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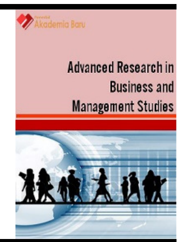

Does Malaysian Code of Corporate Governance 'MCCG' Matter among Family-Controlled Firms?

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ABSTRACT

The Securities Commission Malaysia issued the Corporate Governance Blueprint which is later transformed to Malaysian Code on Corporate Governance 'MCCG'. Minority Shareholders Watchdog Group 'MSWG' is participating in the establishment of MCCG components as well as the measurement of best practice of corporate governance by using Corporate Governance's index in 2009. This index which has two components of internal governance (i.e. disclosures on board of directors' structure and directors' remuneration) and external governance (i.e. disclosures on accountability and audit as well as communication with shareholders) could result to an effective monitoring and governance among family-controlled firms. Using MCCG index scores, this study examines the relationship between the components of corporate governance and performance among Malaysian family-controlled firms for the years 2010 and 2011. The regression analysis provide evidence that none of these components are significant except directors' remuneration disclosures which are negatively related to family-controlled firms' performance (i.e. ROA, Tobin Q and EVA). These findings indicate that low disclosures of directors' remuneration are more likely to be related to high performance among family-controlled firms given that more investors may be attracted to invest in the family businesses with low directors' remuneration than high directors' remuneration. Hence, the regulators and policy makers may need to consider specific corporate governance code for family-controlled firms in order to lessen the dominance of agency problems.

Keywords:
Corporate governance, MCCG, family-controlled firms, Tobin Q

1. Introduction

The Corporate governance has become an important agenda among Malaysian companies in order to be more competitive in their respective industry. The Securities Commission Malaysia issues the Corporate Governance Blueprint which is later transformed to Malaysian Code on Corporate Governance 'MCCG'. Minority Shareholders Watchdog Group 'MSWG' is participating in the

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establishment of MCCG components as well as the measurement of best practice of corporate governance by using Corporate Governance's index which could lead to an effective monitoring and governance among family-controlled firms. This index has two components of internal governance and external governance. Internal governance component comprises of board of directors' structure and directors' remuneration dimensions, whereas, external governance component consist of accountability and audit as well as communication with shareholders dimensions. Hence, does corporate governance result to high performance among public listed companies in Malaysia?

In Asia, public listed companies are mainly controlled by family that could contribute to high performance in Taiwan, Australia, Hong Kong, Singapore and China and to a reduction of value gaps with *socio-emotional wealth* (SEW) among family members [1]. Amongst the well-known Asia family group companies are the Ayala family (Philippines), Li Ka-Shing (Hong Kong), and Kyuk Ho Shin (South Korea). In Malaysia, the prominent Malaysian family businessmen are Robert Kuok (Kuok Brothers) or more well-known as 'Sugar-King', Quek Leng Chan (Public Bank Group), Tuanku Abdullah Tuanku Abdul Rahman (Melewar Group), Tan Sri Shamsuddin Abdul Kadir (Sapura Holdings Berhad), and T. Ananda Krishnan (Tanjong Berhad).

However, agency problem Type 2 is a situation whereby the founding family, being a large and controlling shareholder, may choose to pursue its own interest at the cost of other shareholders when their interests are not well aligned [2]. In other words, the family-controlled firms may be profitable for the controlling families at the expense of minority shareholders. Lane [3] pointed out that the family's presence in ownership and management leads to a low goal divergence between owners and managers among family-controlled firms [4].

Nevertheless, family-controlled firms are (1) external-quasi control due to their obligation to the Security Commission's regulation and guidelines; and (2) internal governance in relation to mechanism for the accountability, monitoring, and control of a firm's management with respect to the use of resources and risk taking [5]. Hence, the present study examines whether corporate governance does matter among family-controlled firms given that mandatory imposition of MCCG on 31st December 2012.

Specifically, the initial MCCG was improved with rebranding in 2007 (Revised 2009) before another proactive measure was taken by the Malaysian government in term of MCCG 2012 (consistent with the "Corporate Governance Blueprint 2011") in which it was launched in March 2012 and would be mandatory to put into effect on 31 December 2012. A few companies have already applied this MCCG, others have taken the year 2012 as the mandatory year for listed companies in Bursa Malaysia to make reconciliation on these guidelines of MCCG 2012.

