CULTURE, CORPORATE GOVERNANCE AND DISCLOSURE IN MALAYSIAN CORPORATIONS

Ros Haniffa and Terry Cooke*

November 2000

(Presented at the Asian AAA World Conference in Singapore, 28-30 August 2000)

Abstract:

Evidence from research conducted on accounting disclosure practice indicates that the interaction of different factors in the environment within which companies operate influences their disclosure practices. Culture may be a factor of importance and previous studies have failed to empirically examine this variable as potential determinant of disclosure. Cultural values may be considered collectively at the highest level in the organisation i.e. board of directors, in terms of disclosure as a function of corporate governance and at the individual level, in terms of personality (both demographic and cognitive). This paper investigates whether corporate governance and personal attributes in addition to company-specific characteristics are possible determinants of voluntary disclosure in Malaysia. Results indicate potential significance of two corporate governance variables (viz. chair who is a non-executive director and ratio of family members on boards). One personal variable, proportion of bumiputra directors on the board, was found to be significant.

Key words: Disclosure, corporate governance, culture, Malaysia.

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* The authors are respectively, Lecturer and Professor in Accounting at Exeter University. Address all correspondence to Dr Ros Haniffa, Department of Accounting & Finance, School of Business and Economics, Exeter EX4 4PU, UK. Telephone: (01392) 263234. E-mail: r.mohamad-haniffa @ex.ac.uk

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1. INTRODUCTION

A variety of environmental factors affecting disclosure practices adopted by companies have been identified in the literature (Wallace and Gernon, 1991; Radebaugh and Gray, 1993). These factors include the economy, capital markets, accounting and regulatory framework, enforcement mechanisms, and culture and form part of what is referred to as 'Environmental Determinism Theory' (Cooke and Wallace, 1990).

One problem that arises in research in this area is the failure to explore the cultural factor, despite the recognition of its importance. In recent years, there have been calls for research to look at the peculiar cultural characteristics inherent in a country to either support or deny the two opposing theories; cultural theory versus convergence hypothesis (Wallace and Gernon, 1991). Furthermore, the traditions of a nation are instilled in its people and as such may help explain why things are as they are. Wallace and Gernon (1991) further suggest the use of 'national character' (perceived as psychological traits, modal personality, basic personality structure, systems of attitudes, values and beliefs held in common, behavioural characteristics, cultural products, such as philosophy of a nation) to explain differences in the accounting system. As such, the cultural theory proposed by researchers such as Hofstede (1987) and Gray (1988) provide a good foundation to incorporate culture as one of the explanatory variables in disclosure studies. Moreover, an 'emic' approach (Wallace and Naser, 1995) to subcultural (analysing various ethnic groups in a country) research may be most appropriate in pluralistic societies (Belkaoui et al., 1991) like Malaysia.

Besides the environmental determinism theory and cultural theory, the concept of corporate governance, which has received substantial attention lately, may also be introduced into empirical studies on disclosure as one of the explanatory variables because it is the board of directors that manages information disclosure in annual reports (Gibbins, Richardson and Waterhouse, 1992).

Since disclosure is an 'accounting activity involving both human and nonhuman resources or techniques as well as the interaction between the two' (Perera, 1994, p.268), it is important for studies in this area to address both culture and corporate governance issues. Thus, by incorporating factors identified by the environmental determinism theory, cultural theory and corporate governance theories, the variability in the extent of voluntary disclosure may be better

explained. In short, the cultural and corporate governance variables consider the human aspect along with individuals' interactions in shaping reality, while the other environmental factors, especially company-specific characteristics, reflect the nonhuman aspects of disclosure practice. As Gibbins et al. (1992, p.43) have argued, 'organisations may disclose information to support the efficiency of exchange and production, but they also disclose information to establish their compliance with the social values reflected in regulations and informal norms. The rules affecting disclosure are unlikely to reflect one imperative to the exclusion of the others.'

Thus, the objective of this study is to extend our understanding of the human factors that influence the extent of voluntary disclosure. This is especially important in the context of a multi-racial country because the attitudes and behaviours of each race in the society is assumed to differ to some extent. Therefore, this study will incorporate both corporate governance and personal characteristics of directors into the voluntary disclosure model using company-specific characteristics as control variables. Since there have been no studies on disclosure that directly examine these (corporate governance and personal) variables as possible determinants of disclosure, this examination will be set in the context of the literature on corporate governance and social values of the different races as suggested by Hofstede (1991) and Abdullah (1992) to the accounting values proposed by Gray (1988). Hence, the theoretical framework is multi-perspective recognising the inherent difficulties of constructing any ground theory to explain social phenomenon (Gibbins et al., 1982).

Malaysia is of interest not only because it is a developing country but because there is considerable division based on race, ethnicity and language. Indeed, in 1969 there were riots involving Malays (consisting approximately 56% of the population) against the Chinese ethnic group which led to affirmative action called the New Economic Policy 1970. The political elite in Malaysia has a reputation for racialising issues although there is a debate as to whether discrimination is primodial (Milne, 1981) or class-based (Brennan, 1982). However, the New Economic Policy institutionalised positive discrimination in favour of bumiputra (indigenous people) by offering concessions in terms of grants, trade, education and certain jobs. Thus, an examination of disclosure in a multiracial society like Malaysia will contribute to knowledge.

This paper is organised as follows. The next section discusses the development of hypotheses for corporate governance and personal variables, and is followed by sections on research methodology, the results and then a summary and conclusions.

2. DEVELOPMENT OF HYPOTHESES

2.1 CORPORATE GOVERNANCE

Although there is a growing literature on corporate governance issues, discussions on the function of directors in the disclosure process have not been extensively explored. Grace et al. (1995) tried to relate corporate performance to board composition and non-executive directors' characteristics while Shamsher and Annuar (1993) examined the incongruencies of management and owners' interest by also looking at board composition and one other corporate governance variable – role duality. Besides these, cross-directorships is another variable often discussed in the corporate governance literature. The following sections will discuss the development of hypotheses related to these variables.

(i) Board Composition

Board compositon is defined as 'the proportion of outside directors to the total number of directors' (Shamser and Annuar, 1993, p.44), thereby making a distinction between executive and non-executive directors. There are two views on this issue – those who argue for more non-executive directors on boards and those who favour more executive directors on boards.

Those who are in favour of more non-executive directors on the board base their arguments on two theories; agency and resource dependency. The premise of agency theory is that boards are needed to monitor and control the actions of directors due to their opportunistic behaviour (Berle and Means, 1932; Williamson, 1985; Jensen and Meckling, 1976). Mangel and Singh (1993) believe that outside directors have more opportunity for control and face a more complex web of incentives, stemming directly from their responsibilities as directors and augmented by their equity position. In other words, non-executive directors are seen as the check and balance mechanism in enhancing boards' effectiveness. Others who also see the role of non-executive directors as monitors/controllers of management's performance and actions include Fama and Jensen (1983), Brickley and James (1987), Weisbach (1988), Pearce and Zahra (1992), Byrd and Hickman (1992), Salmon (1993), Pettigrew and McNulty (1995) and Mak (1996).

