The Influence of Corporate Governance to the Firm Performance in Logistics Industry

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Abstract

The aim of this study is to break down the execution of logistics industries in United Kingdom (UK) throughout five years. The analysis is employ on the sample of six organization in UK over the period in the vicinity of 2013 and 2017. The information is derived from annual report of Kerry Logistic, Wincanton, DFDS Seaways, Easy Jet and Stobart Group. This study utilizing a clear descriptive analysis, for example profitability, liquidity risk, credit risk, operational risk and also economic environment as to look at the performance of the organization include in logistics industries. The information ascertained is on average. The result show that the company performance can be influenced by the risk and economic environment. The study found the profitability ratio in term of current, quick ratio and debt to income are significant to independent variable which are to the return on asset. While, return on asset are significant to average collection period, liquidity ratio, unemployment rate, interest rate and operational ratio.

Keywords: *Profitability, Credit Risk, Liquidity, Macroeconomic, Corporate Governance.*

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter begins with an overview of United Kingdom in logistics industry. This is followed with the overview of the topic, discussion of the problem statement, the study aims objective and scope, and also the organisation of the study.

1.1 Overview of United Kingdom (UK) Logistics Industry

Freight Transport Association (FTA) is one of the UK's largest trade associations and represents over 15,000 members relying on or providing transport integration both domestically and internationally, to or from the UK. The FTA members is hauliers, freight forwarders, rail, sea and air freight operators, through to customers to producers, manufacturers, wholesalers and retailers. They cover all modes of transport such as road, rail, air and sea. It member operate over 200,000 commercial goods vehicles on the roads in the UK. 90 percent of goods are deliver by rail and 70 percent of goods deliver by air and sea.

The UK logistics sector worth approximately £55bn to the economy and comprises 5% of the UK GDP. Currently, 1.7million are employed under this sector over 63,000 company. Issues which are right now influencing this area incorporate, include essentially, the logistics industry face the same high-level difficulties as some other part. The need to cut costs, increment efficiencies and draw in the privilege talent, among others. But, where industries for instance, music public transport and hotel market are among those that have been essentially upset by new innovation stages.

What all the above industries have in like manner is that conventional methods of consuming their services have been overthrown by a complete outsider. Sometimes, an unadulterated start up. These disruptors have additionally not been authorities in the business itself, but rather have just been innovation specialist, with the market being auxiliary viewpoint. What they likewise have in like manner is that they use 'sharing economy' plans of action where there is nobody proprietor of a physical item and service, yet that a current resource is made accessible to various clients.

As for this study, we will choose 5 of the logistics company in UK (Kerry Logistic, Wincanton, DFDS Seaways, Easy Jet and Stobart Group) as study sample. This is because most of the UK logistics company are owned by either state government or local government have some agenda to it which might not aim to maximize profit but more on society base. Five-year annual report from 2013 to 2017 of these logistics company where choose to investigate how corporate governance influence the performance of these five company.

1.2 Overview of the Topic

Logistic industry has always played an important position in the country's society and economy. They play a decisive role in the development of the industry and trade. They are acting not only as the custodian of wealth of the country but also as resources of the country, which are necessary for the economic development of a nation. This study focused on the experience on corporate governance framework which reflect the company performance in five logistics company. Kerry Logistic, Wincanton, DFDS Seaways, Easy Jet and Stobart Group as study sample.

1.3 Aim, Objective and Scope of the Study

In general, this study aim seeks to discover the association between the corporate governance, credit risk, liquidity, operational risk that influence determinates among the companies in logistic industry in UK. Objectives of the study particularly are:

1. To examine any significant effect between credit risk, liquidity, operational risk and bank performance.
2. To investigate the firm-specific factors towards liquidity risk.
3. To investigate the influence of corporate governance on the performance of logistic company.
4. To assess the influence of macroeconomic factor towards the performance of logistic company.

1.4 Research Questions

1. Is there any relationship between firm-specific factors and liquidity risk?
2. Is there any relationship between macro-economic factors towards liquidity risk?
3. Is there any relationship between firm-specific factors and macro-economic factors towards liquidity risk?
4. Is there any relationship between corporate governance towards company performance?

1.5 Organization/Outline the Report

This study includes of five main chapters. Chapter one provides background of study, which consists of an overview of the study, overview of topic, research aim objectives and scope of the study, and organization of the study. Chapter two reviews the literature, the subject discussed in this chapter is about firms' liquidity risk and its determinants. Chapter three details the theoretical framework, measurement of variables, research methodology and data analysis. Chapter four discusses the results and findings of the study, which includes the descriptive statistical analysis, correlation and diagnostic test. Finally, chapter five includes summary and conclusions of the study, implications of the study, the limitation of the study and also future suggestions.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is dedicated to the review of literature related to the study. This chapter consists of seven sections. All of this section will define the definition of internal factor in several ways that will affect company performance. Section 2.2 will define about financial risk, 2.3 about the liquidity risk, 2.4 about credit risk, 2.5 about operational risk, 2.6 profitability, and 2.7 about corporate governance.

2.1 Financial Risk

According to (Solomon and Muntean, 2012) The economy is growth rapidly year by year because of the globalization factor that increase the number of risk to the company. The company should bear the risk, the risk faced by the firm is more complex due to financial technology by financial institutions that create more complex financial instrument. This will have caused increasing in number of the diversification of situation in risk and uncertainty economy. There is a lot types risk that the firm should consider, the most vital is financial risk because this risk connected to financial operation that can lead to losses (Woods and Dowd, 2008).

Based on (Waemustafa and Sukri, 2015) Fully understand the impact of liquidity using a loan hazard is a good way to determine, as a proof of communication among liquidity and credit chance. In addition, the firm can clarify that shariah advisory board individuals may according with the administration to sustain their long run. If the work is more influence by management since their elect member is merely due to their relationship with the firm (Waemustafa and Sukri, 2016).

The company that have high profit disseminate information to stay out from less profitable firms. Inversely on empirical study on risk expose have found insignificant relationship between risk exposes and firm's profitability according to Ridihima (2017). The profitability of the firm can be measured by ratio, that is the ratio of operating income to total assets is used. However, the findings of ROA in

Kerry Logistic, Wincanton, DFDS Seaways, Easy Jet and Stobart Group is profit net of tax to total assets is used.

2.2 Liquidity Risk

Liquidity risk is the risk that occur from the absence of attractiveness of an investment that cannot be purchased or sold rapidly enough to keep away from or reduce a loss. Liquidity risk is usually in uncommonly large price movement. The rule is that the smaller the size of the security or its guarantor, the bigger the liquidity risk. (Investtopedia, 2018). It is occurring when an individual, investor, business or financial institution cannot meet short-term debt obligations. Liquidity risk related with the uncertainty of the spread, mostly for traded or emerging market securities under adverse market conditions, is it an important part of overall market risk and is therefore important to model. (Bangia, A., Diebold, 2001).

According to Garbade, K. D., & Silber, W. L., (1979), the liquidity risk is a trading of a particular financial asset depends on the occurrence of market clearings. To see this result, assume that our price variance measure are separated into two components. Firstly, the variance of the change in the equilibrium value of an asset between the time an investor agrees to exchange and the time when the exchange is completed. This element of risk obviously an increasing function of the time taken to complete the exchange. Secondly, the part of liquidity risk is the variance of the different between contemporary transactions prices and equilibrium values. Transaction prices for example market clearing prices, can be contrast from equilibrium prices when potential participants in market do not enter orders.

Other than that, Acharya, V. V., & Pedersen, L. H. (2005) stated that liquidity is a security that is illiquid in absolute conditions, it can be measured by its average transaction cost and also have a lot of cohesion in liquidity with the market liquidity, a lot of return sensitivity to market liquidity and a lot of liquidity sensitivity to market return as well. The borrower will lose non-convertible leases due to extreme liquidation incentives of lenders. Typically, borrowers with high credit ratings lean towards short-term debt, and those with lower ratings rate lean towards long-term debt. Nevertheless, lower rated borrowers can only issue short-term debt. (Diamond, D. W., 1991).

2.3 Credit Risk

Credit risk can be defined as the risk that a borrower might not repay a loan so the lender might lose the principal of the loan or the interest related with it. If the borrower demand to use future cash flow to pay for their present obligations, it is impractical to guarantee that the borrowers will definitely have funds to repay their obligations. This is the reason why credit risk arises. Interest payments from the borrower of a debt obligation are lender's pr investor's returm for assuming credit risk. (investopedia, 2018).

Altman, E. I., & Saunders, A. (1997) stated that credit risk has growth significantly over the previous 20 years in response to a number of secular power that have influenced the estimation become really vital then previously. Among the power are an overall basic increment in the quantity of liquidations, a patterns towards disintermediation by the most extreme quality and greatest borrowers, more competitive margin on loans, a lessening of assets and collateral as well as in various market, and a distinctive development of off-balance sheet instrument with basic risk exposure.

Atiya, A. F. (2001) found that the credit risk problem is fundamentally the computation of loss level. This is means that there is probability of 1% that the loss incurred in portfolio will surpass the level in particular period of time. Credit risk have been subject to may research recently, especially after recognizing it is practical necessity after a number of bankruptcy increases.

Institutions that usually involved in lending, including mortgage lending, prudently assess credit risk, this is because the possibility that borrowers will fail to pay their loan obligations as planned. To assess credit risk, lenders collect information on a range of factors such as current and past financial conditions of the prospective borrower, the nature and also the property serving as loan collateral. (Avery, R. B, 1996)

2.4 Operational Risk

Based on Basel framework, the meaning of operational risk is the risk of loss occurred from failed or insufficient of internal processes, systems, and people or from external factors. This definition includes legal risk and not include strategic and reputational risk. The definition of operational risk has changed recently in past few years. At first, operational risk is defined as every type of unquantifiable risk faced by a bank. However, the definition has changed due to further analysis. As reported by BCBS (September 2001), operational risk can be described as the risk of monetary losses resulting from in lacking or failed internal processes, people, and systems or from external factors.

According to Samad-Khan, A. (2008), operational risk is the risk of loss from an operational failure. Operational risk infused all aspects of the risk universe — that is to say it overlaps with and worsens all other types of risks, such as market, credit, liquidity and underwriting risk. In fact, the lack of operational failure and the other risks are much less significant.

A common definition of the scope of operational risk is as follows as the risk of direct or indirect loss subsequent from inadequate or failed internal process, systems, and people or from external events. If a legal risk is commonly included in this definition, reputational and strategic risks are not. This definition only focuses on causes of loss rather than the effects (loss type), although both causes of loss and loss type should be identified and preferred when recording loss data. For operational risk capital charge, an evolutionary framework of four stages is proposed. The first one also called the Basic Indicator Approach (BIA), is the most straightforward approach. The required capital is determined by multiplying a financial indicator, for example, gross profit, by a fixed percentage (called the 'alpha' factor).