2. Corporate Governance in Malaysian Capital Market

The principal authorities involved in regulating the capital market are the Bank Negara Malaysia (the Central Bank), the Companies Commission of Malaysia (CCM), Bursa Malaysia (formerly known as the Kuala Lumpur Stock Exchange (KLSE), and the Securities Commission. These agencies regulate the capital control measure during the Asian economic crisis. The emergence of corporate governance (CG) in Malaysian Capital Market was caused by the 1997 Asia financial crisis due to speculative in the Asia currency market [6]. Government intervention is in the form of introducing the first Malaysian Code of Corporate Governance (MCCG), that was set up as early as in March 2000 by the Malaysian High Level Finance Committee of Ministry of Finance (MOF) as a reactive measure but the application of MCCG (2001) was in voluntarily basis by forming the watchdog agencies like Malaysia Audit Oversight Board (AOB) and Minority Shareholders Watchdog Group (MSWG) [7]. The formation of Minority Shareholders Watchdog Group (MSWG) on 30 August 2000 was another episode to foster the best practice of MCCG amongst Public Listed Companies (PLCs) in Bursa Malaysia. MSWG is participating in the establishment of CG components as well as the measurement of best practice of corporate governance by using CG's Index.

2.1 MCCG 2007 (Revised 2009)

The Malaysia Code of Corporate Governance (MCCG) 2007 code is established to further improve the listing requirement by Bursa Malaysia that came into force since 1st January 2001. The revised principles in the code list are: (1) relationship of the board to management, (2) the board, principal responsibilities of the board, (3)supply of information, (4) access to information, (5) access to advice, (6) appointments to the board, (7) directors' training , (8) the level and make-up of remuneration, procedure, (9) disclosure, (10) remuneration committees, (11) chairman and chief executive officer, (12) internal control, (13) shareholder voting, (14) dialogue between companies and investors, (15) the relationship between the board and shareholders, and (16) dialogue between companies and investors. The revision of 2007 code took place in 2009 in order to strengthen the roles and responsibilities of the board of directors, the audit committee and the internal audit function.

Besides the current study in Malaysian corporate governance best practices, the main principles focused are on the strengthened composition as well as reinforced independence. The dimension of the strengthening composition are in the three roles of Nominating Committee namely: (1) appointment to the board that is exclusively of non-executive directors and majority must be independent directors, (2) criteria used on the recruitment process and annual assessment of directors, and (3) attracting and retaining directors by having formal as well as transparent remuneration policies and procedures. The dimension of the reinforcing independence are in the three board's mandates namely: (1) assess independent directors annually upon re-admission or self-interest of directors, (2) limit independent directors of up to a cumulative term of nine years otherwise non-independent directors, and (3) separate the chairman and CEO, where both positions should be held by different individuals that is not only be not an independent director but must also be a non-executive member (MSWG, 2011-MCG Index Report).

2.2 MCCG 2012

In July 2011, the Securities Commission Malaysia issued the Corporate Governance Blueprint 2011 which outlines recommendation strategic initiatives aimed at reinforcing self and market discipline. The Corporate Governance Blueprint 2011 is later transformed to the Malaysian Code on Corporate Governance 2012 (MCCG 2012) in order to grant mandate for boards to focus on substance rather than form in meeting corporate governance requirements that focuses on strengthening board structure and composition recognizing the roles of directors as active and responsible fiduciaries.

Board of directors have a duty towards effective stewards and guardians of the company, not just in setting strategic direction and overseeing the conduct of business, but also in ensuring that the company conducts itself in compliance with laws and ethical values, and maintains an effective governance structure to ensure appropriate management of risks and level of internal controls. The transformed principles in the code list are establishing clear roles and responsibilities of a board, strengthening composition, reinforcing independence, fostering commitment, upholding integrity in financial reporting, recognizing and managing risks, ensuring timely and high quality disclosure, and strengthening relationship between company and shareholders.

