly, investors (both foreign and local) had been be fascinated with companies who practice corporate governance. The appropriate maintenance of the Corporate Governance Code had been proactively stopping any financial clashes as well as diminish fraud and any malpractices. This had been improved the overall firm growth that ultimately contributes in enhancing the country's general economic growth and development (Al-Matari et al., 2012a; Al-Matari, 2019: Al-Matari & Mgammal, 2019).

Malaysia overhauled the 2000 project in 2007 according to developments in the domestic and international market. This law has focused on the functions of the board of directors and the auditing of corporate accounts. The Code provided clarification on the role of board members as well as their eligibility criteria and eligibility criteria for hiring. In addition, the Code proposed the creation of an internal audit function as a function and requested that the Audit Committee be directly informed to ensure independence. Additionally, the Code enumerates the way to form an audit committee consisting primarily of non-executive board members. The members of the audit committee should also be capable of assessing and comprehending the financial statements for responsibilities fulfillment (MSG, 2007).

The global financial crisis of 2007-2008 sharply marked the world's major economies, including Malaysia, and faced a sharp decline in equity markets that could see a 670-point dip in the Malaysian stock market (Bursa Malaysia), which in turn accounted for 45% of the total capitalized. Under the agreement Angabini and Wasiuzzaman (2011), the main decrease after the Asian financial crisis (1997) could be considered in the country. As a result, weaknesses in corporate governance became evident after the financial crisis in Asian countries, including Malaysia. The Asian Round Table on Corporate Governance, which recommended improving the governance structure and finding better ways to overcome weaknesses (OECD, 2011). In addition, Kinmark Industrial Co., Ltd. (2010), linear corporation (2008) and Sime Darby (Sime) (2010) after implementation in 2007 will be further improved in improving the Malaysian SEG code (Satkonasingham et al., 2012). Corporate governance Blueprint was issued in July 2011 by Securities Commission Malaysia was an effort to improve governance structure of the country. This blueprint provided the foundation for the introduction of latest MCCG 2012 in March 2012 (MCCG, 2012). Main issues focused in that code independence of the board among others, with expectation for the improvement of financial performance in Malaysian’s listed companies that issue is still needs to explore.

Since 2000, three codes have been introduced in Malaysia and have been implemented in 2000, 2007 and 2012 to date. Some researchers have examined the financial performance of the company and its impact on both IACS before and after the implementation of the code (Noor and Fadzel, 2013). The analysis before and after Civil Development Operations Group 2000 found no evidence about the code and its impact on the company's performance (Implementing Corporate Governance). However, the period after post-ICG revealed the positive relationship with the company's performance (Saad, 2010), the impact of the practices adopted in 2007, the independence of the Board of Directors, the experience of the Board of Directors and the Audit Committee's Experience The financial performance of Malaysian businesses related to the government before and the settlement context The findings of the study provided empirical evidence that the only positive change that the audit committee had had an impact on The financial performance of GLS in the next phase of implementation was that these results provided a basis for improvement and recommendations of the new Code (MSG 2007) They must have the capacity and skills to analyze, read and understand the statements financial institutions (Hamed& Aziz, 2012).

The relationship between independence of the board as suggested by the recently introduced CG code (MCCG 2012) was investigated by Rahman, Ibrahim, and Ahmad (2015)**.** The authors examined the common belief by examining the financial performance of the listed companies in Malaysia for the period from 2010 to 2013 in before and after adoption of the code. They also examined the effect of CG regulation (MCCG 2012) in particular, performance of the firm for the sample of 270 companies was tested by taking board independence (separate leadership structure, proportion of independent non-executive directors on the board and independent chairman) as independent variables, a stratified random from all divisions of the Malaysian economy with the exception of banks and insurance companies by using Ordinary Least Square (OLS). Results of the study found that the directions of MCCG 2012, particularly the independence of the board (separate leadership structure, proportion of independent directors and independent chairman) are not enforceable and solely depends on the discretion of the firm (comply or provide justification of non-compliance) and not became the compulsory listing requirements of Malaysian capital market yet. Thus, the outcomes of the research had been supported to decrease the difference among MCCG 2012 and Bursa Malaysia compulsory listing requisites.