2.5 Profitability

Profitability is the ability of a business or company to gain a profit. Profitability ratios also one of the important role in the financial positions of enterprises. Market share is one of the variables widely used in empirical studies of structure and performance to explain differences in profitability among the company. In samples of US firms or business units that include many industries, it says that profitability is strongly correlated with the market. The coefficient of concentration is normally adverse or insignificant in regressions including market share (Schmalensee (1989).

The highest degrees of profitability had been exhibited by way of the ones having a strategy of diversifying commonly into those areas that drew on some not unusual centre skill or resource.

Profitability also can determine based on the relationship between customer towards satisfaction and loyalty. Both of the measures, NIE/Rev (non-interest expense as a percentage of total revenue) and ROA are used to imitate benefits or profit at the person division. Based on Roth (1993), it is more appropriate and accurate to measure the profitability using NIE/Rev preferred to ROA. The profit of retail bank can be classified into two. First, the results of operations (revenue-enhancing as well as cost-incurring) is expenses and revenues is not sensitive or influenced by interest rates. Second is treasury activities, which influence interest-sensitive costs and revenues. This paper addresses primarily non-interest-sensitive components of profitability, theorized to relate to customer loyalty. ROA contains both interest-sensitive and non-interest-sensitive components, whereas NIE/Rev is produced as it were from non-interest-sensitive costs (the income parcel of NIE/Rev may be to some degree related to customer-relevant interest rates).

2.6 Corporate Governance

Basically, corporate governance means the system of rules, practices, and processes by which a firm is directed and controlled. Corporate governance essentially focusses on balancing the interests of stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community (Investopedia 2018)

Based on Council, A. C. G. (2007), the word of “corporate governance” can be described as the basis of relationship, rules, systems, and processes within and by which authority is directed and controlled by corporations. It includes the mechanisms by which companies, and those in control, are held to account. The investor will be confident and have more interest in the company with good corporate governance, which is necessary to the ability of entities listed on the ASX to compete for capital.

Recent research on corporate governance around the world has recognised a number of empirical regularities. There are numerous components of countries' financial systems as the extensiveness and complexity of their capital markets, the step of new security issues, corporate ownership structures, dividend policies, and the efficiency of investment distribution seem to be explained both conceptually and empirically by how well the laws or regulations in these countries protect the investors from outside or other country (La Porta, R., Lopez-de-Silanes, 2000). Corporate governance also moreover bargains with the ways in which providers of back to organizations ensure themselves of getting a return or benefit on their venture or investment.

Based on Shleifer, A., & Vishny, R. W. (1997), the subject of corporate governance is a massive practical importance. Even in advanced market economies, there is a great deal of dissimilarity on how good or bad of applying corporate governance in the company. For example, based on the study from Romano (1991) and Easterbrook and Fischel (1991), they make a very optimistic assessment of the corporate governance in United States, whereas Jensen (1989a, 1993) believes that it is deeply defective and that a main move from the current corporate form too much more highly leveraged organizations, similar to LBOs, is in order.

2.7 Market Risk

Basically, the meaning of market risk is the risk of loss due to some other factors that affect all assets class in the company. Market risk is also known as undiversifiable or in other words the risk that cannot be controlled because it will affect all asset classes in business and is unforeseeable. An investor can only ease this kind of risk by hedging a portfolio. There are four main basis of risk that affects the overall market which are interest rate risk, equity price risk, foreign exchange risk and commodity.

According to Hendricks, D., & Hirtle, B. (1997) broadly speaking, market risk is the risk of loss from adverse movements in the market values of assets, liabilities, or imbalance sheet positions. Market risk normally rises from movements in the underlying risk factors. For examples interest rates, exchange rates, equity prices, or commodity prices that will affect the value of these on and off balance-sheet position. When market risk is high, the exposure is reduced, and when risk is decrease, the exposure is increased. Fascinatingly, the result of this dynamic strategy is a sequence of returns that have constant conditional VaR. That is, in this case, an energetic plan results a sequence of returns with constant risk.

CHAPTER THREE

DESIGN AND METHODOLOGY

3.0 Introduction

In Chapter 3, the methodology is the theoretical system which used to organize the solution that address the objectives of the paper. In this chapter, research design and data analysis method would be defined in detail.

3.1 Proposed Methodology/ Approach/ Design

The paper was study about the relationship between the corporate governance and the company performance. The research framework was shown in the figure below.

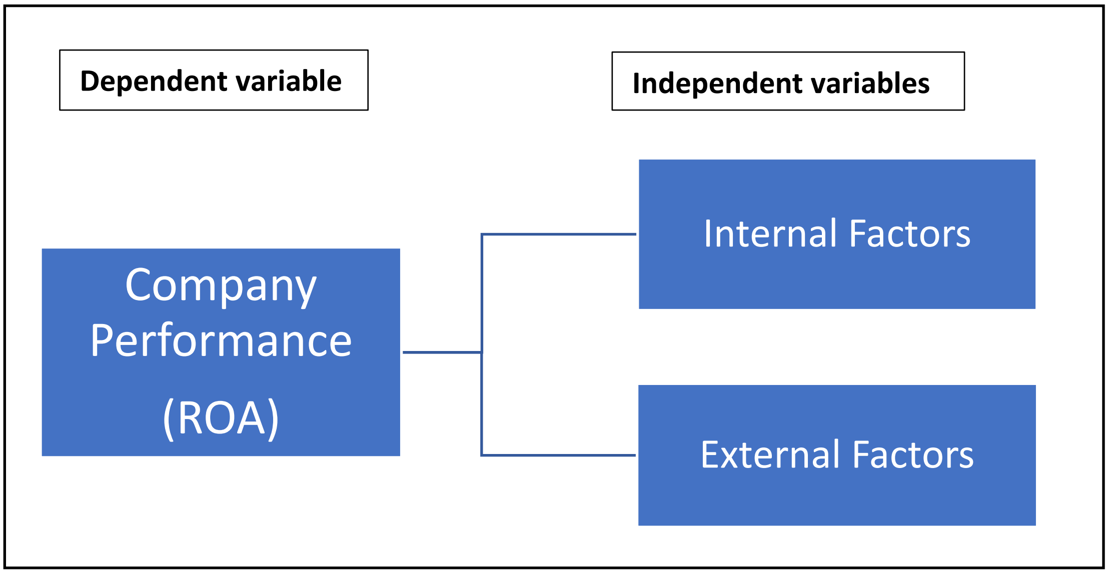


Figure 3.1 Research Framework

The internal factors and external factors which indicated the independent variables were defined in the following table:

Table 3.1 Independent Variables

Factors		Indicators
Internal factors	Company Performance	ROE
	Liquidity Risk	Current ratio, quick ratio
	Credit Risk	Average collection period, debt-income ratio
	Operational Risk	Operational ratio, Operating margin
	Corporate Governance	Index Score
External factor	Systematic Risk	Inflation rate, Interest rate, Unemployment rate, GDP, Beta

In this paper, we used the quantitative method to figure out the analysis from the data collected for 5 years (2013-2017) of each company. There are five selected companies from logistics and transportation industry which located in United Kingdom. The companies are DFDS Seaways, Easy Jet, Kerry Logistics Network Limited, Stobart Group and Wincanton plc.

We collected the data from the past 5 years annual reports and the 5 years daily market price for each company as well as the economic indicators for United Kingdom. These data were used to compute the financial analysis which shown in Table 3.1 Independent Variables by using Excel worksheet.

Once the data computed, we used SPSS to run the regression analysis which included descriptive statistics, correlation and coefficient using Enter Method. By using this method, all the requested variables in this paper would be considered for analysis.

The descriptive statistics describe the average value and the variation between the five corporations among the previous five years. The correlation illustrated the relationship between the variables either positive or negative relationship. While the coefficient analysis stated the factors that influence the dependent variables.

3.2 Summary

In a nutshell, the methodology could be defined as a system or guideline which demonstrated the framework of the study. Thus, express the procedures which derived the solutions to answer the objectives of the paper within a particular structure.

CHAPTER FOUR

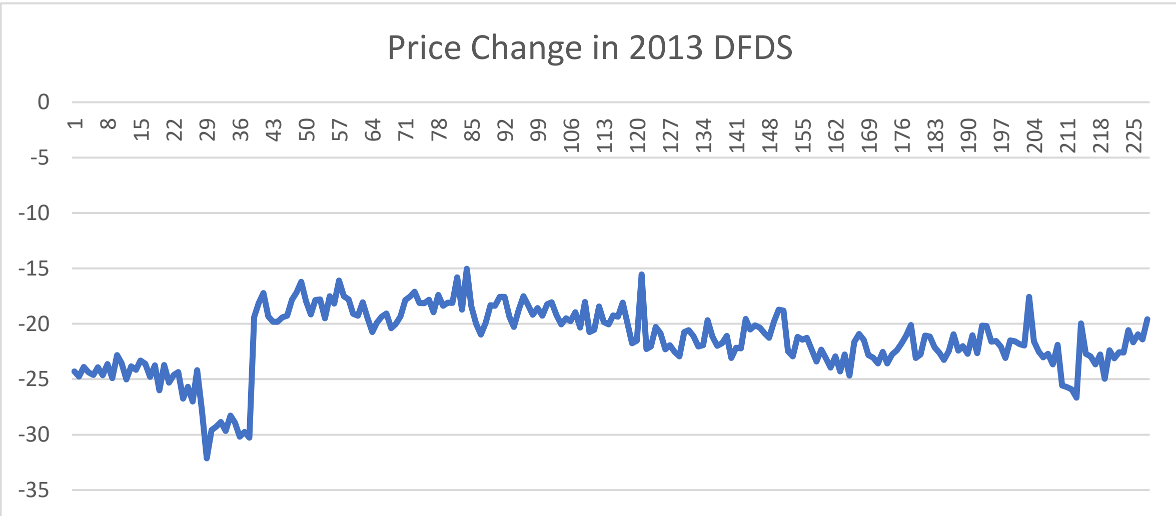
DESCRIPTIVE ANALYSIS AND FINDINGS

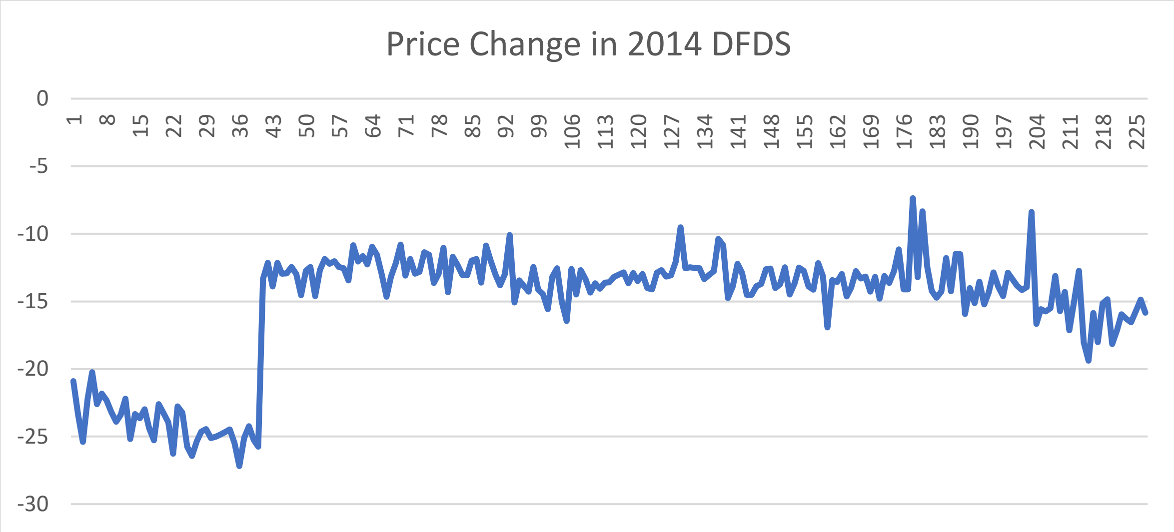
4.0 Introduction

In this chapter, the findings results would be analyzed and discussed. To ensure the model we have done for the analysis was the most appropriate results, we have run 3 models which are model 1 (combined external and internal factors), model 2 (internal factors only) and model 3 (external factors only). As the results, the model 1 which the combination of internal and external factors had showed the highest R square result with 69.9% of the dependent variable could be explained by the independent variables. While the model 2 and 3 can only explain the variables with 59% and 17.5% respectively.