3. Literature Review and Hypothesis Development

The linkage between corporate governance and corporate performance is viewed by Fama [8]. He comments that separation of ownership and control can be explained as a result of "efficient form of economic organization". This conditional concept is explaining the conflict between owners (shareholders) and managers (CEO) or it is referred to as Type I agency problem, whereas, in the family controlled firm, the conflict is between the large shareholder and minority shareholders or it is known as Type II agency problem. The drawback of the latter practice is that, there is also opportunity for dominant shareholders to act that benefited the family members but at the expense of minority shareholder [2].

Jensen [9] are among the pioneer of agency theory that is theoretical postulates concerning the relationship between the firm's ownership structure and firm performance were then further defined the theory as "one or more persons (principal) engage another person (agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent". Conflict of interests between managers or controlling shareholder, and outside or minority shareholders refer to the tendency that the former may extract "perquisites" (or perks) out of a firm's resources and less interested to pursue new profitable ventures. In the same vein, family ownership firms will limit managers (agents) ability to manage earnings [10].

Hence, employing agency theory and using Malaysian Governance and Transparency Index 2009 (i.e. four dimensions which can be breakdown into three dimensions of governance, and one dimension of transparency), to examine whether corporate governance practices could result to effective monitoring and governing among family controlled firms. Previous studies are reviewed and four hypotheses are developed in the present study.

3.1 Structure of Board of Directors

Most previous researchers in corporate governance studies have been used different elements of board of directors' structure in order to determine its relationship toward family firm performance. A common governance element that was studied previously to describe the board structure is board size. There are several mix findings related to the board of directors' structure and firm performance. Chang [11] found that only board size and independent directors have shown positive relationship with firm performance, while [12] revealed that only board size and leadership structure were positively related to firm performance. In the other hand, [13] discovered negative relationship between firm performance and board size.

Ben-Amar [14] further found that inside ownership and CEO duality were negatively related towards the quality of information about corporate governance practice, while board independence and firm size were positively associated with disclosure quality. However, there were positive relation between firm performance with these nine (9) board directors' structure elements in separate findings by previous researchers excluding for independent directors study by [11]. For instance, Mangena [15] illustrated that there is a positive relationship between the frequency of the board meetings held and firm performance; Brown]16] found that there were a positive relationship between the disclosures of the frequency of the board and committee meetings and directors' attendance at these meetings to firm performance.

Based on these discussions and identified elements from the Malaysian Governance and Transparency Index 2009, the relevant hypothesis is as following:

H1: There is positive relationship between disclosures on board of directors' structure and performance among family-controlled firms.

3.2 Directors' Remuneration

The primary focus of the previous researchers on executive and directors compensation was the level and structural mix of compensation packages and their effect to firm performance [17]. Brown [16] found that directors' remuneration is positively related with the companies' growth and size. The evidences on how the directors' remuneration in term of long term stock option as compensation plan increases the firm's long term financial performance were explained by the director's behavior, in which those with stock options would be less likely in taking excessive risk in pursuing their personal wealth [18].

Previous studies indicate a lack of consistency regarding the impact of directors' remuneration on firm performance. For instance, Zhou [19] found a weak relationship between executive remuneration and firm performance. Main [20] documented a positive relationship between board remuneration and firm performance while Brick [21] found a negative relationship between directors' remuneration and firm performance. However, Jaafar [22] who focus on family-owned firms, indicated that directors' remuneration is positively related to firm performance.

Based on the above discussion, and also the identified elements from the Malaysian Governance and Transparency Index 2009, the relevant hypotheses are as following:

H2: There is positive relationship between directors' remuneration disclosures and performance among family-controlled firms.

3.3 Accountability and Audit

In the mid-twentieth century is known as the evolution of audit committees, whereby, many companies voluntarily created audit committee in order to provide more effective communication between the board of directors and external audit [23]. In spite of having small groups within board of directors would be helpful in maintaining cohesiveness, being small in size would also lower the communication and co-ordination costs [24].

Hunt [25] suggested that effective audit committee is the corner stone of public's confidence in corporate governance and financial performance. Thus, companies cannot be tolerated in this manner by having directors who cannot contribute and must have one who has the necessary experience and knowledge to be member of boardroom [26]).