Additionally, outside directors may be considered to be decision experts (Fama and Jensen 1983), may reduce managerial consumption of perquisites (Brickley and James, 1987), will not be intimidated by the CEO (Weisbach, 1988), and act as a positive influence over the directors' deliberations and decisions (Pearce and Zahra, 1992). Outside directors may also improve the

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monitoring of management (Mak, 1996) and assist in personnel matters (Pettigrew and McNulty, 1995).

Besides independence of boards for control, the presence of non-executive directors on boards provides 'additional windows on the world' (Tricker, 1984, p.171). This suggestion is best implied by the resource dependence theory, which proposes that non-executive directors provide firms with links to the external environment due to their expertise, prestige and contacts. Mace (1971) and Spencer (1983) suggest that non-executive directors often see themselves in an advisory rather than a decision-making role but since they are respected for their wisdom and independence, they will be influential and listened to, although it may not be their function to actually institute policy. Others who are also in favour of non-executive directors' domination on boards based on the resource dependence theory include Kesner and Johnson (1990), Wiersema and Bantel (1992), Shamsher and Annuar (1993), Goodstein, Gautam and Boeker (1994) and Grace et al. (1995).

In contrast, a high concentration of outsiders on the boards, as proposed by agency and resource dependence theories, also has its drawbacks. Arguments against non-executive directors include stifling strategic actions (Goodstein et al., 1994), excessive monitoring (Baysinger and Butler, 1985), lack of business knowledge to be effective (Patton and Baker, 1987), and lack of real independence (Demb and Neubauer, 1992; Short, 1996; Kosnik, 1987; Singh and Harianto, 1989).

The advantages and disadvantages of different board compositions based on the three main functions (as suggested by Pearce and Zahra, 1991; Treichler, 1995) expected of them is summarised in Table 1.

-----------------TABLE 1 ABOUT HERE-----------------------

In terms of corporate disclosure, board composition might be an interesting variable to consider because it will indirectly reflect the role of the non-executive directors on the boards. If they are actually carrying out their monitoring role rather than their 'perceived' monitoring role, then more disclosure may be expected. Similarly, their dominance (in terms of number) may provide them with more power to force management to disclose.

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In the case of Malaysia, there is evidence of the dominance (in terms of ratio of non-executive directors/total number of directors) of non-executive directors on the boards. This situation is further enhanced by the requirements to set up Audit Committees consisting of a majority of non-executive directors. Based on discussions regarding the potential effectiveness of the governing role of non-executive directors, plus the existence of Audit Committees in Malaysia, it is hypothesised (null form) that:

H_{01a}: There is no association between the proportion of non-executive directors on the board and the extent of voluntary disclosure of information

Besides composition in terms of non-executive directors on boards, it is possible that the proportion of family member representation may also have an influence on disclosure practice. It has been suggested that in countries where certain families have substantial equity holdings, there is generally little physical separation between those who own and those who manage the capital (Nicholls and Ahmed, 1995). As such, capital owners do not have to rely extensively on public disclosure and reports to monitor their investments since they have greater access to internal information (Adhikari and Tondkar, 1992). Thus, the demand for public disclosure and reporting will generally be lower. As such, it is hypothesised (null form) that:

H_{01b}: There is no association between the proportion of family members on the board and the extent of voluntary disclosure of information

(ii) Role Duality

One aspect of corporate governance which has given rise to concern is the 'dominant personality' phenomenon and this was found to be associated with poor disclosure (Forker, 1992). This phenomenon also includes role duality, when the chief executive officer (CEO) or managing director is also the chair of the board. There are two views regarding this issue. Proponents of agency theory argue for separation of the two roles because this would provide the essential checks and balances over managements' performance. Furthermore, when the CEO is also the chair, the board's effectiveness in performing its governing function will be at stake because role duality concentrates power so that the CEO will be able to control board meetings, the selection of agenda items, as well as the selection of board members. Among those who argue for separation of the two roles include Argenti (1976), Rechner and Dalton (1991), Donaldson and Davis (1991), Forker (1992), Shamsher and Annuar (1993), Stiles and Taylor (1993) and Blackburn (1994).

On the other hand some argue that the separation of roles is not crucial since many companies are well run with roles combined and have good strong boards fully capable of keeping the top man in check. Furthermore, when the role is combined, it will be easier for the CEO to shape the company in achieving objectives as there will be less interference and thus, helps to enhance leadership of companies and boards. Among those who favour role duality are Eisenhardt (1989), Dahya, Lonie and Power (1996), Rechner and Dalton (1991) and Donaldson and Davis (1991). Their arguments are based on stewardship theory, which implies that managers act in the best interests of the firm and shareholders, and as such, role duality may enhance boards' effectiveness.

In summary, those who favour role duality argue on the premise of stewardship theory and unlike agency theory which looks at executive managers as opportunistic shirkers, stewardship theory adopts a more positive perspective as good stewards of corporate assets and essentially wanting to do their best for the company. As such, there is no problem if the two roles are combined.

In the case of disclosure, separation of the roles of chair and chief executive will help enhance monitoring quality and reduce benefits from withholding information, which may consequently result in improved quality of reporting (Forker, 1992). In the Malaysian context, role duality is not common among listed companies but worthy of testing whether there is any impact on disclosure. Therefore, it is hypothesised that:

H_{02a}: There is no association between CEO duality and the extent of voluntary disclosure of information

Besides role duality, the position of the chair is also deemed important in improving board effectiveness. Studies by Rechner and Dalton (1991), Donaldson and Davis (1991) and Berg and Smith (1978) found that independent chairs lead to better company performance. However, Chaganti, Mahajan and Sharman (1985) found that executive chairs have no effect on performance.

Following the same line of argument as for role duality, when the chairperson is a non-executive director, independence can influence executive directors to disclose information. Thus, it is hypothesised that:

H_{02b}: There is no association between a non-executive director as a chairperson and the extent of voluntary disclosure of information

(iii) Cross-directorships

Another issue often discussed in the corporate governance literature is 'cross-directorships' which refers to the situation where directors (regardless of executive or non-executive) sit on more than one board. It has been suggested in the literature that this will help in making information more transparent as comparisons can be made from knowledge of other organisations (Dahya et al., 1996). However, there were also others who believe that this will put the company at a competitive disadvantage and in the case of executive directors, their existence on more than one board will make them less independent as they will be more sympathetic with others in similar positions (Davis, 1993). Arguments for and against cross-directorships are based on resource dependence theory (Pfeffer and Salancik, 1978; Turnbull, 1997; Kester, 1991; Davis, 1996), bank control theory (Kotz, 1978) and financial hegemony theory (Mintz and Schwartz, 1985).[1]

The implication of these theoretical approaches is that the interlock network should consist of executives of powerful firms sitting on the boards of dependent buyers, suppliers, and banks (Davis, 1996). Such a structure, known as compound boards, can be found in Japan where reciprocal shareholdings and interlocking relationships are common in the keiretsu or corporate groups (Cooke, 1992; 1996). In contrast, a unitary board which is common in many countries (especially in Anglo-Saxon countries), may not represent distributed intelligence or variety in information control as that of compound boards. Furthermore, such boards do not have inside information to evaluate management and also they are not likely to have specialised firm or industry specific information to add value (Turnbull, 1997).