Many theories have been used and tested in the study of the link between corporate governance and the overall performance of the organization. Since corporate governance is essential for improving organizational performance, it is a key factor that can affect economic growth. For example, one of the previous studies that demonstrated the link between corporate performance and corporate governance is the Brown and Taylor (2004) experience, which highlights the positive relationship between factors such as composition and the characteristics of the members of the organization. Board As is known, the primary function of Board members is to anticipate the expected performance of the Organization and formulate long-term strategic plans that enhance the overall performance of the organization to achieve its objectives.

2. Corporate Governance Function

Corporate governance is highly focused variable by researchers and practitioners in the business studies and scenarios from past recent years due to scams and worse incidences at high levels such as Asia financial crisis 1997, world's high ranked company's scams and again global financial crisis 2008. The definition of corporate governance is that, introduce a system for all business activities included external and internal which established through transparency and accountability for all stakeholders. There is yet no universally accepted definition of corporate governance. However, most famous and well-known definition of corporate governance is "the system by which companies are directed and controlled" (Cadbury Committee, 1992).

Gregory and Simms (2006) presented four corporate governance principles includes equality, responsibility, accountability and transparency. Corporate governance continues to face serious challenges around the world with the emergence of corporate scams mostly well-known included 2001 Enron and WorldCom in 2002. Consequently, it is believed that current corporate governance procedures are not enough for the whole control on management's attitude.

Moreover, corporate governance is defined by OECD which stated, "for the control and direction of business corporations, it is a system. Moreover, this system defines the roles and rights in corporations for different participants, (for instance, shareholders, stakeholders, and management) and identifies the methods and rules for corporate affairs' decisions. Through this system, the company defines their objectives and sources to achieve those objectives with performance monitoring" (OECD, 1999).

Furthermore, CG is defined by Denis and McConnell (2003) as a set of process, institutions and markets that affects the self-interest of the firm's controllers – those who make decisions concerning the firm operations that increases firm value of the owners. CG is also concerned with determining a solution to the issue surrounding the principal - agent relationship. The principal is the founder of the business hence, it seeks for ways to ensure that management activities are geared towards maximizing returns for them (Ehikioya, 2009).

From the review of numerous literatures on previous definitions of CG, the present study agrees with and adopts the one provided by Santosh (2005) as explicated above. In other words, the present study agrees that CG refers to the construction and methods associated with the board of directors, investors, top management along with other participants and the objectives of ensuring responsibility and improvement of performance.

CG has garnered a lot of attention in the circles of academics and business practitioners in the previous years, which resulted in the development and eventual laying down of fundamentals of practice, empirical studies and conceptual models (Lazarri*et al*., 2001). Proponents of CG contend that the stock price downfall, experienced by approximately U.S.A firms, in particular Adelphia, Enron, Parmalet, Tyco and WorldCom were as a result of weak governance (Chaghadari, 2011; Gompers, Ishii and Metrick, 2003). In Continental Europe, cases of Parmalat and Maxwell were said to be caused by inefficiency across the hierarchy, such as top management teams, CEOs, and chairperson resulting in a sudden financial crisis (Petra, 2005; Sussland, 2005; Rose, 2006; Clarke, 1998).

In order to ensure success of firms, CG is a crucial component that guarantees accountability and responsibility and a set of principles that has to be adopted into the firm's every department. CG has attracted a lot of attention as it concentrates on the long-term relationship through checks and balances, incentives for managers and management-investors relations and most importantly, transaction relationships involving disclosure and authority (Imam and Malik, 2007).

The establishment of the CG committee improves the monitoring and supervisory role of the board over top management and executives. It provides new initiatives towards improving the boardrooms' governance structure and activities. As for director's remuneration, the CG committee makes sure that the directors are remunerated based on good performance (Najjar, 2012).