4.1 Price Change

4.1.1 DFDS SEAWAYS




Price Change in 2014 DFDS
0
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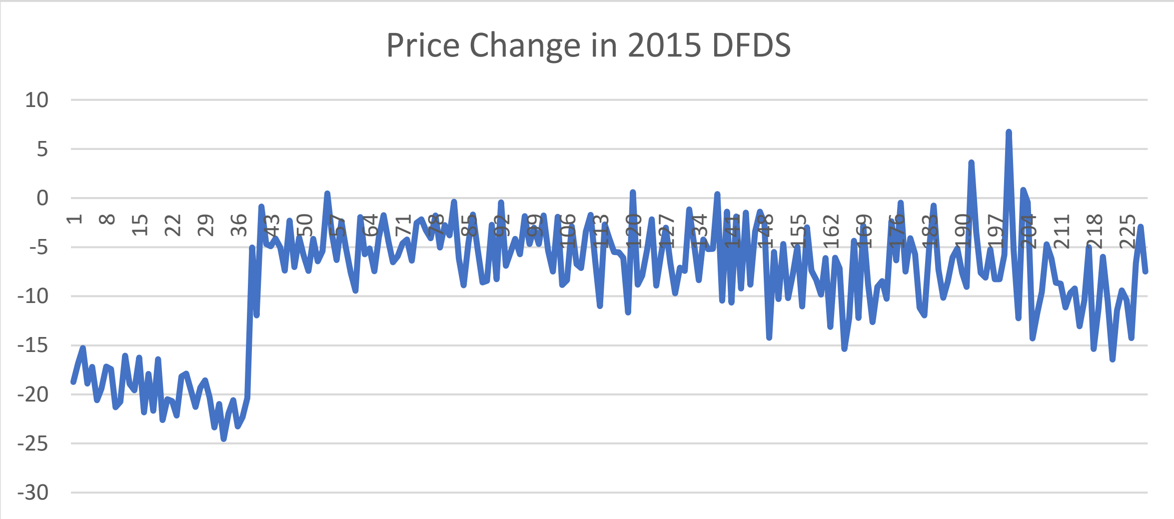
1 8 15 22 29 36 43 50 57 64 71 78 85 92 99 106 113 120 127 134 141 148 155 162 169 176 183 190 197 204 211 218 225


Price Change in 2015 DFDS
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-20
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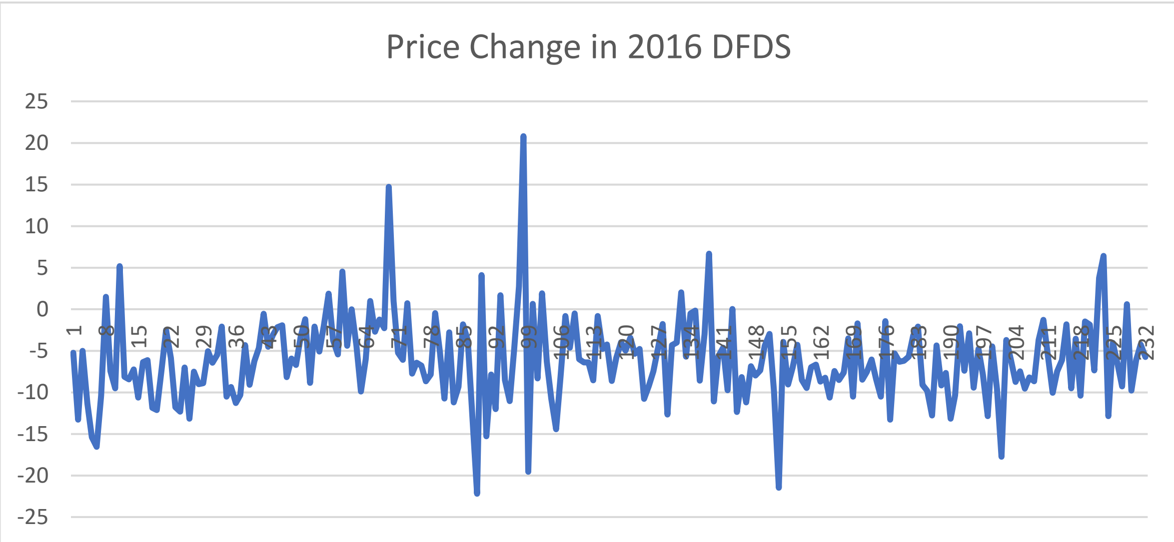
-30


Price Change in 2016 DFDS
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-25

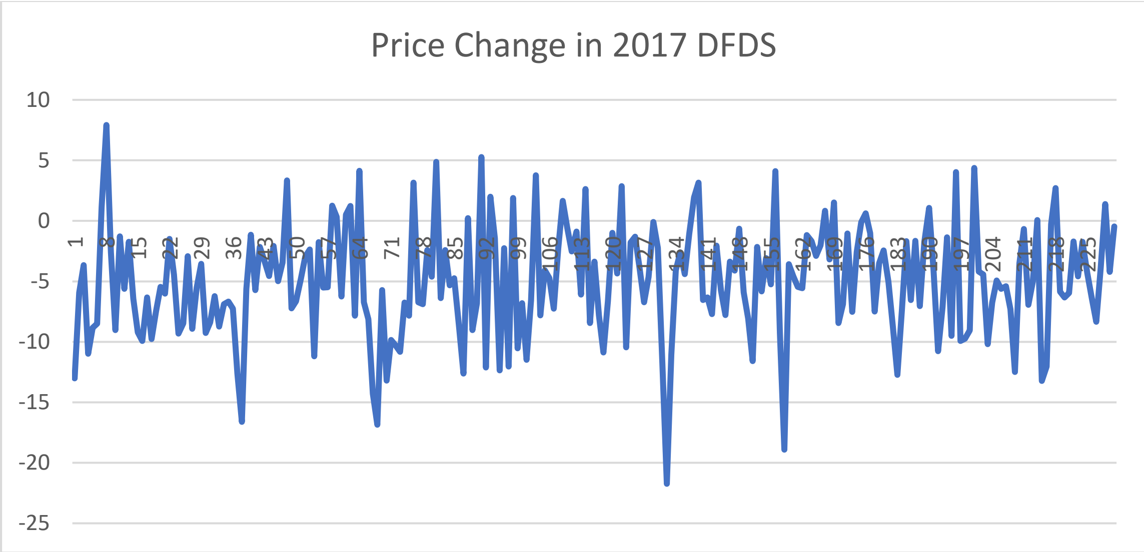
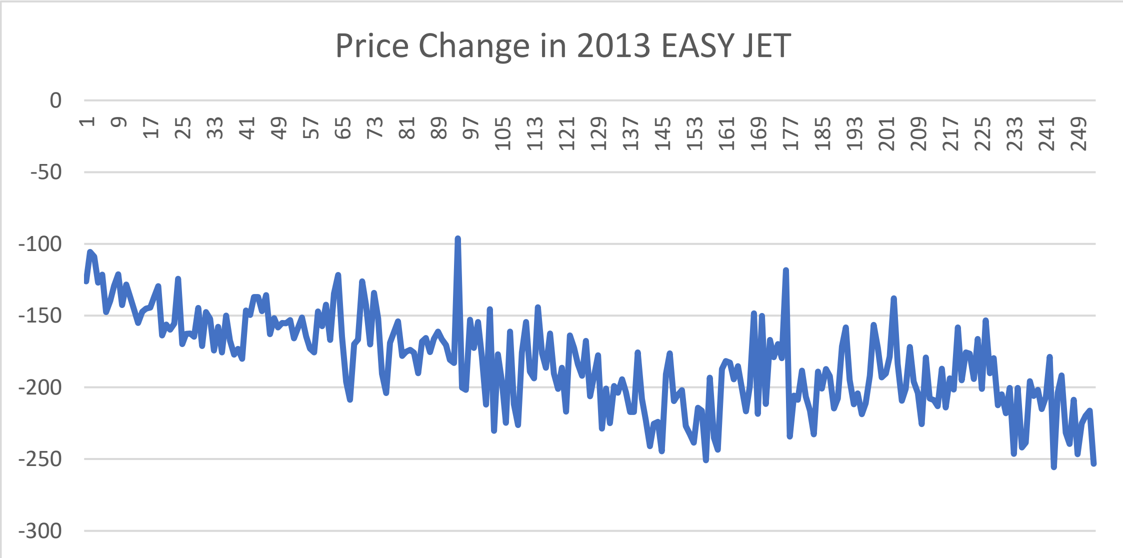