Several studies in recent years have documented that the difference in the control structures and interlocks have important implications on the governance function as they are related to independence of directors in a unitary versus a compound board. Those against interlocks argue that they are devices for intercorporate collusion (Pfeffer and Salancik, 1978), for bank control over corporate decision making (Kotz, 1978), and for the aggregation and advancement of the collective interests of the corporate elite (Useem, 1984).

An argument in favour of interlocking is that directors who are also members of other boards can offer insights or comparisons derived from personal knowledge of other organisations (Dahya et al., 1996). Thus, decisions at one board become part of the raw material for decisions at other boards. Lorsch and MacIver (1989) assert that interlocking of CEOs of other firms on the boards is desirable because they have hands-on experience and credibility as peers that others do not.

Furthermore, 'serving on a board is a way to see how somebody else is doing the same thing you're doing' (Lorsch and MacIver, 1989, p.27). In other words, CEOs join other boards and thereby create interlocks specifically to 'embed' what they are doing (Davis, 1996).

Looking from another perspective, interlocking may have important implications on disclosure practice. When a director sits on more than one board, the company's preference for confidentiality and restriction on disclosure of information will be deterred. Using Gray's (1988) 'secrecy-hypothesis', it can also be argued that since the directors that sit on more than one board have access to information in more than one company, the 'individualistic' nature of companies will no longer hold because through them (the directors), the information will be shared among the companies indirectly. Consequently, the companies will now become 'transparent' and the preservation of information will be less.[2]

In the case of Malaysia, cross-directorships are common among listed companies. However, the significance of their role in disclosure practice (hence, governance) has not yet been considered in previous studies. The argument based on the secrecy-hypothesis will be relevant because Malaysians, in general, are considered to be secretive[3] and cross-directorships may help to increase transparency. Therefore, it is hypothesised that:

H_{03a}: There is no association between the proportion of cross-directorships held by directors on the board and the extent of voluntary disclosure of information

Similarly, when the chairperson has cross-directorships, insights can be offered to the disclosure of information based on experiences derived from the personal knowledge of other companies. Furthermore, being the chairperson of the board enables one to exert influence on certain issues including disclosure of information in annual reports. Thus, it is hypothesised that:

H_{03b}: There is no association between chairperson with cross-directorships and the extent of voluntary disclosure of information

2.2 PERSONAL CHARACTERISTICS

Although there has been an increase in awareness of the importance of cultural factors in disclosure practice, the literature has failed to identify specific cultural factors that may influence disclosure. In this and the following sections, attempts will be made to identify and develop hypotheses for some specific aspects of culture that may be important to consider in the Malaysian environment. Since the culture of a country may have a strong influence on the way people

behave, it is interesting to see the effect on multicultural societies especially when each ethnic group prefers to maintain their ethnic identity (Sendut, 1991). In fact, Chuah (1995) pointed out that the mind of Malaysian managers is influenced by race and culture, education and type of organisation they work for. Alhabshi (1994, p.24) also believes that managers in general perform the same functions but how they do it may be different because it may be affected by '…one's own tradition, history, values, beliefs and culture.'

(i) Race

Gray (1988) identified economic and demographic factors as having an influence on societal values, which in turn will impact on accounting values and practices. Pettigrew (1979) suggests that this bias will be greater among groups with a history of conflict or in which racial and ethnic differences coincide with national or socio-economic differences. Individuals belonging to the same cultural group are similar on certain critical dimensions but this does not deny the fact that within a culture group there may be differences regarding particular norms and values. The extent of shared values in culture and the degree of co-operation in culture will determine the organisational co-ordinating activities and the formality in the system (Birnberg and Snodgrass, 1988).

In the context of Malaysia, race is an important demographic factor to be considered in disclosure practice because it determines the economic incentives available to the individual. In fact, it was the policy of the Malaysian government to have 30% bumiputras[4] involved in listed companies.[5] Furthermore, the restructuring of employment under the New Development Policy (NDP) and The Second Outline Perspective Plan (OPP2) will result in an increase in the number of bumiputra occupying company management positions in the future. Since it is expected that there will be increased participation of the Malays in business in the future, it is important to take into account their values and its effects on work-related values. It is also noteworthy that the Islamic Malay disclosure culture and practices have been relatively unexplored and should be an interesting and important factor to consider (Soh, 1996).

Based on cultural/societal values suggested by Hofstede (1991), both the Malays (bumiputra) and Chinese are classified as having high power distance and low masculinity. However, the Malays are low on individualism but for the Chinese, they are only low on individualism at the ethnic level but high at the national level. The Malays are said to have high uncertainty avoidance and are often perceived as focussing on the short-term while the Chinese are characterised as having low

uncertainty avoidance and long-term orientation. When these societal values are related to Gray's accounting values, the Malays are said to be more secretive[6] compared to the Chinese, and high secrecy implies lower disclosure.

However, based on Islamic values, the Malays may be considered to be more collective (i.e. low on individualism) because '...under Islam, the social order is closer to collectivism and the rights of private ownership are ultimately subordinate to Allah' (Baydoun and Willett, 1995, p.89). Furthermore, the Muslim faith is also 'a force toward egalitarianism' and as such is against power distance. In addition, the 'zakat' (taxation) and the 'mirath' (inheritance) laws are based upon a principle of equal distribution of wealth (Gambling and Karim, 1991). Besides that, business ethics in Islam includes transparency and as such, the Malays may be expected to be less secretive in their disclosure practice. Moreover, this conclusion seems more plausible because for Muslims, Islamic values transcend racial values.

On the other hand, Perera and Mathews (1990) suggest that when family members own and manage companies, they are not likely to accept obligations to outsiders/society. In the case of Malaysia, quite a number of the public companies are family owned and managed, and this is especially common among the Chinese. As such, it could be expected that the Chinese (who are generally perceived as less individualistic at the ethnic level as they have close kinship ties) would prefer to have managers and directors from their own group, and this would limit the reporting practices to meet the bare minimum legal requirements. Thus, it may be expected that Chinese managed companies would be less transparent (or more secretive) in their disclosure practice. Nevertheless, for the purpose of this study, Hofstede's and Gray's societal and accounting values will be used (as they are hypotheses that have been used in other studies) to test the hypotheses with regard to the race of directors, finance directors, chairperson, managing directors and concentration of ownership. Therefore, it is hypothesised that:

H_{04a}: There is no association between the proportion of bumiputra directors on the board and the extent of voluntary disclosure of information

H_{04b}: There is no association between bumiputra finance director and the extent of voluntary disclosure of information

H_{04c}: There is no association between bumiputra chairperson and the extent of voluntary disclosure of information

H_{04d}: There is no association between bumiputra managing director and the extent of voluntary disclosure of information

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H_{04e}: There is no association between higher concentration of bumiputra ownership and the extent of voluntary disclosure of information

(ii) Education

Educational background can be an important determinant of disclosure practice. It has been found that the more educated the manager, the more likely a person is to adopt innovative activities and accept ambiguity (Hambrick and Mason, 1984). On the other hand, Ralston et al. (1993) suggest that industrialisation from developed to less developed countries will lead to a 'homogenising effect' as there will be an increase in common education to support the technology that will further increase the homogeneity across societies. Furthermore, with western influence in education, managers may have modified some of the century-old values peculiar to society and this may play a vital role in explaining their disclosure behaviour (Merchant, Chow and Wu, 1995).