The agency theory provided the premise on which CG originally stands. The agency theory covers investors, shareholder, manager, administrator and issues occurring as well as the issues attributed to the relations between those who are directly and indirectly associated with the company's affairs (Darwish, 2007). CG literature shows that the firm value mostly enhances by regulatory authority, suppliers, customers, board, creditors and management. Similarly, CG is considered as an umbrella concept which covers specific problems during communication among management, shareholders, stakeholders and board of directors (Abbott, Park and Parker, 2004). Moreover, according to ShleiferandVishny (1997) CG involves the methods in which company funders ensure that they get adequate returns on their investment. Similarly, John and Senbet (1998) stated that CG involve all the stakeholders in the firm, and according to them it is a mechanism through which stakeholders' workout govern over firm insiders and management in a way that their benefits are properly endangered.

In both developing and developed countries, CG literature shows that the firm value mostly enhances by regulatory authority, suppliers, customers, board, creditors and management. Similarly, CG is considered as an umbrella concept which covers specific problems during communication among management, shareholders, stakeholders and board of directors (Tricker, 1994). These results are consistent with ClaudiuandCatalin's (2007) findings which show that CG increase the market confidence in the firm and explains the stability and growth of company.

Furthermore, CG is a critical element of performance and the development of the country's economy (Ibrahim *et al*., 2010; Brava, Jiangb, Partnoyc and Thomasd, 2006). Theoretically, good CG could be associated with high corporate value. Numerous studies found that for the purpose of effective corporate governance, the stakeholders are more persuaded to a pay premium at averages of 10 to 12% (Khanchel, 2007). Similarly, perfect CG can improve company internal monitoring, minimize self-centered behaviors, and lower the information asymmetry, thus it positively affects the delivery of high value information disclosure (Li and Qi, 2008). Furthermore, along with Magdi and Nadereh (2002), CG certifies that business works accurately, and stakeholders are beneficiaries of a accountable return.

A benefit of CG is the fact that it ensures the equality of treatment to the entire shareholders including minorities and foreign shareholders. The former group needs protection from predatory actions or unlawful direct or indirect control. Stakeholders such as specific employees and their illustrative forms should also be allowed to express their concerns freely regarding unlawful and immoral performs to the board and their privileges should be protected in doing so. It is also the responsibility of CG to ensure the timely and accurate disclosure of information relating to the firm. Information must be organized and disseminated following high-quality standards of accounting and financial as well as non-financial disclosure. Members of the board should take decisions on the right information, diligence and care is required and it is in the best interests of the shareholders. The board has the responsibility to ensure high ethical standards and to show commitment effectively to their responsibilities (Imam and Malik, 2007).

Ultimately, good CG should be at the core of the organization as this would become entrenched in the organizational values. Commitment to the tenets of good corporate governance fosters stakeholder assurance and attracts both local and foreign investors. However, for Malaysia, it is lacking in these aspects (Mirza, Malek, & Abdul Hamid, 2019b). Currently, the Securities and Exchange Commission (SEC) makes efforts to encourage listed companies to fulfill with the corporate governance rules and regulations to ensure that suppliers of funds get adequate and fair return on their investment. If any unlawful practice is discovered, listed companies are required to provide justifications.

In recent times, the relationship between corporate governance and firm performance is one of the most crucial focuses in the globe particularly in Malaysia. In this section, some mechanisms that play important role in board of directors' characteristics such as: board size, board independence and board meeting are discussed. Above said variables are the main in reflecting the firm performance in the emerging countries (Young, Ahlstrom, Bruton, Peng and Jiang, 2008; Nuryanahand Islam, 2011). According to the preceding studies regarding the association amid board of director's characteristics and firm performance, the findings are very much inconsistent. It is also evident that no study (to the knowledge of the researcher) has studied some of the variables between CG and firm performance. The current study is the original study to add some variables to the CG structure, including board commitment, professional certification and audit committee commitment. Moreover, it includes new variables to the corporate structure, including professional certification and audit committee commitment. Furthermore, previous studies are yet to examine foreign member of the board and its relationship with firm performance. Thus, this study investigates the relationship between foreign member on the board and firm performance.

Considering these findings, these variables are essential for improving performance, providing new insight and innovation. The next part reviews board of directors' characteristics, such as, board size, board independence and board meeting. Due to the above explanation in the first chapter on weaknesses and inadequacy of relevant literature, companies have been trying to improve the performance by improving the application of CG in the Malaysian companies. This study tries its best to fill the gap in previous studies by investigating some of the factors that are very crucial in improving and developing the application of CG in the Malaysian companies and eventually to improve corporate performance. Consequently, attracting new investors had been help the country's economy to prosper.

