

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

This chapter outlines the methodology employed in the study. The major parts covered include the types of data obtained, research instruments, questionnaires design and the rationale, sampling procedure and the primary data collection methods. The chapter also includes discussions on the statistical techniques employed for the data analysis and the limitations of the study.

#### **3.1 TYPES OF DATA**

The data relevant to this study was obtained through both secondary information sources as well as primary data search. The secondary data was gathered mainly from journals, newspaper and magazines from MAICSA libraries. Articles written locally and abroad pertaining to the role and responsibilities of company secretaries were explored. Besides that, hard copy of the literature, soft copy of articles obtained through the Internet was also considered.

There has been no empirical studies being conducted before pertaining to the role and responsibilities of company secretary in public listed companies in Malaysia. Most of the literature took a descriptive approach to the subject, focusing on the requirements of law and extolling good practice, rather than being research based exploration of specific company secretarial role in various types of company. There were, however two projects that could be found, which were at all similar to the present one that is being conducted. One of them was a study carried out by the American Society of Corporate Secretaries (ASCS) in 1988. In the United States, the company secretary is, typically known as the corporate secretary. Based on 681 respondents, they identified ten duties most often performed by the corporate secretary :

Liason between the board and management	97%
Assisting the CEO in establishing committees	96%
Assisting the CEO with board meetings	96%
Orientation of directors	93%
Conduct of shareholder meetings	89%
Shareholder proposals	88%
Compliance with Securities Exchange Committee rules	86%
Preparing notices, agenda etc. for board meetings	85%
Administration of codes of conduct	84%
Directors' communications (information flow to directors unrelated to meetings)	83%

The Hong Kong Institute of Company Secretaries carried out the second study in 1995. The work involved an eight-month long research study sponsored by the Institute and undertaken within the School of Business of The University of Hong Kong coupled with the collaboration of The Stock Exchange of Hong Kong. The focus of the study was on the company secretarial function in Hong Kong's listed companies, and covered the many Hong Kong Chinese family firms, the well known "blue chips" and companies listed in Hong Kong but incorporated elsewhere including China-based "H" share companies. In this study, based on 239 completed questionnaires, they identified 14 duties performed by the company secretaries :

Formulating board matters	73%
Co-ordinating shareholder meetings	62%
Ensuring listing compliance	69%
Providing guidance to the Chairman	46%
Providing advice to other board members	48%
Maintenance of shareholder registration and relations	13%
Share and Capital Issues and Restructuring	32%

Corporate Acquisitions and Disposals	26%
Involvement in Legal matters	26%
Involvement in Accounting and Finance	29%
Involvement in Human Resource Management	11%
Involvement in Property Management	7%
Involvement in General Administration	13%
Involvement in General Management	17%

The secondary data formed the major basis of the questionnaire design aided by constructive recommendations and opinions of Technical and Research Department from MAICSA and brief interviews with ten company secretaries in public listed companies in Malaysia recommended by MAICSA.

### 3.2. RESEARCH INSTRUMENT

The survey instrument was a five-page questionnaire (see Appendix A). It was prepared in English medium in consideration that the current corporate secretarial practice works are conducted in this language. The questionnaire was designed in a way that preserves the anonymity of the company and the respondents. The questionnaire consisted of four sections. Section I addressed a brief demographic profile of the company. Section II aimed to collect the demographic profile of the respondents. Section III was designed to collect information on specific responses to a series of questions on the level of involvement on the duties of the company secretary. It also determines respondents' level of involvement with the external professional advisors of the company. Section IV aimed at collecting comments or opinions from respondents that is helpful in understanding the role and responsibilities they play as the company secretary.

Section I was developed to collect the demographic profile of the company which consisted of six questions. The items involved were the primary business of the company; the market capitalisation and annual turnover and total assets as at 31<sup>st</sup>

December, 1999; KLSE listing board and lastly the structure of the board of directors in terms of executive and non-executive directors. All these data were considered important as it will allow the company to be categorised accordingly and to provide an understanding of the company involved.

Section II was designed to collect the demographic information of the respondents for a more meaningful interpretation of the results. The areas covered were their employment status; job title in the company; age group; educational qualifications; whether they are the directors and shareholders of the company and lastly to whom they report directly to. All these data were considered to be important as it will determine extend of their level of involvement in the duties delegated to them as specified in Section III.

Section III emphasised on respondent level of involvement of specific duties as the company secretary. In developing the specific duties of the company secretary, the duties were adopted from the survey carried out by the HKICS mentioned earlier, in which editing was made accordingly to suit the local practice. Recommendation from MAICSA and ten public listed company secretaries recommended by MAICSA were taken into consideration. This section is further divided into three parts. Part A concentrated on 8 primary duties performed by a company secretary, on a Likert-type scale ranging from 1 (Primary Responsibility) to 4 (Work Delegated to Professional Firm). Part B discusses on the involvement in six other types of duties by the company secretary also on a Likert-type scale mentioned in the first part. Part C determines the level of involvement of the respondents with other external professional advisors to the company.