Nevertheless, Gray (1988) identified education as one of the institutional consequences affecting accounting values and practices and Grace et al. (1995) believe that the level of education should be examined as a crude measure for professional status. Wallace and Cooke (1990, p.84) posit that '...an increase in the level of education in a country may increase political awareness and demand for corporate accountability.' Therefore, if the board of directors consists of individuals having an academic background in accounting and business, they may choose to disclose more information to improve the company's corporate image as well as the credibility of the management team. Therefore, it can be hypothesised that:

H_{05a}: There is no association between directors trained in business or accounting and the extent of voluntary disclosure of information

In addition to the educational background of the directors, the academic background of the finance director is equally important because disclosure policies adopted are also dependent on the accountant. This can be attributed to the fact that the primary responsibility for preparing annual reports rests with the principal accounting officer of the company (Abayo and Roberts, 1993; Ahmed and Nicholls, 1994). However, Parry and Groves (1990) in their assessment of whether employment of qualified accountants had any impact on the quality of financial reporting found no significant relationships. Abayo and Roberts (1993) believe that qualification alone is not the solution to problems faced by developing countries with respect to inadequate accounting systems. Corporations in general are unlikely to provide high-quality information if the demand function does not exist or if the laws and regulations governing information provision are not enforced.

There is also perception that professionally qualified accountants from overseas receive more rigorous professional training and exposure compared to locally trained accountants and as such, may be expected to disclose more information (Ahmed and Nicholls, 1994). Similarly, professional training in accounting or finance will help finance directors/chief accountants to be more aware of disclosure issues. In the case of Malaysia, there are finance directors who have qualifications other than accounting/finance, particularly in engineering and law. Therefore it is hypothesised that:

H_{05b}: There is no association between finance directors trained in accounting or finance and the extent of voluntary disclosure of information

Besides qualifications of finance directors, Neu (1992) argued that the presence of a professional accountant on the board of directors increased the likelihood that earnings forecasts would be included in the corporate report. Thus, if finance controllers also sit on the boards of companies, they may have greater influence on disclosure policies of companies. As such, it is hypothesised that:

H_{05c}: There is no association between finance controllers being on the board and the extent of voluntary disclosure of information

(iii) Company-specific characteristics

There has been extensive empirical work relating company-specific characteristics to the extent of voluntary disclosure based on a number of theoretical arguments which includes agency theory, signalling theory, capital market theory and cost-benefit theory. Fourteen variables (viz. size, industry type, assets-in-place, listing age, complexity of business, level of diversification, multiple listing status, foreign activities, gearing, top ten shareholders, foreign ownership, institutional investors, profitability and type of auditor) that have been tested in most previous studies were included as control variables in this study.[7] This is to ensure that no important variables have been missed out.

3. RESEARCH DESIGN

3.1 Independent variables

The independent variables considered in this study are categorised into three groups, viz. company-specific (control variables), corporate governance and personal characteristics. Information for the variables were sought from a number of sources including the annual reports, the Kuala Lumpur Stock Exchange (KLSE) Annual Companies Handbook 1995/1996, Registrar of

Companies (ROC), 'New Malaysian Who's Who', published articles on directors and letters sent to company secretaries requesting for unavailable public information. Table 2 provides a summary of the operationalisation of the independent variables selected in this study as well as their source of information.

It is important to note that the corporate governance and personal variables were selected only after checking their validity/relevance based on interviews with four finance directors and two consultants who are involved in the preparation of annual reports. They were selected randomly based on two main criteria; they were of different race and involved in companies in different industries to ensure that a representative view is obtained. A structured questionnaire focusing on the main issues related to both corporate governance and personal characteristics were used in the personal interviews.

3.2 The annual report sample

Letters were sent to 167 Malaysian non-financial and non-unit trusts companies listed on the main board of the KLSE and requests were made for annual reports for the financial year ending 1994.[8] The companies were selected at random on a proportional allocation basis to ensure a representative sample from all industrial groups. The overall response rate was 83%.

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3.3 Dependent Variable

The dependent variable in this study is the voluntary disclosure index. Before determining the index for each company in the sample, a scoring sheet was prepared based on the selection of voluntary items of information i.e. over and above what is required by company statute and stock exchange listing rules. These items were selected based on previous research and applicability to the Malaysian environment and focusing especially on the disclosure scoring sheet developed by Hossain et al. (1994) and Soh (1996). The preliminary list was further screened to eliminate any mandatory items as found in the Companies Act 1965, accounting standards promulgated by the malaysian Institute of Accountants as well as the KLSE Listing Requirements. A pilot test on 20 annual reports from different industries was conducted to refine the list which had also been

checked by three practising accountants. The final scoring sheet consisted of 66 voluntary disclosure items after removing items that were not disclosed by 95% of the companies.

The approach to scoring the items is essentially dichotomous in that an item scores one if disclosed and zero if it is not. However, the company was not penalised for non-disclosure if the item is irrelevant and to ensure that judgement of relevance is not biased, the entire annual report is read before any decision is made (Cooke 1992, 1996). For each company a disclosure index was calculated where the index I_j for a set of accounts is defined as:

$$Ij = \sum_{i=1}^{nj} Xij$$

where n_j = number of relevant items for j^{th} firm, $n_j \leq 66$

X_{ij} = 1 if i^{th} item disclosed

= 0 if i^{th} item is not disclosed, so that $0 \leq I_j \leq 1$

3.4 Data Analysis

Multiple regression was used to test the hypotheses developed in this study. Several assumptions in regression analysis were first tested to ensure that, there was no significant multicollinearity between the independent variables; the variance of the distribution of the dependent variable is the same for all values of the independent variables (homoscedasticity); a linear relationship exists between the dependent and independent variables (linearity); the distribution of the values of the dependent variable for each value of the independent variable is normal (normality) and that no errors related to measurement and specification exist. Multicollinearity was tested based on the correlation matrix as well as computing the variance inflation factor (VIF).[9] An analysis of residuals, plots of the studentised residuals against the predicted values as well as the Q-Q plot were conducted to test for homoscedasticity, linearity and normality assumptions. In addition, normality tests based on skewness, kurtosis and K-S Lilliefors were also conducted.