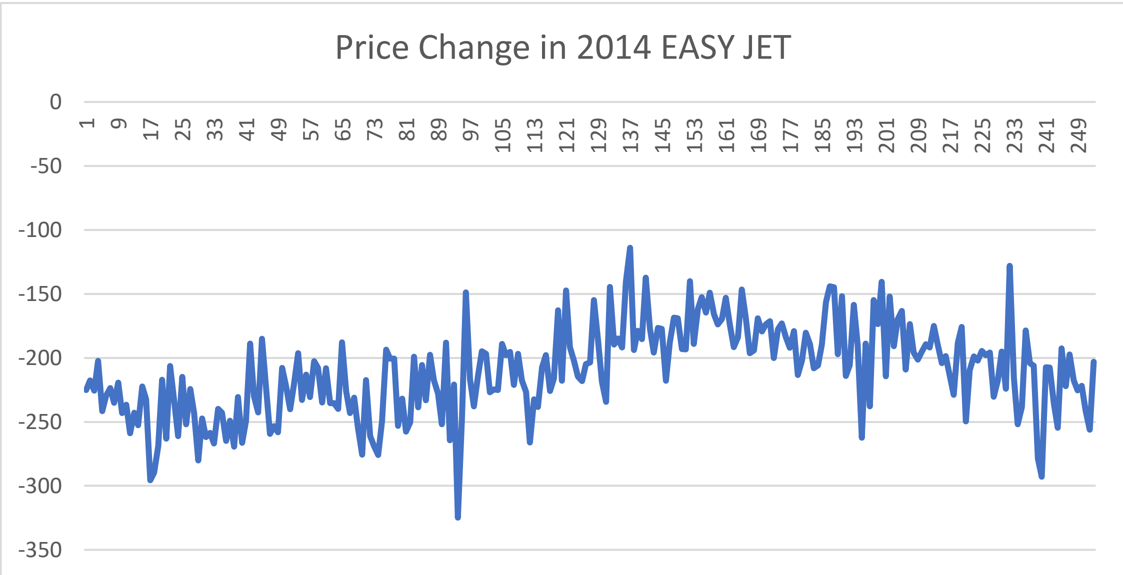
Figure 4.1 Price Change for DFDS SEAWAYS

- On 17 March 2015, minimum price change happened in DFDS Seaways because Prime Minister’s Official Spokesperson (PMOS) clearly demonstrates its priorities such as the protection towards budget. For example, national minimum wage, and immigration. For the national minimum wage, PMOS said the Apprenticeship Minimum Wage was seeing a double digit rise in percentage terms, significantly above the Low Pay Commission’s recommendation. Next, PMOS said that net migration to the UK was too high. Thus, Prime Minister wanted to see net migration come down.
- On the 17 November 2015, maximum price change happened in DFDS Seaways because referring to BBC News, it stated that UK inflation rate remains negative in October. The UK’s inflation rate as measured by the Consumer Prices Index remained at -0.1% in October. The Bank of England said, global economy was weakening in this month, depressing inflation risks. Based on this report, many economists forecast that rates of inflation would not rise well until next year.
- On 24 June 2016, maximum price change happened in DFDS Seaways because the pound’s value was dramatic fall started overnight as the outcome of the referendum become clear. It was fall of more than 10%. Referring to BBC News, “Pound plunges after leave vote”. A weaker pound purchase less dollars or other foreign currencies, which makes it more expensive to buy products from abroad.
- On 8 February 2017, maximum price change happened in DFDS Seaways because increased in cost of doing business with the rest of Europe which is accounts for about half of all UK trade, will lower the level of commerce and foreign investment. The

Bank of England predicts growth will slow in the year of 2017 as the pound become weaker and uncertainty over hinders investments.

4.1.2 EASY JET





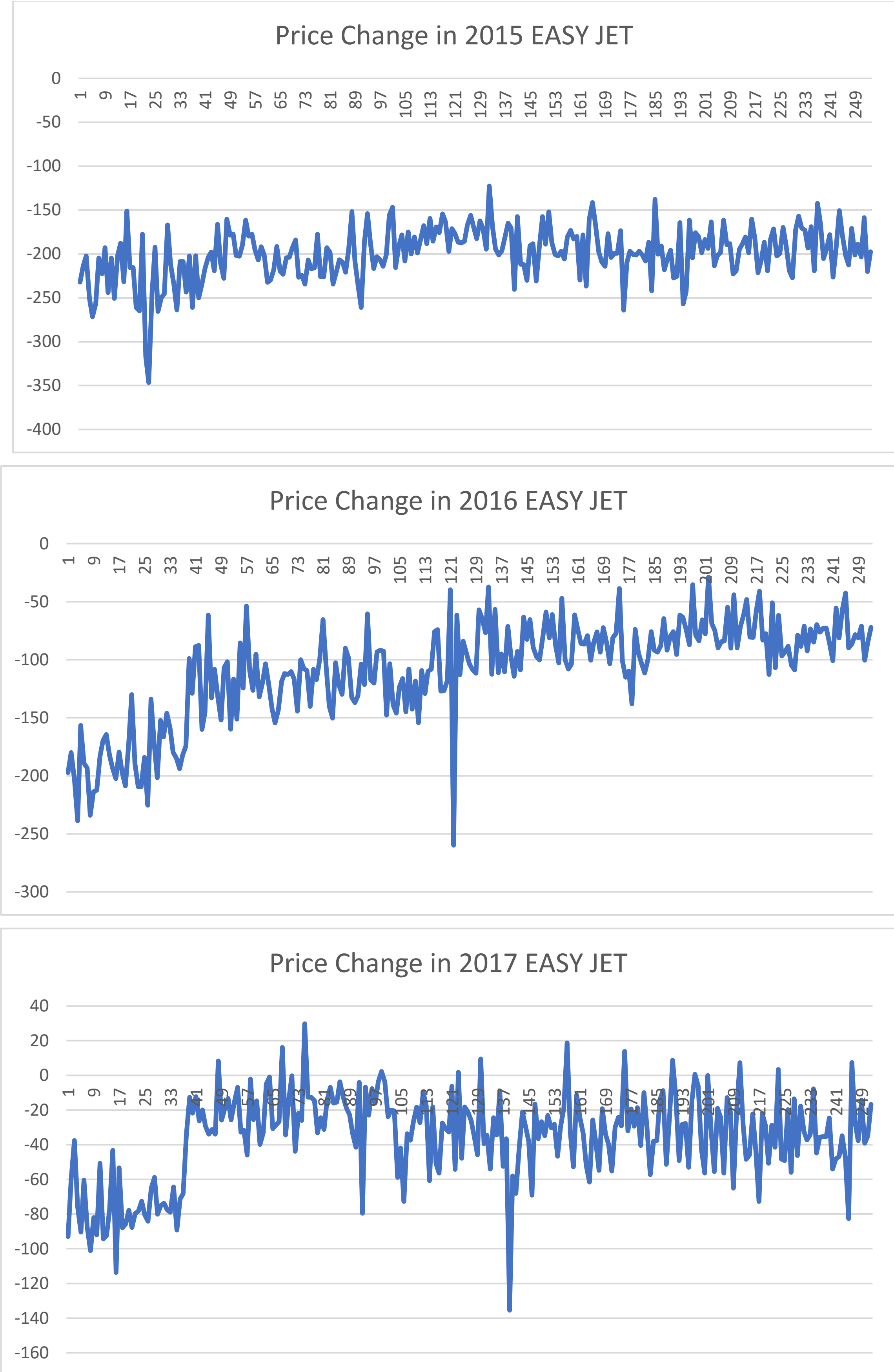
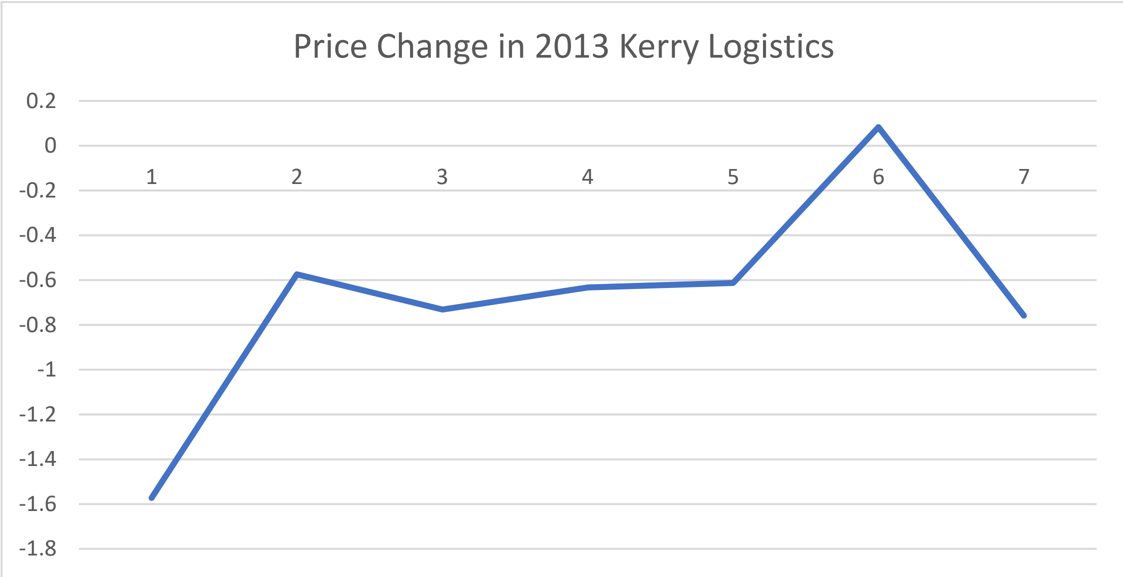
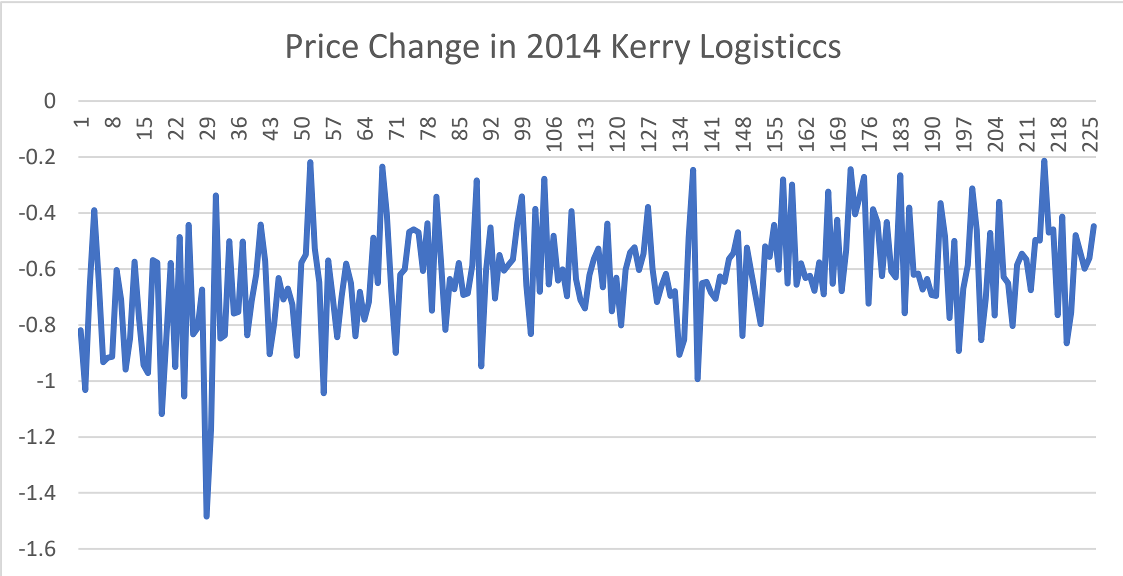