3. Corporate Governance Characteristics and Firm Performance

3.1 Board of Directors Characteristics

3.1.1 Board Size and Firm Performance

In previous literature, it was contended that board size affects the ability of directors to control the top management with larger boards often believed to have high monitoring capacity than smaller board (Abdullah, 2004). Nevertheless, Lipton and Lorsch (1992) argued that larger board size may render it less effective in controlling top level management. In line with this argument, Lipton and Lorsch (1992) further proposed that the membership of board should be between eight and

nine members. This recommendation is premised on the contention that any additional benefits to be derived from the increment in the board membership may be offset by cost associated with easier control by the CEO, slow decision-making, and effectiveness problem. In their study, firm's financial performance was calculated by ROA, ROE and Tobin's Q. The studies of Yasser et al. (2011) and Dalton and Dalton (2005) recorded a significant progressive connection between board size and companies' performance. While other studies such as Ahmadu et al. (2005) and Andres et al. (2005) found out that large size of board is linked to the poor performance of the companies in the sample they investigated. On the contrary, study of Limpaphayomand Connelly (2006) reported a lack of connection between board size and financial performance. Therefore, this study responds to the call by examining the link between size of board and financial performance of firm. It is hypothesized hereby as follow:
H1: board size has a relationship with firm performance.

3.1.2 Board Independence and Firm Performance

Findings from previous researchers on the link between the independence of directors and company financial performance are inconsistent. Findings from Limpaphayom and Comelly (2006) reported a substantial positive effect on board and firm's performance because of the proportion of independent directors on it. On the contrary, Erickson et al. (2005) found opposite but significant impact on board independence and firm value. However, insignificant effect of an independent director on board on firm's value was also discovered by Andres et al. (2005). On the basis of the agency theory, there are oversight mechanisms used in CG to protect shareholders from the selfish intentions of management, with external board of directors members deemed to be one of these mechanisms that have a positive effect on performance (Fama& Jensen, 1983; Jensen &Meckling, 1976; Shleifer&Vishny, 1986). Based on above arguments regarding board independence, it leads us to the following hypothesis:

H2: board independence has a positive association with firm performance.

3.1.3 Board Meeting and Firm Performance

Since the role of board effects on firm performance variables, studies have been conducted on this effect in developed together with developing countries. The results of board meetings on firm performance was affirmative in the developed countries (Gavrea and Stegerean, 2012; Khanchel, 2007; Liang, Xu, and Jiraporn, 2013; Lin and Hu 2002) and same goes for developing countries as documented in literatures such as, Sahu and Manna (2013), Kang and Kim (2011), Khan and Javid (2011), and Hsu and Petchsakulwong (2010). Based on the research findings; the resulting hypothesis is formulated:

H3: The number of board meetings has a positive link with firm performance.

3.1.4 Board Commitment and Firm Performance

Meeting attendance indicates work seriousness. Directors that attend meetings can make assessment of issues at first hand and act accordingly. They find resolutions of problems and make better decisions which supports in accomplishing the organization's objectives. Commitment also suggests control, seriousness, prominence, assessment, and quality in upholding company's and investor's interests (Al-Rimawi, 2001). Board commitment shows its members' hold themselves accountable and feels responsible to improve firm performance (Pfeffer and Salancik, 1978). Similarly, Garg (2007), Sherman (2004), Cordeiroet al. (2007) and Shao (2010) conducted further studies on to build relationship between board diversity (like board commitment) and firm performance. Hence, following hypothesis is formulated by taking into consideration of above discussion:
H4: There is a relationship between board commitment and firm performance.

3.1.5 Board Gender and Firm Performance

Empirical evidence shows that women representation into board of directors' results in numerous firm outcomes. There has been varying relation between gender mix and performance of firm and this area nevertheless lacks practical investigations. Several findings build constructive and substantial connection between gender group and firm performance. In the Malaysian context, a report by Julizaerma and Sori (2012) indicated that there is a significant association between diversity of gender and the performance of firms (through ROA). In the same line of findings, Fan (2012) found that a positive relationship does exist between the two variables (board diversity and financial performance) in the Singaporean case. In a cross-sectional time-series data of Indonesian example, Prihatiningtias (2012) revealed a positive correlation between gender diversity and the financial performance of firms.