Nevertheless, Rezaee [27] viewed that having at least one member of the audit committee with financial and accounting skills may not be sufficient enough for committee to understand the nature and impacts of complexity of business transactions. Abdullah [28] revealed that the independence of audit committee bears positive relationship with firm's financial performance. In a similar vein, Kallamu [29] found that independence of audit committee is positively related to firm performance (i.e. ROA).

Based on the above discussion and identified elements from the Malaysian Governance and Transparency Index 2009, the relevant hypotheses are as following:

H3: There is positive relationship between accountability and audit disclosures and performance among family-controlled firms.

3.4 Communication with Shareholders

Fraudulent activities will be refrained by the financial transparency that provides depositors, creditors and shareholders and this important mechanism will be given them credible assurance [30]. In the study by Rashid [31] found that the transparent and timely disclosure of information is crucial in creating shareholders' value. Lang [32] noted that analysts' ratings of corporate disclosure have positive relationship with earning performance. According to Botoson [33], the disclosure policies of firms positively related to cost of capital. Healy [34] suggested that stock performance is associated with the expanded disclosure by firms.

According to Bollen [35], a firm is considered as good corporate governance when it has high scoring in corporate governance index that would be included effective disclosure of information which is detailed company profile, corporate governance policy and also provided with certain corporate transparent information, for instance, analyst meetings, publication of press release, presentation of semi-annual results, and shareholders' meeting on firm's website.

The primary reason of having own company website is to provide investors with financial, as well as, non-financial information replacing hard-copy publications and thus eliminating the distribution and production cost of print-based documents [35]. According to Zheka [36] who studied on elements of transparency in corporate governance namely firm's website, timeliness of publication of annual report, publication of information on auditor have positive effect on firm's performance.

In a similar vein, Ezat [37] documented a positive relationship between firm's performance (i.e. profitability) and calendar for future financial events. They concluded that companies with high profitability will be encouraged to provide a calendar for the future financial events to reflect their good situation to different stakeholders. This situation will eventually lead companies to be more sensitive to update their web site.

Based on the above discussion and also identified elements from the Malaysian Governance and Transparency Index 2009, the relevant hypotheses are as following:

H4: There is positive relationship between communication with shareholders disclosures and performance among family-controlled firms.

4. Methodology

The present study examines the public listed firms in Bursa Malaysia that fall under family controlled firms in the Main Board, and the ACE (Alternative Certainty Efficiency) markets (formally known as Malaysian Exchange of Securities Dealing and Automated Quotation- MESDAQ) for the years 2010 and 2011. The sample does not cover multinational or foreign based companies that may demonstrate different a level of corporate governance practices depending on its country of origin. The finance firms (i.e. banks, insurance, and trusts) are excluded from the present study due to the different regulatory requirements and material difference in the type of operations.

Family-controlled firms are identified based on the definitions by LaPorta [38] who traced out the largest shareholder of a company, and followed the criteria for family control proposed by Morck [39] which are (1) the largest group of shareholders in a firm is a specific family; and (2) the stake of that family is not less than 10 per cent of the voting shares. In addition, Malaysian Governance and

Transparency Index 2009 has been used to find the score for Malaysian family-controlled firms. The governance dimensions (i.e. 2 elements of board of directors' structure; 8 elements of directors' remuneration; and 5 elements of accountability and audit, whereas the final dimension is for 8 elements of communication with shareholders) are collected in order to examine the relationship between the corporate governance and family firms' performance.
The multiple regressions employed in the present study are as follows:

$$ROA = \alpha + \beta_1 BOD + \beta_2 REM + \beta_3 AA + \beta_4 COM + \beta_5 Size + \beta_6 Cash + \varepsilon_{it} \quad (1)$$

$$Tobin = \alpha + \beta_1 BOD + \beta_2 REM + \beta_3 AA + \beta_4 COM + \beta_5 Size + \beta_6 Cash + \varepsilon_{it} \quad (2)$$

$$EVA = \alpha + \beta_1 BOD + \beta_2 REM + \beta_3 AA + \beta_4 COM + \beta_5 Size + \beta_6 Cash + \varepsilon_{it} \quad (3)$$

Note:
Control variables = Firm Size (Size) and Cash holdings (Cash)
MCCG Index = Board of Directors' Structure (BOD), Directors' Remuneration (REM), Accountability and Audit (AA), Communication with Shareholders (COM)

5. Findings and Discussions

This section presents the descriptive analysis, correlation analysis and multiple regression analysis for the current study based on the independent variables (i.e. BOD, REM, AA and COM) and dependent variables (ROA, Tobin Q and EVA).