The full specification of the regression model is:

$Y = B_o + B_1X_1 + B_2X_2 + \ldots\ldots\ldots\ldots\ldots\ldots.B_{31}X_{31} + \in$ where Y = voluntary disclosure index

Dummy variables	**Continuous variables**

$X_{1=}$ 1 if the company has a big-six auditor; 0 if otherwise $\qquad$ $X_{16=}$total assets (proxy for size)

$X_{2=}$1 if the company is involved in foreign activities, 0 if otherwise $\qquad$ $X_{17=}$assets-in-place

$X_{3=}$1 if the company has multiple listing; 0 if otherwise $\qquad$ $X_{18=}$listing age

$X_{4=}$1 if the company is in the consumer sector; 0 if otherwise $\qquad$ $X_{19=}$return on equity (proxy profitability)

$X_{5=}$1 if the company is in the industrial sector; 0 if otherwise $\qquad$ $X_{20=}$debt to equity (proxy for gearing)

$X_{6=}$1 if the company is in the trading sector; 0 if otherwise $\qquad$ $X_{21=}$Herfindahl index (proxy for diversification)

$X_{7=}$1 if the company is in the plantation/mining sector; 0 if otherwise $\quad$ $X_{22=}$no. of subsidiaries(proxy for complexity of business)

$X_{8=}$1 if the company has a NED as chairperson; 0 if otherwise $\qquad$ $X_{23=}$ratio of institutional directors

$X_{9=}$1 if the company has a chairperson with cross-directorships; $\qquad$ $X_{24=}$ratio of foreign investors
$\quad$ 0 if otherwise

$X_{10=}$1 if the company has role duality; 0 if otherwise $\qquad$ $X_{25=}$ratio of top ten shareholders

$X_{11=}$1 if the company's finance director sits on the board; $\qquad$ $X_{26=}$ratio of NEDs to total directors
$\quad$ 0 if otherwise

$X_{12=}$1 if the company's finance director is trained in acctg/buss; $\qquad$ $X_{27=}$ratio of family members on board
$\quad$ 0 if otherwise

$X_{13=}$1 if the company has a bumiputra chairperson; 0 if otherwise $\qquad$ $X_{28=}$ratio of directors on board with cross-directorships

$X_{14=}$1 if the company has a bumiputra managing director; $\qquad$ $X_{29=}$ratio of bumiputra directors
$\quad$ 0 if otherwise

$X_{15=}$1 if the company has a bumiputra finance director; $\qquad$ $X_{30=}$ratio of bumiputra ownership
$\quad$ 0 if otherwise

$\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad$ $X_{31=}$ratio of directors qualified in buss/acctg

$\in_I$ = error term

(Note: The construction sector is the excluded dummy variable).

One of the problems with the above model is the inclusion of too many variables. As such, a reduced regression model[10] based on the selection of variables found significant in both the univariate and full regression model was also conducted.

Another issue involved in the construction of the dependent variable relates to equal weighting since the directional magnitude may not be clearcut. Even though the scores and scoring instrument are connected to a numerical continuum associated with the dependent variable, it might not be appropriate to treat the raw scores as interval measures since the underlying characteristics may be more akin to ordinal data. Furthermore, the direction of some of the relationships discussed earlier between the independent and dependent variables is not clear although assumed to be monotonic.

A suggestion by Iman and Conover (1979, p.500) was that "the ranl transform approach has an obvious advantage when the dependent variable is a monotonic function of the independent

variable(s) and this monotonic relationship is nonlinear in nature." Such an approach was used by Beaver, Clarke and Wright (1979), Cheng, Hopwood and McKeown (1992), Wallace, Naser and Mora (1994) and Wallace and Naser (1995).

An extension of the Rank Regression method which retains the advantage of such an approach but has additional advantages is to use normal scores, a method proposed by Cooke (1998). The transformation he proposes is from actual observations to the normal distribution by dividing the distribution into the number of observations plus one region on the basis that each region has equal probability. This method is referred to as the Van der Waerden approach (Van der Waerden, 1952; 1953).[11] In effect, the ranks are being substituted by scores on the normal distribution and so the normal scores approach may be considered to represent an extension of the rank method.[12] The empirical analysis reported here uses normal scores for both the dependent variable and continuous independent variables and thereby transforms to normality.

The main advantage of replacing the ranks by normal scores is that the resulting tests have exact statistical properties because significance levels can be determined, the F and t-tests are meaningful, the power of the F and t-tests may be used, and the regression coefficients derived using normal scores are meaningful. A further characteristic is that the normal scores approach offers a means whereby a nonnormal dependent variable may be transformed into normality and as such offers a further advantage over ranks. A normally distributed dependent variable may imply that the errors are normally distributed by the assumptions of OLS.[13]

The normal scores approach has the same advantages as ranks when there are problems of monotonicity and nonlinearity. Normal scores preserve monotonicity in relationships as do ranks, with higher-ranked values of the independent variables being associated with higher-ranked values of the dependent variables (the converse is also true). In addition, when there is nonlinearity with data concentration, normal scores disperse that concentration, an advantage also gained when using ranks.

4. RESULTS
Table 3 provides the descriptive statistics of the voluntary disclosure index. It can be seen that the mean aggregate voluntary disclosure index (VDI) is only 31.3% and the range is from 6% to 70%, out of a possible maximum score of 100 but the VDI is not normally distributed as indicated by the

standard tests on skewness and kurtosis and was further supported by the non-parametric Kolmogorov-Smirnov normality test (or K-S Lilliefors).[14]

----------------------TABLE 3 ABOUT HERE----------------

Table 4 provides the descriptive statistics for the continuous independent variables and Table 5 summarises the regression[15] using normal scores for these variables.

-------------------TABLES 4 AND 5 ABOUT HERE-------------------

The regression produced an adjusted R^2 of 0.463[16] and five company-specific variables (viz. assets-in-place, ownership by top 10 shareholders, foreign investors, return on equity, and industry type (consumer and industrial) used as control variables were found to be significant. Two corporate governance variables identified in this study i.e. ratio of family members on board and chair who is a non-executive director were found to be significant at the 5% and 1% level respectively. None of the personal variables were found to be significant.

Assets-in-place was found to be significant and positively related to disclosure, a finding which was in contrast with that by Hossain et al. (1994) for Malaysian listed companies. However, the significance of assets-in-place supports the results of Raffournier (1995) based on his univariate analysis of Swiss companies but the sign is negative. The significance of profitability as a determinant of voluntary disclosure is consistent with previous studies (e.g. Cerf, 1961; Singhvi, 1967; Abu-Nasar and Rutherford, 1994; Soh, 1996[17]). This is in line with the signalling hypothesis which argues that companies with good news are more likely to disclose more information (Ross,1979).

As for ownership structure based on the proportion of shares held by the top 10 shareholders (reflecting diffusion), results indicate a significant positive relationship which contradicts the findings of Hossain et al. (1994) who found a negative significant relationship for Malaysian listed companies. This implies that companies choose to disclose less perhaps to avoid losing control. The significant positive relationship between voluntary disclosure and foreign ownership (reflecting

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concentration) was not consistent with Soh's (1996) study and supports the arguments in the literature that obtaining foreign funds means a greater need for disclosure as owners are not close to monitor actions by management.

With respect to industry type, companies in all sectors were found to disclose less than the construction sector with the lowest being the consumer sector. This finding is inconsistent with that of Soh (1996) where for all three years under study, he found that Malaysian companies in the trading sector disclosed relatively more than companies in other sectors. A possible explanation for the result is political motivation as during the period of study, the nation's mantra was to 'think big,' resulting in the growth of prestigious large projects with priority awarded to local construction firms.

The corporate governance variable, chair who is a non-executive director was found to be significant but the relationship is negative. This indicates that companies with such a chair disclose less than companies with a chair who is an executive director. This seems to deny agency theory which suggests that a non-executive chair can play a more independent role in influencing disclosure because of more influence and power compared to other non-executive directors in controlling the agenda of board meetings. As for the significance of ratio of family members on the board, the negative coefficient indicates that companies with more family members on board disclose less, a result consistent with the relationship suggested by Ahmed and Nicholls (1994). A possible explanation for lower disclosure when many family members sit on boards may be due to less demand for information as owners have better access to internal information.