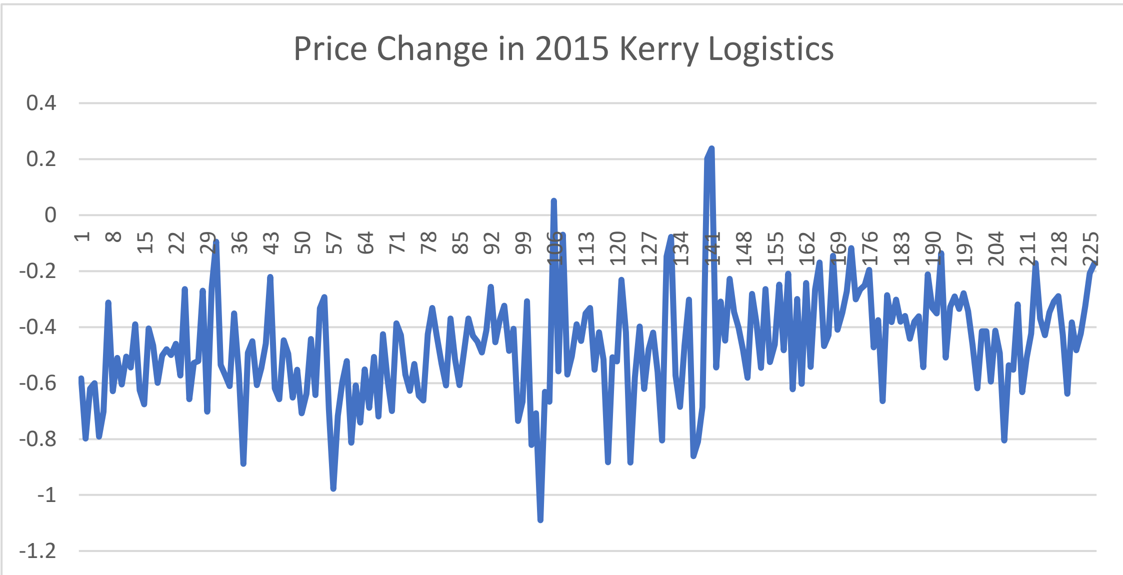
Figure 4.2 Price Change for EASY JET

- On 15 May 2014, minimum price change happened in Easy Jet because of the unexpectedly slow growth in the Eurozone and it makes more significant a new analysis by the Bank of England of the UK's poor trade and terrible current account deficit. The recent account shows the difference between money received from the rest of the world and money paid to the rest of the world by UK residents.
- On 9 July 2015, maximum price change happened in Easy Jet because government of UK published the country's first Road Investment Strategy. UK government will make a greatest investment on new surfaces for 80% of existing roads and better roads to airports and sea ports. UK expected to have strongest economic growth of any major advanced economy in the world. Thus, government could have the perfect excuse to cut capital spending on roads and other infrastructure. After all, road investment costs money we could use to reduce the deficit.
- On 18 October 2016, maximum price change happened in Easy Jet because of the return of higher levels of inflation. Once the figure for inflation rises above the figure for wage growth, at just over 2%, then incomes start falling in real terms. These also will pressures the UK on course to exceed the Bank of England's target of a 2% inflation rate.
- On 27 June 2016, minimum price change happened in Easy Jet because UK economy in a position of strength. George Osborne has said the UK is ready to face the future "from a position of strength" and indicate there will be no immediate emergency budget. Despite the comments, the FTSE 100 extended losses with bank, airlines and property shares tumbling.
- On 20 July 2017, maximum price change happened in Easy Jet because the council discuss the importance of steps that can be taken to boost productivity, investment and keep the economy of UK strong. They also discussed ways to build business and consumer confidence within society.

4.1.3 KERRY LOGISTICS NETWORK LIMITED







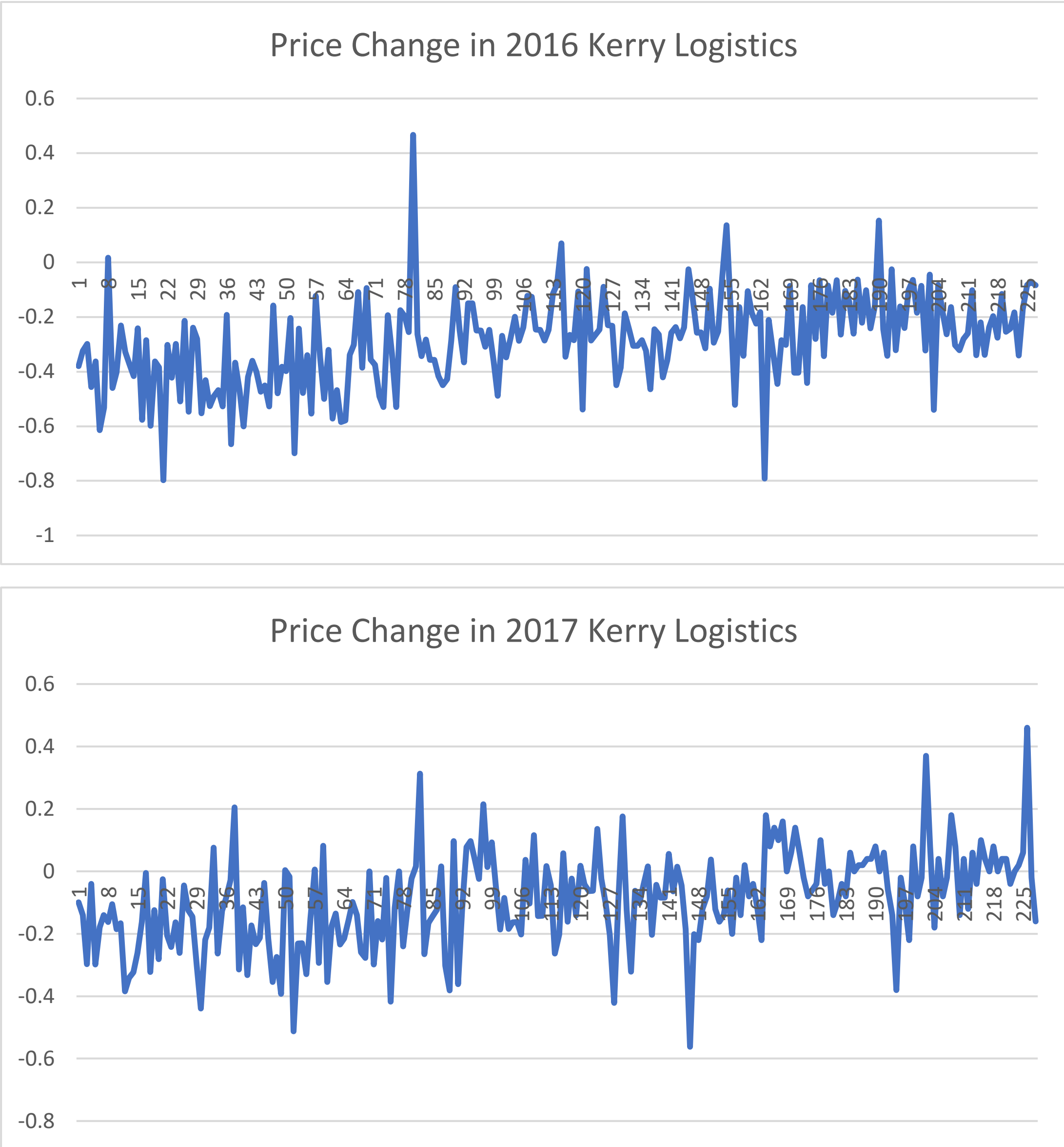


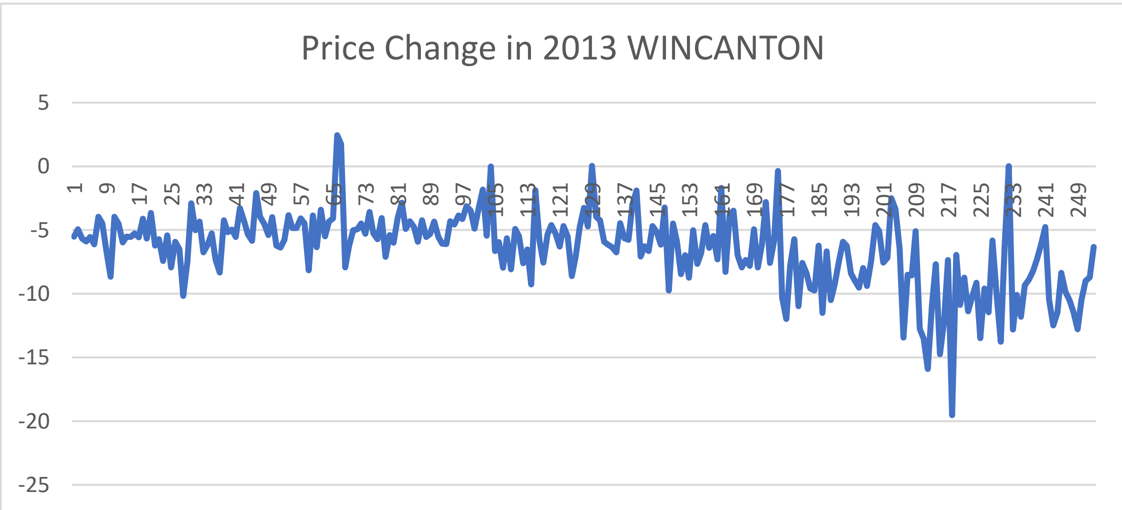
Figure 4.3 Price Change of Kerry Logistics

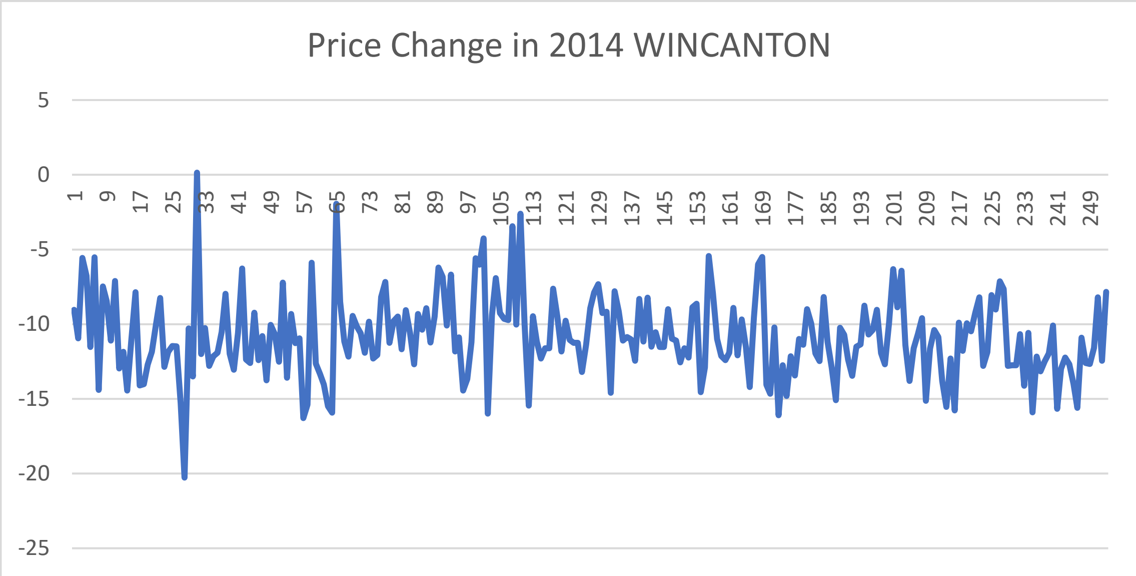
- On 19 December 2013, the minimum price change happened in Kerry Logistic because the United Kingdom prices fall to 0.5 percent. Inflation in the UK dropped a little in December is related to the falling fuel prices and the decline in inflation was also due to the growths in gas and electricity prices falling out of the equation. Paul Hollingsworth, of Capital Economics stated that the inflation may fall around 0.2% in February and that absolute complete drop in prices was possible.
- On 14 March 2014, the minimum price change happened in Kerry Logistic because UK inflation rises to highest and driven by flow in fuel costs and weakness in post-Brexit vote pound. The consumer prices in British had increased 1.8pc last month and achieve its highest level in 2014. This happened because of a surge in fuel costs and the post-

Brexit vote pound weakness. Office for National Statistics showed the data this morning in the article.