Using Tobin-Qas the indicator of market-based performance, Carter et al. (2003) provided support for the assertion that the U.S.A firms which has higher ratio of women members on the board of directors proves to perform considerably well than others. Using ROA as the indictor of accounting-based performance measurement, (Krishnan and Park, 2005; Shrader et al., 1997) also identified that positive connection exists between board gender and performance. In view of the above findings from former studies, the resulting hypothesis is formulated:
H5: There is a relationship between board gender and firm performance.

3.1.6 Foreigner Board and Firm Performance

Foreigner board members are a key factor of board diversity which is important in improving board performances and to develop and implement proactive decisions.

Foreign directors carry with them invaluable experience and knowledge about appropriate issues in foreign markets and hence they can add to the strategic decision-making process (Zahra and Filatotchev, 2004). Moreover, foreign directors can bring necessary expertise and diversity, particularly for companies that function internationally. For countries where they have comparatively weaker legal and governance institutions, introducing foreign directors can prove good tactic to develop governance in firm and ease its cost of capital by signaling its inclination to promise to attain perhaps better governance standards (Miletkov, Poulsen and Wintoki, 2011). Based on this discussion, the subsequent hypothesis is formulated:

H6: There is a relationship between foreign member on the board and firm performance.

3.1.7 Professional Certification and Firm Performance

Empirical study illustrates that being a member of professional body does matter in board. Professional membership is necessary element for board of directors' members which ultimately leads to improved functioning.

According to Azar et al. (2014) found that membership of professional bodies had a significant negative relationship with performance. Overall, the findings concluded that the consideration of both board effectiveness and board experience characteristics play an important role in better performance of companies. Based on findings from some studies like (Azar et al., 2014) which investigated the relationship between professional certifications of the board members on firm performance and use it as a dummy variable to measure it. In view of the above findings from former studies, the resulting hypothesis is formulated:

H7: There is a relationship between professional certification and firm performance.

3.1.8 Government Link and Firm Performance

There is distinctive feature of Malaysian corporate culture where it's quite common practice of ex-government officials to serve as directors in board. Ex-government officials are preferred to be selected as directors because of their knowledge, experience and familiarity in interacting with government agencies. It gives impression to most companies that in case if they should deal with government agencies then it had been be easier to have ex-government officials facilitate those matters in company's favor. Additionally, selecting senior officials in board provides company with public sector expertise as well. Their skill and knowledge had been also complementing the experience of directors from private sectors. According to Latif et al. (2013) there is positive effect of ratio of ex-government officers as directors on performance. Hence, the following hypothesis is developed:

H8: The government link has association with firm performance.

3.2 Audit Committee Characteristics

3.2.1 Audit Committee Size and Firm Performance

The size of the audit committee is an extensively examined AC element and according to the agency theory, the conflict between managers and shareholders frequently result in the top decision-making of management that serves their selfish needs rather than those of the shareholders (Jensen & Meckling, 1976). The audit committee has a major role in the monitoring role and in enhancing the quality of information that is shared between managers and the owners of the businesses (Abdurrouf, 2011).

Furthermore, a larger audit committee could ensure stricter control, but it makes conclusions difficult to reach (Hsu and Petchsakulwong, 2010). The audit committee quality is basically related to the corporate board's quality which is its origin; board structure has also been mentioned by policy makers and academics as a main component in defining the quality of financial statements (Vafeas, 2000). Moreover, based on the agency theory, the conflict between management and shareholders is what makes the former to serve its own interests as opposed to that of the latter's, especially in cases where businesses have opportunistic managers (Jensen & Meckling, 1976). The lack of independent and effective control mechanisms, top management may not fulfill their responsibilities of working towards the shareholders' interests (Fama & Jensen, 1983). Hence, efficient and effective audit committees should resolve conflicts and work towards enhancing the performance of firms (Rahmat et al., 2009). Based on prior works on the relationship, this study proposes the following hypothesis for testing;

H9: Audit committee size has association with and firm performance.