Despite the strong belief by respondents of an association between disclosure and personal characteristics especially with regard to race, the results do not support this view perhaps suggesting that disclosure behaviour is not affected by culture.

A reduced regression was also run and the results are presented in Table 6.

--------------TABLE 6 ABOUT HERE-------------------

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The adjusted R^2 was 0.479 and seven company-specific variables (viz. assets-in-place, total assets, diversification, ownership by top 10 shareholders, foreign investors, return on equity and industry type) used as control variables were found to be significant. Similarly, the proportion of family members on boards and the chair who is a NED were found to be significant and negatively related to disclosure. However, the striking result in the reduced regression model is that one personal variable, ratio of bumiputra directors on the board, was found to be significant at the 5% level and the coefficient was positive. This finding is contrary to the Hofstede-Gray hypothesis which predicts that societal values of the bumiputra/Malay to be in congruence with the accounting value and practice of being secretive in disclosure (see Appendix 1).

5. CONCLUSIONS AND SUGGESTIONS FOR FURTHER RESEARCH

The research set out to examine whether the extent of voluntary disclosure by Malaysian main board listed companies in their annual reports is associated with three groups of variables; company-specific (as control variables), corporate governance and personal attributes. Results indicate that only two groups of variables, namely company-specific and corporate governance characteristics were associated with the extent of disclosure. The significance of two corporate governance variables (i.e. family members sitting on board and non-executive chairman) identified in this study indicates the importance of these variables as determinants of voluntary disclosure and as such, studies on disclosure should be extended to include these variables. Specifically, the chairman as non-executive director is negatively associated with the extent of voluntary disclosure and has the highest regression coefficient and this seems to contradict agency theory which suggest that a non-executive chair is needed as a check and balance mechanism. As such, the relevant authorities in Malaysia which recommend companies to have a non-executive chair as part of 'good corporate governance practice' may find this result a surprise.

Although results based on the full regression model do not identify any of the personal variables as significant, the reduced regression model shows otherwise. The personal variable, ratio of bumiputra directors on the board was found to be significant. The findings of no significant association between disclosure and any of the personal variables in the full model seem to support the suggestion of culture-free theorists that over time, societal values converge resulting from technological development. The reduced model seems to be contrary to the Hofstede-Gray hypothesis of the bumiputra group to be more secretive (since the coefficient is positive). This result seems to support Islamic values that encourages transparency in business and Malays, who are all Muslims, are expected to be less secretive in terms of disclosure than the Chinese.

One of the limitations in this study is that it considered only the association of the three groups of variables with the extent of voluntary disclosure. As such, an extension of this study will be to incorporate these variables in disclosure studies that look at the extent of mandatory disclosure especially in developing countries because it is often argued that such countries are highly secretive and may not comply with all requirements. Another limitation is that it is a cross-sectional study and thus, a longitudinal study can be undertaken to see the trend in the disclosure policy adopted by companies and the relationship with the identified variables. While it is recognised that the research has its limitations, this exploratory study has considered two new dimensions to disclosure which should lead to more rigorous tests on cultural and corporate governance theories.

FOOTNOTES

[1] Resource dependence theory argues that a representation of critical buyers and suppliers on the board will make them more emphatic with the concerns of the focal organisation, while the representation of competitors will make it easier to collude (Pfeffer and Salancik, 1978). This means that the focal firm can use interlocks to manage its resource interdependencies. Based on bank control theory, Kotz (1978) suggests that interlocks is a means by which banks can exercise influence over firms while the financial hegemony theory sees bank interlocks as a more diffuse source of information flows overlaid on capital flows. This implies that commercial banks form a 'stable core' of the interlock network due to their centrality in directing investments (Mintz and Schwartz, 1985, p.182).

[2] This may be considered as both good and bad depending on the situation; good because directors may contribute to better decision making and bad if the information is used to the detriment of other firms on which he/she sits.

[3] In a study of 50 countries in 3 regions, Malaysia was ranked the highest (50) in terms of power distance, low (17) on individualism and average (26) on masculinity. Such ranking of societal values meant that they best described the accounting value of being highly secretive in terms of the accounting practice known as disclosure (based on the link between Gray's accounting values and practice).

[4] Bumiputra refers to Malaysians of Malay and other indigenous ethnic origin (Malaysia, 1991) but in this study, bumiputra refers to the Malay group because they make up the majority and also would help in the discussion of Islamic values as not all bumiputras are Muslims.

[5] This is illustrated by the fact that when Malaysian listed companies issue securities, 30% must be allocated to bumiputra. However, once the issue is complete, there is evidence suggesting that shares held by bumiputras are often sold quickly to be bought by those of Chinese origin.

[6] The reason for comparing only the societal values of the Malays and Chinese and not other ethnic groups is because these two groups are major players in the Malaysian business sector.

[7] For a summary of the relationship between extent of disclosure and company-specific characteristics examined in previous studies, see Haniffa (1999, p.83-5).

[8] The reason for eliminating financial and unit trusts companies from the sample was because they have different statutory requirements.

[9] The VIF indicates a problem if the factor exceeds 10 (Neter et al., 1983; Kennedy, 1992). Since the VIF did not exceed 3.053 for any variable in any of the models, it was concluded that collinearity was not a serious problem.

[10] The number of variables considered in the reduced regression model is only seventeen viz. size, assets-in-place, diversification, profitability, complexity of business, institutional and foreign investors, top ten shareholders, type of auditors, industry type, family members on board, directors with cross-directorships, chair is NED, chair has cross-directorships, ratio of bumiputra directors, bumiputra ownership and race of managing director.

[11] The Van der Warden approach may be summarised as = r/(n + 1).
Alternatives include Blom = (r − 3/8) / (n + 1/4) (see Blom 1958), Rankit = (r − 1/2) / n (see Chambers et al. 1983), and Tukey = (r − 1/3) / (n + 1/3) (see Tukey 1962).

[12] For example, if there are six observations the normal distribution would be divided into seven equally probable parts so that the original values are replaced by normal scores (here -1.0676, -0.5659, -0.1800, 0.1800, 0.5659, 1.0676) rather than the ranks 1, 2, …, 6. These figures were derived using SPSS and represents one approach to deriving normal scores. An alternative approach would be based on expected values such that in this case the normal distribution would be divided into six parts and the normal score would be taken as the expected value of each part. This requires substantial computation but tables are available such as in Lindley and Scott (1984).

[13] If the error term is found to be normally distributed the dependent variable will also be normally distributed. The converse is not necessarily true.

[14] K-S (Lilliefors) with significance of >.05 indicates normality and small significance value indicates reason to doubt the normality assumption (see Norusis, 1995, p.247).

[15] Four separate regression models based on different transformations of the dependent and independent variables were run and rank transformation produced the best fit as indicated by its MSE. The appropriateness of the MSE in such cases is discussed in Cooke (1998). Although ranking has some inherent weaknesses compared to normal scores, there was little difference in results in terms of MSE or best fit.