- On 27 August 2015, maximum price change happened in Kerry Logistics Network Limited because Gross Domestic Product (GDP) in UK grew by 1.5% between July and September. The rate was also lower than the 0.6% growth predicted by many analysts. The services sector, the biggest part of the economy grew by 0.7%. However, output in the manufacturing sector declined by 0.3%.
- On 3 March 2016, minimum price change happened in Kerry Logistics Network Limited because the growth in the UK services sector has slowed to a three-year low against a backdrop of weakening new orders and economic uncertainty. Growth in total business activity and new orders leading firms to raise employment at the slowest pace in two and a half year.
- On 31 August 2017, minimum price change happened in Kerry Logistics Network Limited because British business are rapidly losing confidence for their prospects and those of the wider economy, and are more pessimistic than they have been in a year, according to the latest business confidence survey from Lloyds Bank.

4.1.4 WINCANTON plc




Price Change in 2014 WINCANTON
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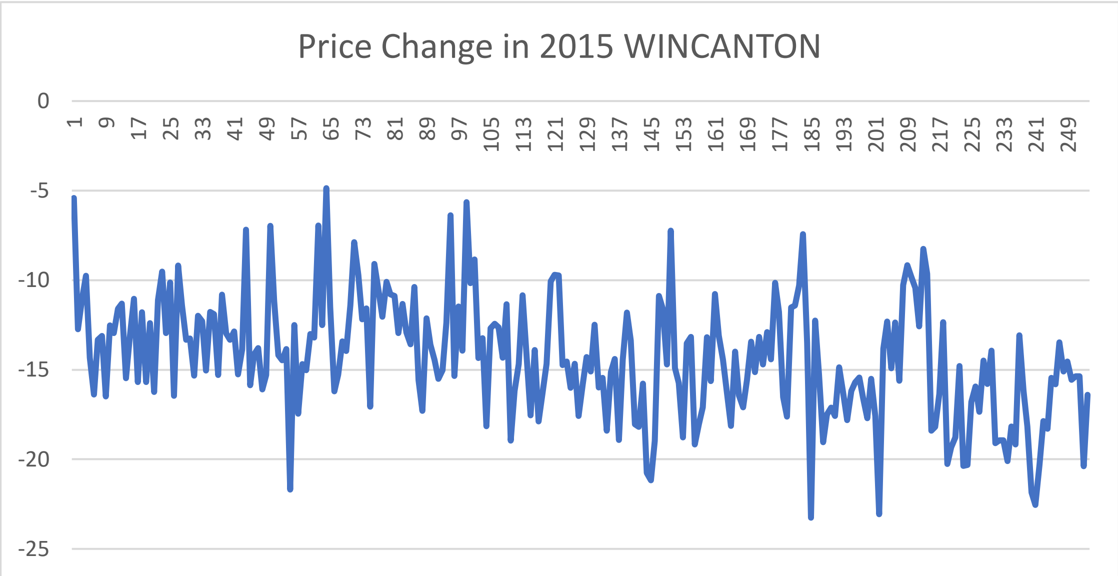
Price Change in 2015 WINCANTON
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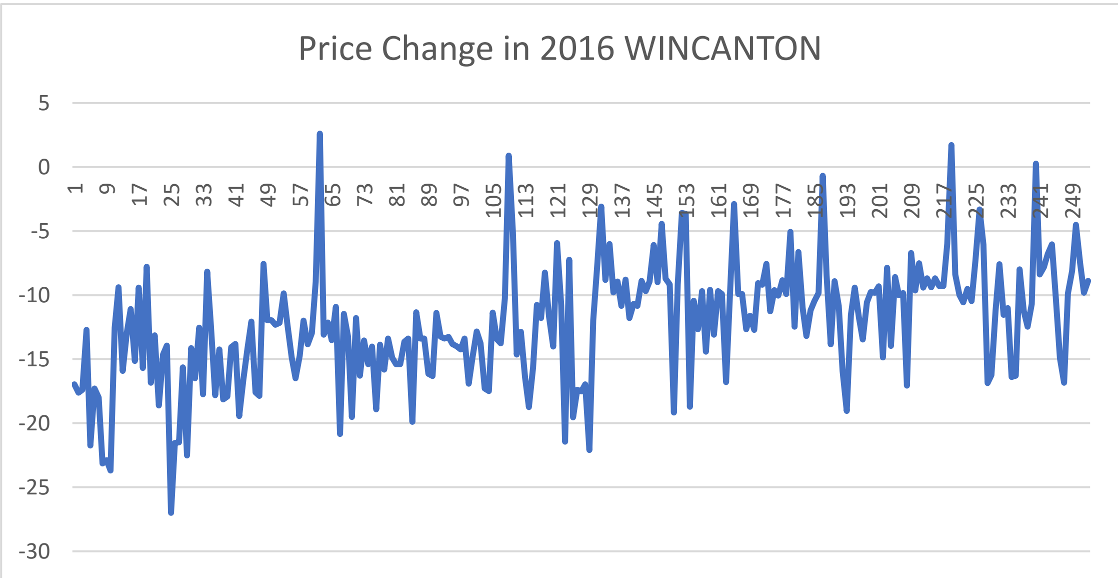
Price Change in 2016 WINCANTON
5
0
-5
-10
-15
-20
-25
-30
1
9
17
25
33
41
49
57
65
73
81
89
97
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217
225
233
241
249

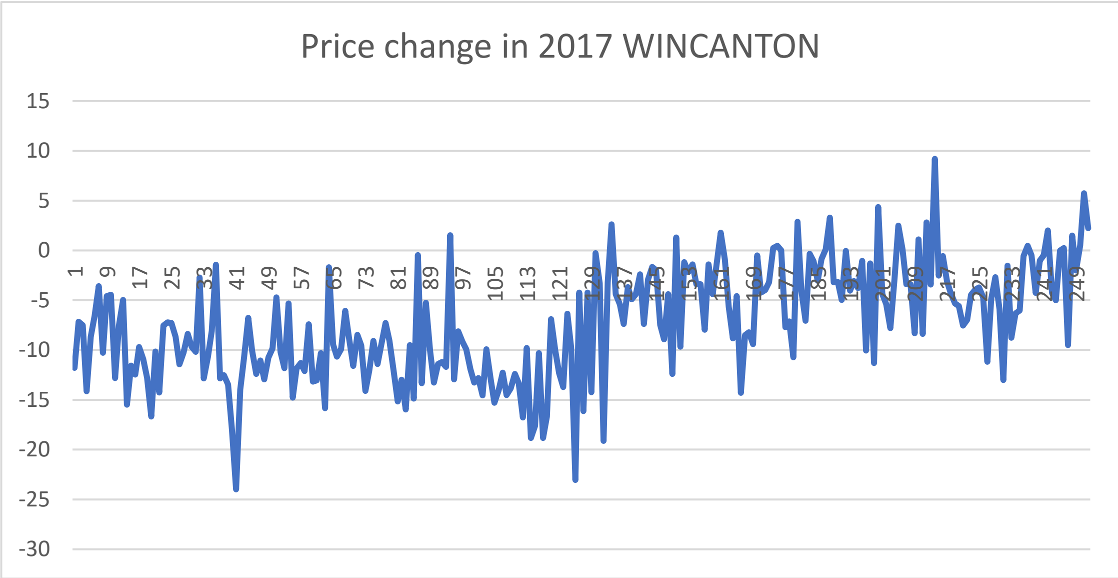
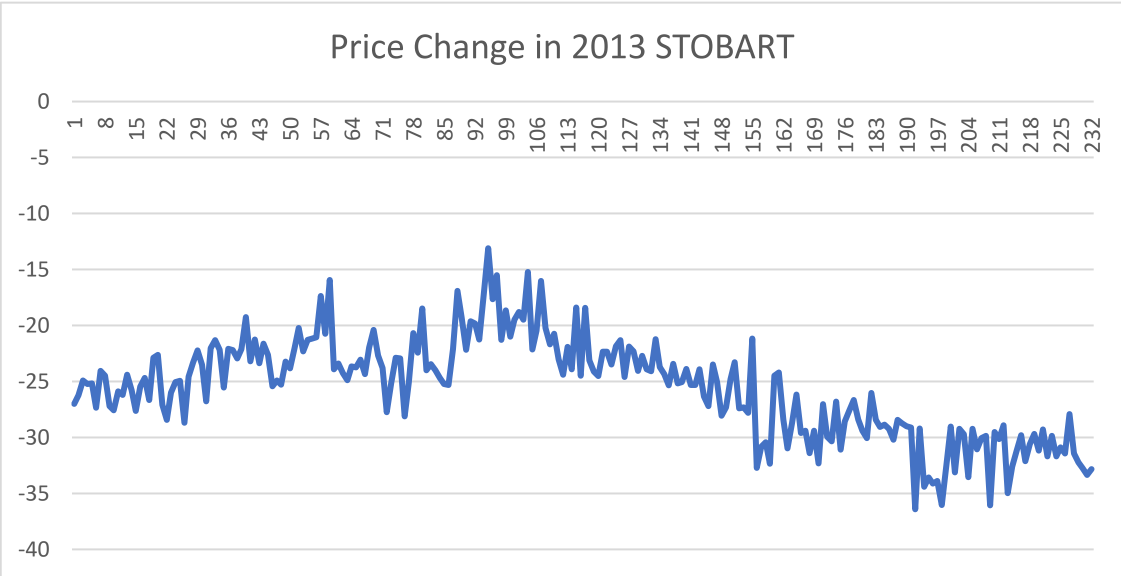