3.2.2 Audit Committee Independence and Firm Performance

Audit committee independence is another major AC element and the chairman appointment is conducted by the autonomous non-executive directors through the BOD. The main aim is to appropriate a specific proportion of non-executive and executive directors to the committee (Kang & Kim, 2011; Abdullah et al., 2008). Committees with more numbers of non-executive directors compared to executive ones have higher levels of independence (Rahmat et al., 2009). Similarly, audit committee members that are not part of the business plays a major role in ensuring support and check-and-balance practice of corporate governance activities when auditing (Swamy, 2011). In fact, the correlation between audit committee independence and the performance of the firm is predicted to be positive although there are only limited studies that were conducted to investigate their relationship, both in developed (Khanchel, 2007; Dey, 2008) and developing countries (Chechet Jr. & Akanet, 2013; Yasser et al., 2011; Swamy, 2011; Nuryanah & Islam, 2011; Saibaba & Ansari, 2011), with majority of authors revealing a positive relationship.

According to the agency theory, autonomy paves the opportunity to reach accurate decision-making without limitations, and to discern errors and highlight them smoothly as independent reviewers are not associated with the company being reviewed. The audit committee independence-performance of the firm relationship is predicted to be positive but only limited studies have been conducted to investigate the relationship in the developed nations (e.g., De, 2008; Khaneshl, 2007) and developing nations (Abdulla et al., 2008; Saipapa & Ansari, 2011; Swami, 2011; Yasser et al., 2011). Authors generally revealed a positive relationship between the two variables. Thus, based on prior works and related studies, the study proposes the following assumption;

H10: The audit committee independence has a positive association with firm performance.

3.2.3 Audit Committee Meeting and Firm Performance

The audit committee meetings is also an AC that has been extensively examined, with majority of relevant studies adopting meeting frequency to proxy the audit committee effectiveness (e.g., Rahmat et al., 2009; Khanchel, 2007; Hsu & Petchsakulwong, 2010; Kyereboah-Coleman, 2007). Aligned with prior authors suggestions (e.g., Hsu & Petchsakulwong, 2010), the audit committee commitment is linked to its effectiveness, with the frequency of the committee's meetings reflective of their diligent work.

In view of the agency theory, councils should not be proactive as proactivity shows underperforming businesses (Jensen, 1993). Also, meetings frequency has the potential to result to higher performance level (Jacqueline & Joel, 2009; Lepton & Lurch, 1992). In the same line of study, meetings quality is deemed to significant in that more meetings were found not to always lead to enhanced performance of the firm (Rubeiz & Salam, 2006). Based on above, the study proposed the hypothesis following;

H11: The audit committee meetings has relationship with firm performance.

3.2.4 Audit Committee Commitment and Firm Performance

In Malaysia, the audit committee members are picked from the members of board of director's pertaining to the code of corporate governance. So, it can be argued that, the measurement used for the commitment of board of directors can also be used for the measurement audit committee commitment because audit committee members are chosen from the members of board of directors.

Attendance of board meeting is task significance symbol and issues detection then resolve the issues. It is also part of making effective decisions for objectives achievement. Similarly, meeting regularity enhance the confidence of investors because this is considered the sign of hard work and serious attitude towards achieving company goals and enhance investors share worth. The symbol of serious attitude, control, evaluations, excellence and eminence towards enhancing company and investor value is called commitment (Al-Rimawi, 2001).

Board commitment mirrors its members' eagerness to improve firm performance (PfefferandSalancik, 1979). Considering the preceding literature and other associated ideas, the following hypotheses is proposed:

H12: There is a relationship between audit committee commitment and firm performance.

3.2.5 Foreign Member Audit Committee and Firm Performance

Existence of foreigner member in audit committee results into having better control and serves as monitoring role. Oxelheimet al. (2013) indicated in literature that when audit committee adopts demographic diversity in its characteristics, such as having a foreign director, then this change leads to more independence of audit committee and keeps them out of management's control. This influence is likely noticeable when foreign directors are selected from a country with strict governance mechanisms such as U.S.A.