[16] Although the adjusted R^2 may be considered low, it was much higher than that reported in two previous Malaysian studies by Hossain et al. (1994) and Soh (1996) which were 28.6% and 29.6% respectively.

[17] Soh (1996) in his study of Malaysian listed companies for the period 1991 to 1993 found profitability to be significant only in 1991.

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Table 1 Advantages and Disadvantages of Different Board Compositions

Domination	Strategic function	Governance function	Institutional function
Outsiders	+ potential for diverse cognitive perspectives + acquisitions of timely data on environmental changes - potential of conflicts - lack good knowledge of the company - less time devoted to board matters	+ independent resolution of inherent insider conflicts + potential for adequately monitoring management + objective nomination of board representing management members	+ bridge between shareholders and professional managers + may enhance corporate image + securing critical resources + potential for networking + may enhance social legitimacy - may deprive the company of innovative ideas and competing providers
Insiders	+ better knowledge of business + more responsible for implementation and success of corporate policy + unanimity of purpose - may fail to detect changes in external environment - often too committed to tradition and their own ideas	+ have information needed to evaluate management decision - lack of independence - may hinder nomination of 'fresh thinkers' - opportunistic behaviour	+ better assessment of relevance of shareholders claims + assessment of the impact of shareholders claims - lack of legitimacy

Source : adapted from Treichler (1995, p. 196)

Table 2 Summary of the Operationalisation of Independent Variables

Independent variables	Operationalisation	Source of information
CORPORATE CHARACTERISTICS :		
Size	Total assets as at 31st December 1994	Company annual report
Assets-in-place	Book value of net fixed assets to book value of total assets	Company annual report
Industry type	Consumer, Industrial, Construction/property, Trading/services, Plantation/mining	KLSE Annual Companies Handbook 1995/96
Listing age	Actual length of listing	KLSE Annual Companies Handbook 1995/96
Complexity of business	Actual number of subsidiaries	KLSE Annual Companies Handbook 1995/96 & Company annual report
Level of diversification	Herfindahl index-line of business	KLSE Annual Companies Handbook 1995/96 & Company annual report
Multiple listing status	Domestic only vs. domestic and foreign listing	KLSE Annual Companies Handbook 1995/96 & Company annual report
Foreign activities	Dichotomous; yes/no	KLSE Annual Companies Handbook 1995/96 & Company annual report
Gearing	Debt ratio defined as total debt to total assets	Company annual report
Ownership structure:		
Top 10 shareholders	Ratio of total shares owned by top ten shareholders to total number of shares issued	KLSE Annual Companies Handbook 1995/96
Foreign ownership	Ratio of total shares owned by foreigners to total number of shares issued	KLSE Annual Companies Handbook 1995/96
Institutional investors	Ratio of total shares owned by institutional investors to total number of shares issued	KLSE Annual Companies Handbook 1995/96
Profitability	Return on equity defined as net income to total owners equity	Company annual report
Type of auditors	Big six vs. Non-Big six	Company annual report
CORPORATE GOVERNANCE CHARACTERISTICS:		
Board composition	Ratio of non-executive directors to total number of directors on the board	KLSE Annual Companies Handbook 1995/96 & Company annual report
Cross-directorships	Ratio of directors on the board with directorships in other companies to total number of directors	KLSE Annual Companies Handbook 1995/96 and creating data base by keying in names of all directors of public listed companies and then sorting in alphabetical order
Role duality	Dichotomous; yes/no	Company annual report
Family members on the board	Ratio of family members on the board to total number of directors	Registrar of companies
Finance diirector on the board	Dichotomous; yes/no	Company annual report
Chairperson with cross-directorships	Dichotomous; yes/no	KLSE Annual Companies Handbook 1995/96 and creating data base by keying in names of all directors of public listed companies and then sorting in alphabetical order
Chairperson is non-executive director	Dichotomous; yes/no	KLSE Annual Companies Handbook 1995/96 & Company annual report
PERSONAL CHARACTERISTICS:		
Race of chairperson	Dichotomous; bumiputra/non-bumiputra	Registrar of companies & Company annual report
Race of managing director	Dichotomous; bumiputra/non-bumiputra	Registrar of companies & Company annual report
Race of finance director	Dichotomous; bumiputra/non-bumiputra	Registrar of companies & Company annual report
Racial ownership structure	Ratio of bumiputra ownership to total number of shares issued	KLSE Annual Companies Handbook 1995/96
Racial composition of directors on the board	Ratio of bumiputra directors to total number of directors on the board	KLSE Annual Companies Handbook 1995/96
Qualification of directors	Ratio of directors qualified in business or accounting to total number of directors on the board	Registrar of companies, Company annual report, KLSE Annual Companies Handbook 1995/96, 'New Malaysian Who's Who', other published sources and letters to company secretary
Qualification of finance director	Dichotomous; accounting and business or other	Registrar of companies, Company annual report, KLSE Annual Companies Handbook 1995/96, 'New Malaysian Who's Who', other published sources and letters to company secretary

Table 3 Descriptive Statistics: Voluntary Disclosure Index

Mean	0.313	Skewness	0.426
Standard Deviation	0.139	SE Skewness	0.206
SE Mean	0.012	Kurtosis	-0.091
Minimum	0.060	SE Kurtosis	0.408
Maximum	0.700	Z-test Skewness	2.067
K-S (Lilliefors)	0.074	Z-test Kurtosis	-0.220
K-S Significance	0.060		

Table 4 Descriptive Statistics of Continuous Independent Variables

Variables	Mean	Median	Minimum	Maximum	Std. Deviation
A. CORPORATE CHARACTERISTICS:					
1. Size (TA)	12.93	12.95	8.29	16.29	1.26
2. Assets-in-place (%)	0.33	0.29	0.01	0.90	0.23
3. Listing age	15.53	16.00	1.00	33.00	9.90
4. Profitability (ROE in %)	0.09	0.09	- 1.03	0.32	0.13
5. Gearing (Debt/Equity in %)	0.20	0.08	- 2.00	1.83	0.30
6. Diversification (Herfindahl)	1.34	1.34	0.00	6.77	1.31
7. Number of subsidiaries	14.55	9.00	0.00	86.00	15.89
8. Institutional investors (%)	0.15	0.15	0.01	0.79	0.15
9. Foreign investors (%)	0.21	0.17	0.01	0.81	0.17
10.Top 10 shareholders (%)	0.68	0.71	0.06	0.95	0.15
B. Corporate Governance:					
1. Board composition (%)	0.45	0.43	0.20	0.82	0.12
2. Family members on the board (%)	0.14	0.00	0.00	0.67	0.21
3. Directors with cross-directorships (%)	3.24	3.00	0.00	8.00	2.14
C. Personal Characteristics:					
1. Bumiputra directors (%)	0.47	0.40	0.00	1.00	0.26
2. Bumiputra ownership (%)	0.27	0.23	0.00	0.97	0.23
3.Qualification of directors (%)	0.43	0.43	0.00	0.88	0.17