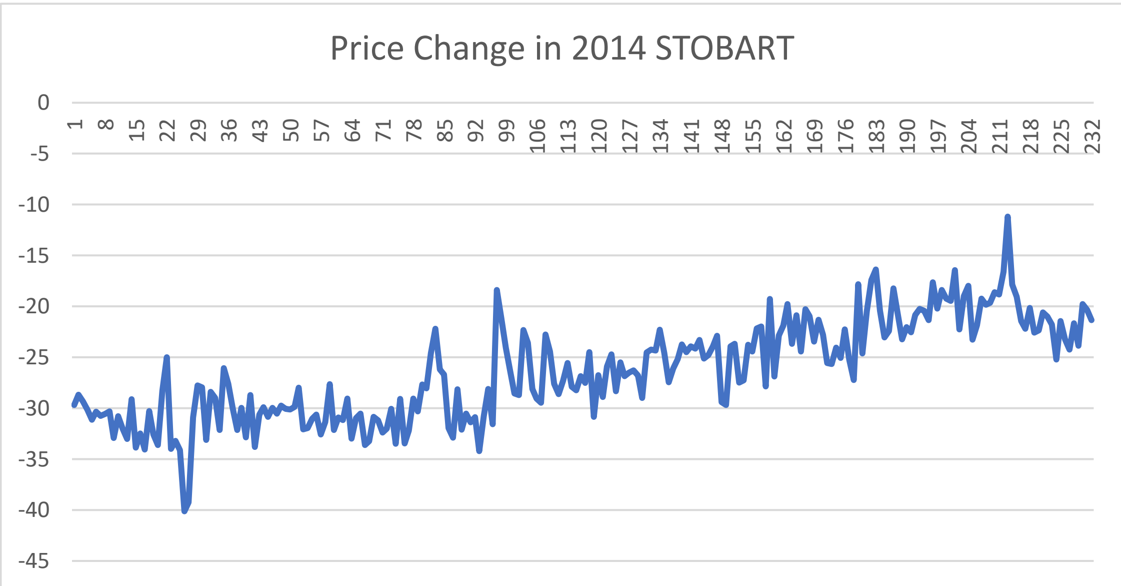
Figure 4.4 Price Change for WINCANTON

- On 2013, the maximum price change happened in Wincanton because the revenue has increased by 1.3 percent indicating a return to modest growth. Also, the minimum price change happened in the company is because of their spending in the period included £0.8m in respect of expansion projects and £2.2m for replacement in the capital. The company also have spent on the spent on the continuing upgrade of certain of the Group's IT assets and infrastructure. The balance of spending covered a variety of other smaller projects. Capital spends in the second half of the year is expected to be higher than the first half which will bring the year to a level nearer prior years.
- Based on the results for the Half Year in 2014, the maximum price change happened in Wincanton because the new business of pipeline and conversion remains strong and growing. Also, the investment in the period in both Pullman and Records Management becomes growth in that year and result in price change of Wincanton.
- On 31 March 2015, the minimum price change happened in Wincanton because the United Kingdom inflation holds at the record low of zero percent. According to The Office for National Statistics, he said that Britain's inflation rate has detained at its low record of zero percent, giving disposable incomes a boost and leaving the country on the brink of a period and caused the prices fall.
- On 5 February 2016, the minimum price change happened in Wincanton because the oil prices in the United Kingdom has been fall. Bank of England, deputy governor Ben Broadbent stated that the fall in oil prices has been a "net good" for the economy. He was given the statement to BBC Radio 5live's Wake Up To Money that falling in oil prices helped to push up wages in real terms.

- On 3 November 2017, the maximum price change happened in Wincanton because there will be an increase in interest rate. According to Mark Carney, he has signed that the interest rate will rise in future gentle and gradual. Announcing the 0.25% rise yesterday, the Bank of England's Monetary Policy Committee said that if any future increases in the Bank rate, it would be expected to be at a gradual pace and to a limited extent. The BBC also mention that the expectation the rates is will rise is just in 1%, in two increases of 0.25%, one next year and one in 2020.

4.1.5 STOBART GROUP





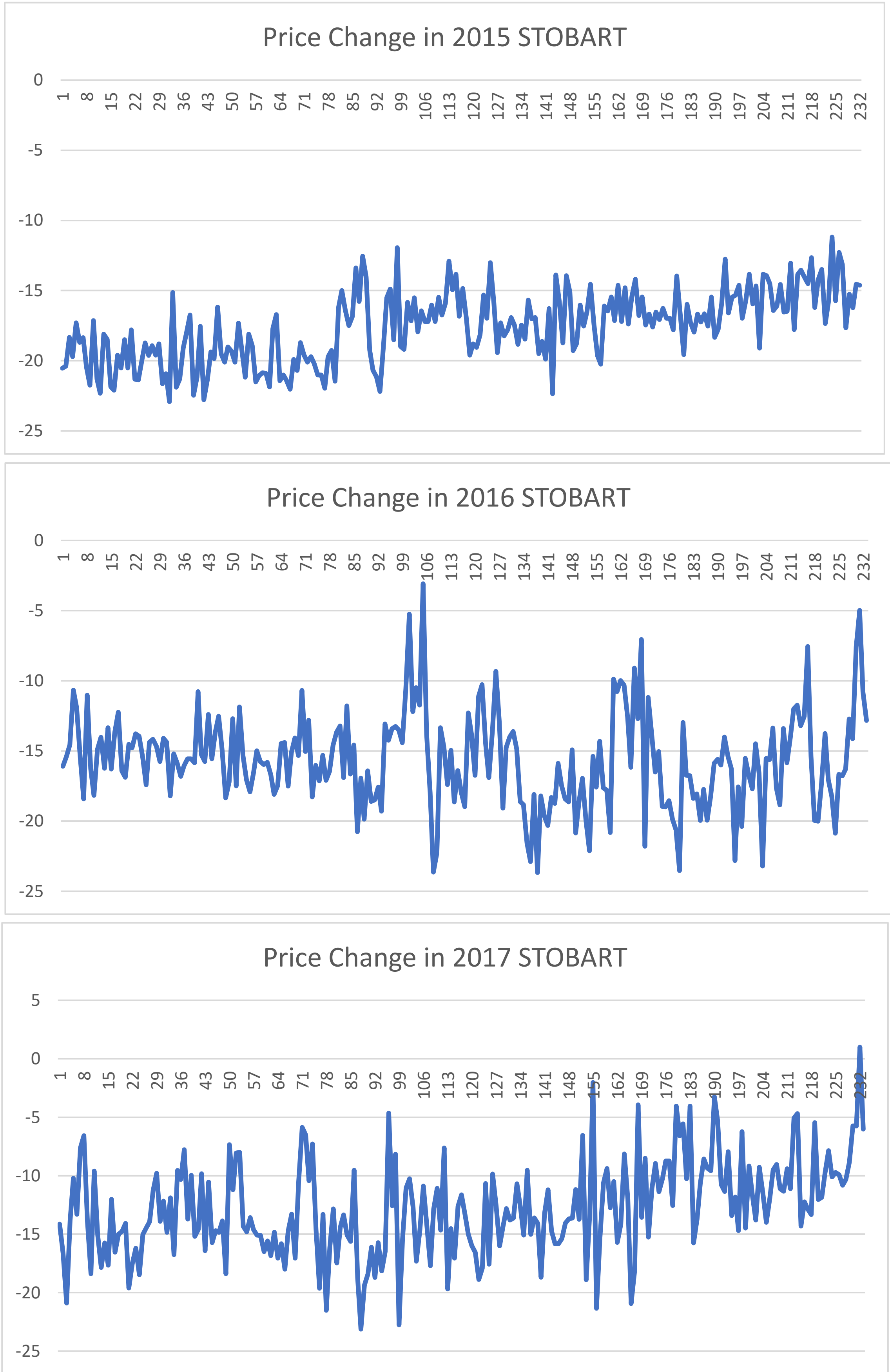


Figure 4.5 Price Change for STOBART

- According to ADVN page, on 2013, the maximum price change happened in Stobart Group because the share price of Stobart Group has fallen by a third from a peak of 140p. Stobart Group had sold vehicle services subsidiary to Paragon Automobile. Then, the sale comes hot on the heels of a boardroom shake-up at Stobart Group and a recent profits warning. The Financial Times reported that the changes were at the bidding of the fund-management group Invesco, which owns more than a third of Stobart's share.
- On 2014, the maximum price change happened in Stobart Group because the company was the leading United Kingdom supplier of biomass. Basically, the company is seen as being a very reliable fuel supplier and the partner of choice. They also generate strong return on investment in the plant's equity as well as providing with a 16-year biomass fuel supply contract, a long-term wood drying income stream and valuable engineering revenue on the development.
- According to ADVN page, on 2015, the minimum price change happened in Stobart Group because the costs of fuel are lower, and the share price is too low at present. As a precaution, Stobart Group decided to buy more in the expectation of a decent run-up.
- On 2017, the maximum price change happened in Stobart Group because the company has made a good progress as the number of their passenger strongly increase at its London Southend Airport site. Also, Stobart Group had updated their infrastructure and support services company proposed a 4.5p a share dividend for the fourth quarter. As result, the price of Stobart Group increased.

4.2 Index Scor

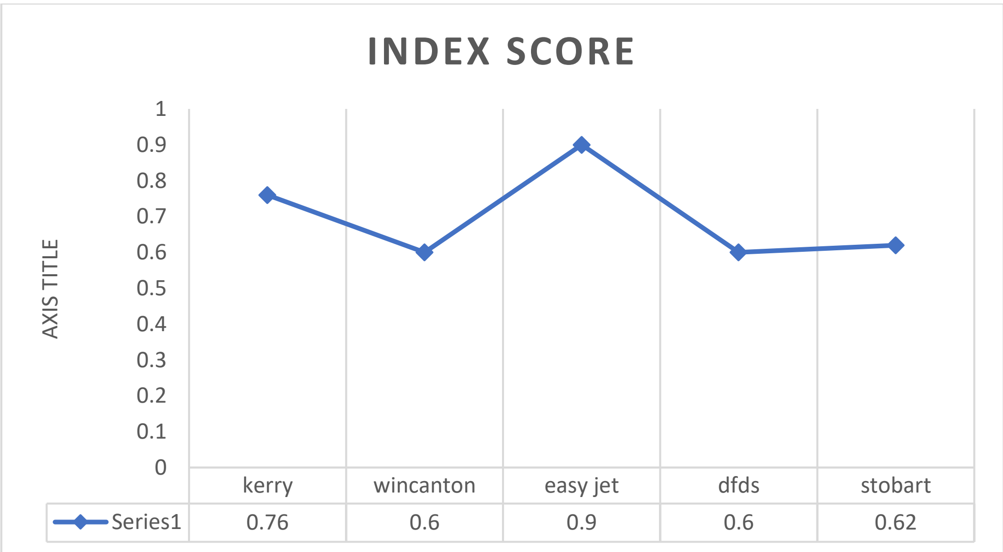


Figure 4.6 Average Index Score

Based on the graph shows above, it indicates the line graph for five company index score. the series 1 is the name of the five company we chosen. From the line graph, we can know which company has higher index score and the lowest index score. Corporate governance index score is a part of internal factor in the company. We used 11 variables to indicate the score. there is the gender, nationality, foreign board, qualification, gender diversity, shariah supervisory board, risk management committee, local, board size, audit committee, remuneration committee, meeting and also experience of board according to (Waeibrorheem and Abdullah 2015; Abdullah and Ku Ismail 2015).