However, firms choose to select foreign directors from like countries so there are minimal differences between their home and firms' culture (Van Veen et al., 2014). Similarly, this idea is supported by (Miletkov et al., 2013) stating that if the dissimilarities are lower between the foreign directors and the firm than they intend to perform a better job in advising and controlling managers Thus, the next hypothesis is thus established:

H13: There is a relationship between foreigner audit committee and firm performance.

3.2.6 Financial Experience of Audit Committee and Firm Performance

Financial knowledge and experience are vital and this adds to effectiveness of audit committees and is considered necessary where firms have statutory obligations to establish audit committees (Yoon et al., 2012). The author called this 'Financial literacy' and elaborated that this not only refers to the financial expertise but also takes account of financial background. Joseph at el., (2011) also stated that investors value more when accounting expertise of audit committee is more than normal.

Moreover, (Al-Mamun et al., 2014) also investigated this relation in terms of EVA based on selected PLCs in Malaysia. The analysis highlighted the importance of connection amongst audit committee characteristics and performance of firm. Based on this argument, the succeeding hypothesis is formulated:

H14: There is a relationship between financial experience of audit committee and firm performance.

4. Proposed Research Framework

Based on the limited literature on the impact of the International Advisory Committee on Enterprise Performance, this study proposed the following framework, which should explain a considerable degree of variation in company performance (Figure 1).

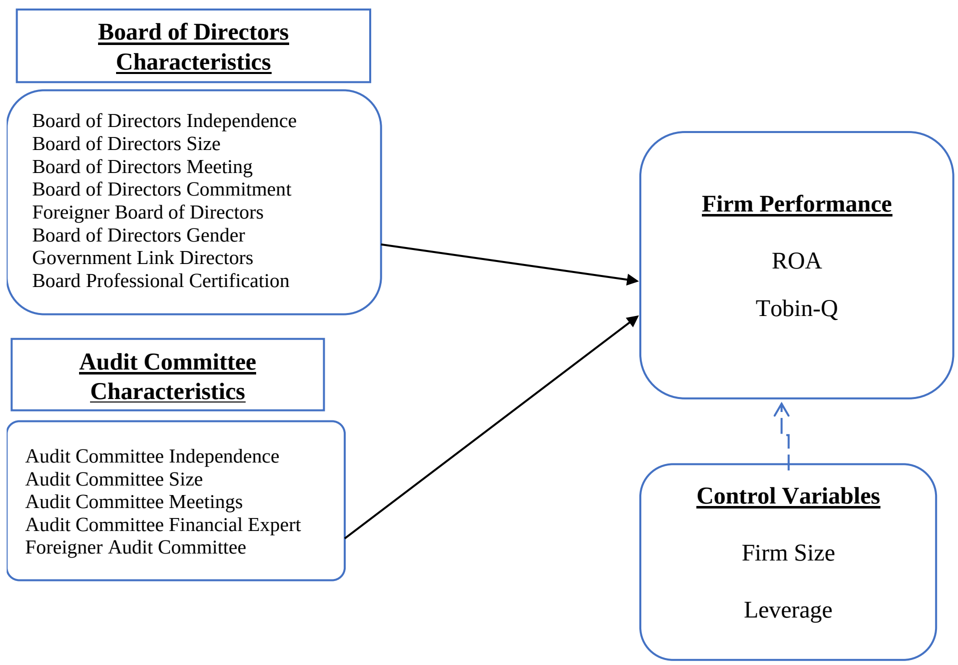

Figure 1
Research Framework

5. Conclusion and Recommendations for Future Research

This study contributes to prior literature by examining the relationship among CG variables specifically board of directors characteristics (board size, board independence, board meeting, board commitment, board gender, professional certifications, government liking and foreign board member), audit committee characteristics (size, independence, commitment foreign committee member, financial experts in the committee and committee meeting) and performance of firms proxied by ROA and Tobin's Q of the listed firms in Malaysia.

The present study provides several recommendations, with the first being the empirical examination of future studies of the effect of board factors and audit committee attributes on the firms performance. Another recommendation is that future studies could focus on developing nations to enable the comparison between country types (similar and contrasting economies and culture), such as countries in the Middle East like the Gulf States. Lastly, consistent with the value obtained from the integration of the accounting-based and market-based measures to enhance business performance and the provision of insight into the investors, future authors could focus on the effective facilitation of such integration.

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