5.1 Descriptive Analysis

The present study has observed the updated relevant data from the annual report that amounted to 472 family listed firms. Upon this number, the normalized data is finalized to 404 family listed firms. Therefore the data is subjected for 808 family listed firms after cover up for two consecutive years (2010 and 2011) on the same 404 family listed firms. The sample comprises of different sectors as follows: (1) 308 firms are specified industries (38.1%); (2) 152 firms are trading/services (18.8%); (3) 118 firms are consumer (14.6%); (4) 80 firms are technology (9.9%); (5) 66 firms are properties (8.2%); (6) 44 firms are construction (5.4%); (7) 36 firms are plantation (4.5%); and (8) 4 firms (0.5%) with 2 each of them are operated in hotel and Infrastructure Project Companies (IPC) industry respectively.
In addition, the descriptive analysis provides evidence on mean, standard deviation, minimum and maximum for the independent and dependent variables in the present study. The statistical results for the independent variables in Table 2 shows that the mean on the respective governance elements are ranked according to its percentage scores. Communication with shareholders is prioritized at the highest governance level (60.51%), followed by accountability and audit (50.84%), and board of directors' structure (45.74%). The lowest governance percentage score in family-controlled firms is in its director's remuneration (30.05%). The family-controlled firms also have strong cash holdings for about 51 cents in every ringgit of their total assets.

Table 1
Summary of Variables and their Measurements

Category	Notation	Measurement
Family Firm's Performance (DV)	ROA TOBIN'S Q EVA	= Net Income / Average Total Assets = (Equity market value + Liability book value) / (Equity book value + Liability book value) = Sales-Operating Expenses-Tax-Financial Requirement , or = (ROA – WACC) x Total Capital
Malaysian Corporate Governance Best Practice and Transparency (Revised 2009)	MCG-Index (IV) **12 ITEMS ON GOVERNANCE DIRECTOR:** Board-size Board-Independence Board-Competency Director or Chairman Duality Senior Independent Director Board Meeting Committee Meeting Attendance at Board and Committee Meeting Nominating Committee Independence Selection of Directors Board and Individual Appraisal **8 ITEMS ON GOVERNANCE REMUNERATION:** Remuneration Committee Independence Disclosure of Executive Director Remuneration Mix of Executive Director Remuneration Performance measures Top 5 Executives' Remuneration Disclosures of Executive Director Remuneration Disclosures of Non-Executives Director Fees Structure of Non-Executives Director Fees Stock Option **5 ITEMS ACCOUNTABILITY AND AUDIT:** Independence of Audit Committee Member Competencies of Audit Committee Member Competencies of Audit Committee Chairman Risk Management, Internal Control and Internal Audit Whistle Blowing Policy **8 ITEMS OF TRANPARENCY AND INVESTOR RELATION COMMUNICATION WITH SHAREHOLDER:**	Scorecard: Total 100 scores **35 points comprises of** Two points Five points Two points Two points Four points One point Three points Three points Two points Two points Three points Six points **20 points consist of** Two points Four points Two points One point Four points Three points Two points

	Timeliness of Release of Annual Financial Results Timeliness of Release of Quarterly Financial Results Corporate Websites Effectiveness of IR contacts Results Briefing to Announce Full Year-Results Presence of Key Management at Results Briefing Availability of Presentation Material Shareholder Participation	Two points **20 points-breakdown into** Three points Two points Two points Ten points Three points **25 points assessment** Three points Two points Five points Two points Three points Two points One point Seven points Total = 100 %
Control Variables: Firm Size	SIZE_FIRM	= natural log of the book value of assets
Cash holdings	CHoldg	=securities / total assets