From the line graph 4.3, the average index score of five companies in five year, it indicates most companies has a little bit same index score average, it is around 0.6-0.62. For company Easy Jet shows the highest index score among other. This is because easy jet has strong control mechanism in the firm. It stated 0.9 of average index score, the company are well managed and the people inside their board are most powerful and has a greater knowledge. Most of the company does not have shariah supervisory board, it is because the company that establish is not according to the shariah. Most company in UK are not compliance with shariah supervisory board.

Next for the second highest average of index score show Kerry Logistic has stated 0.76. the index score of the Kerry Logistics is quite good. Their board meeting has the highest number among all. This indicate that the firm are operate the business according to their benchmark. That why the company has the highest number of meeting to encourage and monitor the firm are operating in a good track. Besides, Stobart company has amount which is 0.62 It is not because the company are at third highest of average index score shows the company is bad in operating their corporate governance internal control. It might be the company has less number of female in the board, the committee does not give their best, and the board does not know how to tackle and monitor their staff efficiently. They have all of the requirement for corporate governance, except Shariah Supervisory Board because they are logistics company and do not need it, since it just need for Islamic company only.

Last but not least, the lowest index by Wincanton and DFDS Seaways. Both companies share the same amount of index score which is 0.6. This is because of they do not applied a few variables of corporate governance as required. They do not have foreign board, female board of director, qualification of the board, and also Shariah Supervisory Board as they do not need it. Overall, we found that most of the companies above do not have foreign board of directors and Shariah Supervisory Board and the meeting held are not very frequent in the five years as stated.

4.3 Descriptive Statistics

Table 4.1 Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.066124411100000	.045563233900000	25
CURRENT RATIO	1.184515343000000	.496963295000000	25
QUICK RATIO	1.064387710000000	.411233774000000	25
AVERAGE-COLLECTION PERIOD	17067.221920000000000	85130.170649999990000	25
DEBT TO INCOME	18.212948150000000	24.851595330000002	25
OPERATIONAL RATIO	.565702890000000	.409447231000000	25
OPERATING MARGIN	.127473866000000	.203984522000000	25
INDEX SCORE	.736	.1186	25
REMUNEARATION	19950160.00000000	16100279.350000000	25
BETA	9.156492078000001	12.650817260000000	25
GDP	.022400	.0047258	25
INFLATION	.01484940	.010553309	25
UNEMPLOYMENT RATE	.057000	.0114382	25
INTEREST RATE	.0042500	.00102062	25

From the table above, the average return on asset (ROA) was 6.61% which indicated the companies making the profit of around 7% from its asset and there was a narrow different between the companies among the 5 years. The liquid ratio which are current ratio and quick ratio were about 1 time in average and the difference between the firms almost 0.5 time. While the average collection period was really high in average and there were a huge different among the corporations. For debt to income the mean ratio is 18.2 and the variation was about 25 time. Average operating risk ratio which included operational ratio and operating margin was 56.57% and 12.75% respectively and there were a slightly volatile between the five companies. Besides that, the mean of index score was 0.74 and there was no much variation for the industry. However, the average remuneration was £ 19,950,160.00, the payment of each company was varied widely.

The beta rate for the industry was 9.16 and the different was quite large between each other. For the market indicators which consist of GDP, inflation, unemployment rate and interest rate were 2.24%, 1.48%, 5.7% and 0.43% separately. Because the companies were established in a same market economy, there were almost no different between each other.

4.4 Correlation

Table 4.2 Correlation

Correlation		
		ROA
Pearson Correlation	ROA	1.000
	CURRENT RATIO	-.544
	QUICK RATIO	-.363
	AVERAGE-COLLECTION PERIOD	.063
	DEBT TO INCOME	-.584
	OPERATIONAL RATIO	-.361
	OPERATING MARGIN	-.127
	INDEX SCORE	.269
	REMUNEARATION	-.168
	BETA	.258
	GDP	-.163
	INFLATION	-.144
	UNEMPLOYMENT RATE	-.257
	INTEREST RATE	-.326
Sig. (1-tailed)	ROA	.
	CURRENT RATIO	.002
	QUICK RATIO	.037

	AVERAGE-COLLECTION PERIOD	.382
	DEBT TO INCOME	.001
	OPERATIONAL RATIO	.038
	OPERATING MARGIN	.273
	INDEX SCORE	.096
	REMUNEARATION	.211
	BETA	.106
	GDP	.218
	INFLATION	.246
	UNEMPLOYMENT RATE	.107
	INTEREST RATE	.056

The table above showed the correlation among the variables, the variables that have the significant relationship with ROA which the p-value were below 0.05. It included the current ratio, quick ratio, debt to income and operational ratio. All these variables were negative correlated with ROA which means that when the variables increased, ROA will be decrease. Debt to income ratio gave the most significant correlation with p-value of 0.001 and the second highest was the current ratio (p-value=0.002).

4.5 Coefficients

Table 4.3 Coefficient

Coefficients

Model		Standardized Coefficients Beta	Sig.
1	(Constant)		.033
	CURRENT RATIO	-.355	.626
	QUICK RATIO	.175	.721
	AVERAGE-COLLECTION PERIOD	-.119	.601
	DEBT TO INCOME	-.632	.046
	OPERATIONAL RATIO	-.624	.229
	OPERATING MARGIN	-.177	.456
	INDEX SCORE	-.700	.191
	REMUNEARATION	.654	.165
	BETA	.888	.146

	GDP	-.268	.392
	INFLATION	-.164	.464
	UNEMPLOYMENT RATE	.005	.984
	INTEREST RATE	.112	.739

The table revealed the coefficient of ROA which refer to the variables that influence or affect the ROA. The significant variable was the p-value lower than 0.05. Debt to income was the only significant variable that affect ROA. It showed a negative coefficient which expressed that when debt to income increased, ROA will be decreased. In the other hand, if the company wish to increase the ROA or profits, they need to decrease the debt. The higher the debt, the higher the risk and too much of debt may lead the company to be default in payment thus, become bankruptcy in the worst case.

The result in model 2 was similar with model 1 which the significant variable was debt to income but with the p-value of 0.016 and the beta was -0.591. while there was no any significant variable found in model 3.

4.6 Summary

The section presented the outcomes of the finding for the study. The section 4.1 illustrated the matters that affected the changes of the stock price for the companies among the years. Whereas in section 4.2, about the index score which refers to the corporate governance of the companies.

The Descriptive Statistic and Correlation results discussed in the subsequent section which describe the variables through mean, standard deviation and the relationship. Furthermore, the Coefficient analysis elaborated in section 4.4, it showed some different results from the different model.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This analysis aims to decide the firms (DFDS Seaways, Easy Jet, Kerry Logistic Network Limited, Wincanton, and Stobart Group) influence of corporate governance to the firm performance in logistics industry. To accomplish this objective, firm-specific factors which are financial risk, liquidity risk, credit risk, operational risk, profitability and corporate governance and also macro-economic factors which are inflation, Gross Domestic Product (GDP), unemployment rate and interest rate were used in this study. Thus, the discussion will be found on the findings in chapter four. Conclusion and recommendation for future work are comprised in this chapter.

5.1 Conclusion

In a nut shells, we can overall conclude that those five companies in the five years from 2013 to 2017 in profitability ratio. It is because the average return of ROA was 6.61% which means the companies make a profit around 7%from its asset. There are fluctuation movement in return on assets. The five different companies in logistics industry shows un favourable movement throughout the year.

Easy Jet Company has the highest ROA among all of the five companies, which is 0.1004 in year 2014. Among the five companies, Stobart Group Company shows the highest liquidity ratio in term of current ratio and quick ratio, which is 2.3889 and 2.3838 in year 2014 compared to other companies. Furthermore, Kerry Logistics Company shows the highest operating margin at 1.1208 in year 2015. In addition, the five logistics companies are generally facing moderate fluctuations in leverage ratio from year 2013 to 2017. Due to the economic environment, and advance financial technology in this era of globalization. Logistics companies nowadays face the biggest challenge. This is because in UK the logistic or transportation provided are so much efficient and many company are doing the same business. The society does not use only one type of transportation. So, there is no dominant transportation in the UK. The people like to use public transport because of the technology is more comfortable and easy to use also avoid the traffic problem. The five companies that we choose is represent the logistics industry.

Based on our task, these industries have to focused more on operational risk, liquidity risk, corporate governance, risk management and also credit risk. They have to give full attention to those kinds of risk. The risk can be good to the company if the company take an action for it such as doing 100% hedge or partially hedge. The action can make the industry more aware and beware of any possibilities that may arise to the industry. Few years back, our logistics industry was doesn't even care about competition because they think that they are the one who monopoly the industry but now many businesses of logistics provide a service was better than them. As a result, risk management have to manage well by them for sake of their own benefits and improve the level of profit to the company.

5.2 Limitations

For research limitations, this project paper are more focused on companies that related to logistic management. For data analysis, the data has been taken from the annual report of each company (Stobart Group, Wincanton, Kerry Logistic, Easy Jet and DFDS Seaways) starting from 2013 until 2017. It is difficult to compute the result because of the limitation of the year of data. Also, in order to complete the entire group projects, it took about two to three weeks for our group to find the data, to compute the analysis and run the SPSS system.

5.3 Recommendations

Basically, it is important for the company to have or comply a good corporate governance in order to make sure the company is well controlled and structured. Also, company with good corporate governance will promotes investor confidence, which is crucial to the ability to compete with other companies.

For recommendation, a company with good corporate governance should be able to recognize and manage risks. For example, the companies should establish a sound risk management framework and sometimes review the effectiveness of that framework. Then, the remuneration fairly and responsibly. All companies should pay director a sufficient remuneration or high salary in order to get best quality of directors and to motivate them and to align with their interests. Some of the director have more experience to control the growth of company. So, it will be worth to pay high salary to the experience directors.

Furthermore, company with good corporate governance will respect the rights of shareholder. Board of director should respect the rights of its shareholder by providing them with appropriate and disclose information and facilities to allow them to use those rights effectively and to prevent conflicts of interest with shareholders and board of directors.

A company with good corporate governance also will structured the board to add value. All companies should have a board with appropriate size, composition, skills and commitment to enable it to discharge its duties effectively. In order to make the company more structured and well controlled, the board must have various subcommittees. There four types of subcommittees in board which are audit committee, remuneration committee, nomination committee and risk committee. All these committees have their own skills and expert. For example, the audit committee provides the board with assurance of the quality and reliability of financial information used by the board and the financial information issues publicly by the company.

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