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University of Southern Queensland

**REMUNERATION, REMUNERATION COMMITTEE, INSTITUTIONAL
INVESTOR AND PERFORMANCE IN FAMILY FIRMS: EVIDENCE
FROM MALAYSIA PUBLIC LISTED COMPANIES**

A Dissertation Submitted by

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ABSTRACT

The Malaysian Code on Corporate Governance (MCCG) is part of the Bursa Malaysia Listing Rules to ensure good governance in the capital market. This study investigates two important elements of MCCG; directors' remuneration and the characteristics of remuneration committees which give recommendations on directors' pay. However, the proposal needs to be monitored by either a non-executive or an institutional investor, or both, especially in family firms.

According to the structure of a family firm, the same person is often on the board of directors and the remuneration committee. This thesis examines the relationship between remuneration and performance in family firms, represented by the remuneration committee and the institutional investors for 537 Bursa Malaysia listed firms from 2007 to 2009.

This study finds evidence to support the hypothesis that directors' remuneration has a significant and positive relationship with firm performance. However, this study did not find evidence that family firms influence the relationship between remuneration and performance. Also, the study finds that the presence of institutional investors is positively related to firm performance. However, there is no evidence showing that institutional investors influence the relationship between remuneration and performance in family firms.

With regards to the remuneration committee, this study finds that family firms' connections with remuneration committees has a negative relationship. Also, the study finds that the relationship between remuneration committees and remuneration is significantly negatively affected in family firms. This shows that the relationship between the remuneration committee and remuneration is dependent on the family firms. Furthermore, there is no evidence that institutional investors effectively monitor remuneration committees during remuneration in family firms. Thus, this study suggests that the relationship between remuneration committees and the remuneration directors of family firms does not depend on the institutional investor role.

Certification of Dissertation

I certify that the ideas contained in this dissertation are entirely my own, except where otherwise acknowledged. I also certify that the works is original and not been submitted for any other award.

Signature of Candidate

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ENDORSEMENT

Signature of Supervisor

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Signature of Supervisor

Date

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LIST OF ACRONYMS AND ABBREVIATIONS

AFC	Asian Financial Crisis
AGMs	Annual General Meetings
ASN	Amanah Saham nasional
ASM	Amanah Saham Malaysia
ASG	Amanah Saham Gemilang
ASB	Amanah Saham Bumiputra
AS 1Malaysia	Amanah Saham Didik and Amanah Saham 1Malaysia
CEO	Chief Executive of Officer
CMP	Capital Market MasterPlan
EGMs	Extraordinary General Meetings
EPF	Employees Provident Fund,
FCCG	Finance Committee on Corporate Governance
IPOs	Initial Public Offerings
KLSE	Kuala Lumpur Stock Exchange
LTAT	Lembaga Tabung Angkatan Tentera
LTH	Lembaga Tabung Haji
MCCG	Malaysia Code on Corporate Governance
MESDAQ	Malaysia Exchange of Securities Dealing and Automated Quotation
MSWG	Minority Shareholder Watchdog Group
PNB	Permodalan Nasional Berhad

PERKESO	Pertubuhan Keselamatan Social
PERNAMA	Perbadanan Perwira Niaga Malaysia
PPHM	Perbadanan Perwira Harta Malaysia
PERHEBAT	Perbadanan Hal Ehwal Bekas Angkatan Tentera
PLCs`	Public listed Companies
PN14	Practice Note No 14
PN17	Practice Note No 17
ROA	Return on Asset
ROE	Return on Equity
VIF	Variance Inflation Factor

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PUBLICATION

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