Table 2
Descriptive Statistics for continuous variables

Variables	N	Min.	Max.	Mean	Std. Dev.
Board's (BOD) Structure	808	0.20	0.77	0.45	0.12
Directors' Remuneration	808	0.10	0.75	0.30	0.14
Accountability and Audit	808	0.00	0.75	0.50	0.12
Communication with Shareholders	808	0.20	1.00	0.60	0.18
Return on Assets (ROA)	808	-0.04	0.290	0.05	0.05
TOBIN'S Q	808	0.05	2.66	0.78	0.37
Economic Value Added (EVA)	808	-0.33	0.11	-0.02	0.04
Firm Size	808	11.78	24.72	19.16	1.34
Cash Holdings	808	0.02	2.43	0.51	0.41

Family firms' performance models as the dependent variables of this study have different results. The overall performances for three models are comparatively explained in terms of contribution ratio, actual value of ringgit as well as magnitude results. The present study indicates that return on assets model has an average of 5.8 cents in every ringgit of their total assets, whereas, Tobin's q model has even more value to the average of 73 cents in every ringgit of their total assets. However, Malaysian family controlled firms have an average of – RM26,700.00 or – RM0.0267 million in negative value for their economic value added, which is probably unattractive capital market for foreign investors.

5.2 Correlation Analyses

Governance in board of directors' structure is highly correlated with governance in directors remuneration and governance in accountability and audit, whereas, governance in accountability and audit is highly correlated with governance in directors remuneration and governance in communication with shareholders. Nevertheless, family firm performance of ROA and Tobin's Q are highly correlated with cash holding. Whereas, family firm's performance of EVA is highly correlated with governance in accountability and audit, firm size and cash holding. However, all these variables are correlated with each other below the maximum threshold of 0.9.

Table 3
Correlation Analysis

	BOD	REM	AA	COM	ROA	TOBIN	EVA	Size	Cash
BOD	1	0.69**	0.51**	-0.01	-0.02	-0.05	-0.06*	-0.01	-0.03
REM	0.69**	1	0.50**	0.01	-0.07*	-0.08*	-0.08*	-0.05	-0.04
AA	0.51**	0.50**	1	-0.32**	-0.04	0.05	-0.11**	0.14**	0.03
COM	-0.01	0.01	-0.32**	1	0.03	0.01	0.04	-0.13**	0.06
ROA	-0.02	-0.07*	-0.04	0.03	1	0.10**	0.37**	0.01	0.20**
TOBIN	-0.05	-0.08*	0.05	0.01	0.10**	1	-0.02	0.22**	0.79**
EVA	-0.06*	-0.08*	-0.11**	0.04	0.37**	-0.02	1	-0.50**	0.14**
Size	-0.01	-0.05	0.14**	-0.13**	0.01	0.22**	-0.50**	1	0.11**
Cash	-0.03	-0.04	0.03	0.06	0.20**	0.79**	0.14**	0.11**	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

5.3 Regression Analyses

In order to produce more meaningful outcomes for this dissertation, all secondary data collection are subjected to statistical procedure such as sufficient data requirement, data screening and transformation, normalization, reliability analyses, and validity analyses. Assumptions such as outliers, normality, linearity and autocorrelation are satisfied before the data is analyzed. The results of the regression analysis between independent variables and family firms' performances are presented in Table 4.

$$ROA = \alpha + \beta_1 BOD + \beta_2 REM + \beta_3 AA + \beta_4 COM + \beta_5 Size + \beta_6 Cash + \varepsilon_{it} \quad (4)$$
$$Tobin = \alpha + \beta_1 BOD + \beta_2 REM + \beta_3 AA + \beta_4 COM + \beta_5 Size + \beta_6 Cash + \varepsilon_{it} \quad (5)$$
$$EVA = \alpha + \beta_1 BOD + \beta_2 REM + \beta_3 AA + \beta_4 COM + \beta_5 Size + \beta_6 Cash + \varepsilon_{it} \quad (6)$$

Table 4
Results of estimating corporate governance and family-controlled firms' performance.