Table 5   Regression Analysis of Determinants of Voluntary Disclosure

Independent variables:	Predicted Sign	Coefficients	t-statistics	VIF
Size (TA)	+	0.166	1.559	2.939
Assets-in-place	-	0.178	2.413 *	1.403
Listing age	?	0.032	0.403	1.570
Profitability (ROE)	+	0.231	2.697 **	1.891
Gearing (D/E)	-	0.074	0.938	1.589
Diversification	?	0.181	1.938	1.846
Complexity of business	?	0.143	1.561	2.060
Institutional investors	?	- 0.007	- 0.105	1.382
Foreign investors	+	0.153	2.009 *	1.498
Top 10 shareholder	+	0.183	2.288 *	1.665
Type of auditor	+	0.136	0.904	1.337
Foreign activities	?	0.069	0.414	1.753
Multiple listing status	+	0.295	1.015	1.398
Consumer		- 0.645	- 2.562 *	2.052
Industrial	+	- 0.578	- 2.725 **	2.325
Trading		- 0.086	- 0.375	2.344
Plantation & Mining		- 0.221	- 0.830	3.053
Board Composition	+	- 0.117	- 1.739	1.154
Family members on the Board	-	- 0.225	- 2.267 *	1.591
Directors with cross-directorships	+	0.107	1.195	1.930
Chair is NED	+	- 0.403	- 2.701 **	1.506
Chair has cross-directorships	+	0.250	1.533	1.820
Role duality	-	0.180	0.549	1.415
Finance Director on Board	+	0.011	0.081	1.173
Ratio of Bumiputra Directors	-	0.135	1.263	2.901
Bumiputra Ownership	-	0.026	0.320	1.740
Qualification of Directors	+	0.019	0.274	1.261
Qualifications. of Finance Director	+	- 0.197	- 0.898	1.628
Race of chairperson	-	0.235	1.237	2.114
Race of Managing Director	-	0.059	0.310	2.258
Race of Finance Director	-	- 0.070	- 0.426	1.256
Constant		0.195	0.649	
Std. Error	0.711			
F Value	4.833			
Sig. F	0.000			
R Square	0.583			
Adjusted R Square	0.463			

The coefficients of the excluded dummy variables are all 1.000 since they act as benchmarks for the included dummies.

** significant at 1% level   * significant at 5% level

Table 6 Reduced Regression Analysis of Determinants of Voluntary Disclosure

Independent variables :	Predicted Sign	Coefficients	t-statistics	VIF
Size (TA)	+	0.197	2.079 *	2.384
Assets-in-place	-	0.190	2.854 **	1.184
Diversification	?	0.188	2.139 *	1.685
Profitability	+	0.224	2.728 **	1.787
Complexity of business	?	0.156	1.809	1.896
Institutional investors	?	0.120	0.299	1.224
Foreign investors	+	0.177	2.439 *	1.405
Top 10 shareholder	+	0.169	2.203 *	1.560
Type of auditor	+	0.156	1.107	1.211
Consumer		- 0.590	- 2.513 *	1.842
Industrial		- 0.574	- 2.988 **	1.996
Construction & Property	+	- 0.113	- 0.554	1.896
Plantation & Mining		- 0.246	- 1.074	2.324
Family members on the Board	-	- 0.237	- 2.591 *	1.399
Directors with cross-directorships	+	0.07	0.802	1.651
Chair is NED	+	- 0.327	- 2.429 *	1.258
Chair has cross-directorships	+	0.284	1.847	1.666
Ratio of Bumiputra Directors	-	0.182	2.061 *	2.048
Bumiputra Ownership	-	0.055	0.705	1.598
Race of Managing Director	-	- 0.029	- 0.162	2.029
Constant		0.239	1.170	
Std. Error	0.700			
F Value	7.341			
Sig. F	0.000			
R Square	0.554			
Adjusted R Square	0.479			

The coefficients of the excluded dummy variables are all 1.000 since they act as benchmarks for the included dummies.

** significant at 1% level   * significant at 5% level

LIST OF DISCLOSURE ITEMS EXAMINED IN THE CURRENT STUDY

A. GENERAL CORPORATE INFORMATION	**II. ENVIRONMENTAL**
1. Mission statement	1. Environmental policies
2. Brief history of company	**III. EMPLOYEE INFORMATION**
3. Financial highlights statement - 2 years	1. Employees appreciation
4. Financial highlights statement - > 3 years	2. Recruitment problems
5. Description of corporate structure	3. Picture of employees welfare
6. Major plants, warehouses, projects	4. Discussion of employees welfare
B. INFORMATION ABOUT DIRECTORS	5. Profit sharing schemes policy
1. Picture of chairman only	6. Number of employees
2. Picture of all directors	7. Corporate policy on employee training
3. Academic qualifications of directors	8. Nature of training
4. Position or office held by executive directors	**IV. PRODUCT OR SERVICE INFORMATION**
5. Identification of senior management	1. Discussion of major types of products
6. Functions of senior management	2. Pictures of major types of products
C. CORPORATE STRATEGY	3. Improvement in product quality
1. Statement of strategy & objectives – general (past)	4. Improvement in customer service
2. Statement of strategy & objectives – general (future)	5. Distribution of marketing network for finished products – foreign market
3. Statement of strategy & objectives – fin (past)	6. Customer awards/ratings received
4. Statement of strategy & objectives – marketing (past)	**H. FINANCIAL REVIEW INFORMATION**
5. Statement of strategy & objectives – marketing (future)	**I. HISTORICAL SUMMARY**
6. Impact of strategy on past results	1. Financial summary 3+ years
7. Impact of strategy on future results	**II. FINANCIAL RATIOS**
D. CAPITAL MARKET DATA	1. Profitability ratios
1. Stock exchanges where shares are traded	*I. ACQUISITIONS & DISPOSALS*
2. Volume of shares traded (trend)	1. Reasons for the acquisitions
3. Volume of shares traded (year end)	2. Effects of acquisition on past results
4. Share price information (trend)	3. Effects of acquisition on future results
5. Share price information (year end)	4. Reasons for disposal
6. Domestic & foreign shareholdings	5. Effects of disposal on past results
7. Distribution of shareholdings by type of shareholders	6. Amount of consideration realised
E. RESEARCH & DEVELOPMENT	**J. SEGMENTAL REPORTING**
1. New product development	1. One line of business production data
F. FUTURE PROSPECTS	2. All lines of business production data
1.General discussion of future industry trend	3. Geographical capital expenditure
2. Discussion of specific external factors affecting company's prospects (economy, politics, technology)	4. Discussion of competitors – qualitative
3. Discussion of company's prospects (general)	5. Market share analysis – qualitative
4. Qualitative forecast	
5. Forecasts assumptions	
6. Order book or backlog information	
7. Index (selling prices, quantity sales, raw materials prices)	
G. SOCIAL REPORTING & VALUE-ADDED INFORMATION	
I. COMMUNITY INVOLVEMENT	
1. General philanthropy	
2. Participation in government social campaigns	
3. Community programs (health & education)	

Appendix 1

Societal Values	Ethnic Groups Malay	Accounting value	Accounting Practice
Uncertainty avoidance	High	High secrecy	Low disclosure
Power distance	High		
Individualism	Low		
Masculinity	Low		
Confucian Dynamism	Low		
	Chinese	Low secrecy	High disclosure
Uncertainty avoidance	Low		
Power distance	High		
Individualism	High		
Masculinity	Low		
Confucian Dynamism	High		