	Expected sign	Model 1	Model 2	Model 3
Intercept		0.05 **(1.754)***	-0.24 **(-1.97)***	0.34 **(15.35)*****
BOD	+	0.02 (1.13)	-0.036 (-0.38)	-0.00 (-0.03)
REM	+	-0.03 **(-1.87)***	-0.13 **(-1.678)***	-0.04 **(-2.44)****
AA	+	-0.01 (-0.49)	0.13 (1.48)	0.00 (0.09)
COM	+	0.01 (0.42)	-0.02 (-0.40)	-0.01 (-1.21)
Size	+	0.00 (0.16)	0.04 **(5.81)*****	-0.02 **(-17.72)*****
Cash	+	0.03 **(5.90)****	0.70 **(36.89)*****	0.02 **(6.66)*****
Durbin-Watson		2.012	1.988	2.033
Adjusted R^2		4.3%	65.1%	30.1%

The study expects a positive relationship between governance of board of directors' structure and family firms' performance models. However, the result of regression analysis find that this disclosures has no significant relationship with family firms' performances. These findings imply that board of directors' structure seems to be irrelevant among family-controlled firms given that boards of directors tend to be dominated by family members. These findings are consistent study by Abdullah [40] who find lower level of mandatory disclosures (i.e. IFRS disclosures) among family-controlled firms. Consequently, this high concentration of ownership among of family members could lead to Type 2 agency problems which are also known as 'owner opportunism' or the 'entrenchment effect' [41].

In addition, the present study predicts a positive relationship between director remuneration disclosures and family-controlled firms' performance. The regression analysis provides evidence that disclosures related to director remuneration are significantly related to performance among family-controlled firms in the opposite direction. More interestingly, the three models using ROA, Tobin and EVA show consistent results related to director remuneration disclosures. These significant and negative coefficients indicate a contradiction whereby directors' remuneration disclosures as required by existing code of governance could reduce the family firms' performance. In other words, these findings imply that low disclosures of directors' remuneration are likely to be related to high performance among family-controlled firms given that more investors may be attracted to invest in the family businesses with low directors' remuneration than high directors' remuneration. The explanation of these findings could be due to investors that are likely to be risk averse investors who favour directors with low remuneration and could generate more profit and better performance in the family-controlled firms.

The study also presumes a positive relationship between (1) accountability and audit disclosures; and (2) communication with shareholders disclosures and family firms' performance. However, Table 3 which provides no evidence on both relationships imply that accountability and audit, and communication with shareholders seem to be irrelevant in the family-controlled firms. The later findings are associated to high managerial ownership is unsuitable in Malaysian family business environment due to moral hazard problems involving the risk of misallocation of firms' resources in corporate decision making at the expense of minority shareholders [42]. Even though the spirit of having communication with shareholders best practice seems to be theoretically commendable, the term "shareholders" in this type of concentrated ownership refers to the principal and manager who are the same persons.

6. Conclusions

The current status for having MCCG among Malaysian family-controlled firms is satisfied at moderate level. However, the regression analysis for the years 2010 and 2011 provide evidence that disclosures of corporate governance components are not significantly related to family-controlled firms' performance (i.e. ROA, Tobin Q and EVA), except disclosures of directors' remuneration. These findings imply that MCCG does not seem to be matter for family-controlled firms due to none of the governance elements have positive relationship with firms' performances except for directors' remuneration which is negatively related to performance. In other words, MCCG is less likely to reduce the agency problems among Malaysia family-controlled firms. Hence, the regulators and policy makers may need to consider specific corporate governance code for family-controlled firms in order to lessen the dominance of agency problems.

As a result, the present study on MCCG among Malaysian family-controlled firms sheds light on the issues surrounding corporate governance to researchers, regulators and policy makers based on MCCG 2012 rather than MCCG 2017. However, the limitation in methodology may restrict generalisability of the findings due to two years sample of firms which could be extended to five or ten years in order to provide more significant findings in relation to corporate governance. Future research could be done on non-family-controlled firms versus family-controlled firms, and non-developed countries versus developed countries.

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