Section IV was designed for respondents to raise or express their comments or opinions, which they think, would be helpful in properly and fully understanding the role and responsibilities that they play as company secretary of the company.

Upon completion off the questionnaires, a pilot test was carried out. Ten sample questionnaires were distributed to the ten company secretaries who were involved in the data gathering process mentioned earlier. The aim of the pilot study was to ensure that the respondents would be able to understand the questions of the survey. The responses were subsequently taken into consideration and minor modifications were made.

### **3.3. SAMPLE DESIGN**

This section outlines the sampling procedure employed in the study. Major parts covered include sample size, sampling method and data analysis.

#### **3.3.1 Sample Size**

The target sample size was 80. A total of 202 survey forms were distributed with the aim of obtaining at least 80 (40 percent) usable responses for analysis. (See Appendix B for list of companies involved).

#### **3.3.2 Data Collection Procedure**

Purposive sampling method was employed for this study. The sample was confined to company secretaries employed by public listed companies listed on KLSE in Kuala Lumpur and Selangor areas.

The survey was conducted over a 5-week period starting from the 2<sup>nd</sup> week of December, 2000 to the 1<sup>st</sup> week of January, 2001 in view of the long public holidays on the 4<sup>th</sup> week of December, 2000. The mailing list consisted of 202 public companies, derived from the Financial Guide to KLSE Companies (May 2000 Edition), representing various sectors on the main board and second board in KLSE. (See Table 3.1).

From each sector, 24 to 30 percent of the public listed companies in Kuala Lumpur and Selangor areas were randomly chosen. Those companies having the same address were eliminated from the list to avoid the same company secretary replying to more than one survey form. Those companies from other parts of the country were also eliminated from the list due to time and manpower constraints. Sectors having less than five companies were also eliminated from the list.

**Table 3.1 : Number of Companies Involved**

Sectors	Main Board	Second Board
Consumer Products	16	15
Industrial Products	27	32
Trading / Services	23	15
Properties	20	-
Plantation	10	-
Technology	3	-
Constructions	9	9
Mining	2	-
Hotels	2	-
Finance	17	-

At the initial stage, approximately 100 telephone calls were made to some of these chosen company secretaries informing them the reasons for carrying out this survey and asking for their cooperation in making this survey a success. At the same time, the respondents were asked on their preference on how to send the survey forms to them, whether via mail, fax or e-mail. All of them replied that they would prefer the survey forms to be sent by mail.

The survey forms were subsequently sent to the 202 companies selected. 61 survey forms were returned but five of them had to be excluded as three was

returned unopened and two survey forms had one missing page questionnaire.

The 56 usable survey forms amounted to an approximation of 28 percent response rate, a deviation of 12 percent from the targeted sample size. Even though with the low response rate, the findings of the research was still deemed significant. This is because in many past surveys conducted by MAICSA using the same methodology (mailed questionnaire survey) had received less than 10 percent response rate. However, it cannot be denied that there has been instance whereby mail survey on the same subject research received as high as 43 percent response rate, for example the survey done by HKICS mentioned earlier. It is worth noting here that the high rate of responses were due to the fact that it was done in collaboration with The Stock Exchange of Hong Kong and it was an eight-month long research with funding of HK\$100,000.00 from The University of Hong Kong of Business. Besides that, the survey was carried out by Professor Bob Tricker, a prominent author on Corporate Governance and a professor of the School of Business of the University of Hong Kong together with Ms Jessica Leung and Ms Kelly Lee, both who were research officers of the same University.

Self-administered questionnaires were chosen, as it was less expensive in terms of manpower as well as time needed. Questionnaires that had been administered carelessly had to be excluded from the final analysis due to the difficulties in tracking the subjects for clarification as the survey questionnaire was designed in a way that preserve the anonymity of the company and the respondent itself.

**3.4 DATA ANALYSIS TECHNIQUES**

The survey data was analysed using the latest Statistical Package for Social Sciences (SPSS) version 10.05 program.

The first step taken in the project is to prepare the master code for the answers to the questions in the questionnaires (See Appendix C). Upon receiving the questionnaires from the respondents, the answers were coded accordingly before being keyed-in into SPSS Data Editor.

Subsequently, each of the following types of statistical analysis was then carried out.

- A. Data Summary
  - Frequencies (counts, percentage etc)
- B. Graphical Summary
  - Histogram
  - Pie Chart
  - Bar Chart
- C. Cross tabulation
  - to see the relationship between the employment status of the company with the level of involvement in the duties of the company secretary
- D. Statistical test
  - Pearson Chi Square to test the significant of the two variables in the cross tabulation

The results and findings of the statistical analysis are elaborated in Chapter 4.

### 3.5 LIMITATIONS OF THE SAMPLING PROCEDURE

The study was only confined to company secretaries of listed companies in Kuala Lumpur and Selangor. Other company secretaries from other parts of the country were excluded from the research due to time and cost constraints. Consequently, the study is subject to the limitation and possible biases that exist when only one



geographic area is being studied, which may not be representative of the total market. There is a possibility that samples from other parts of the country may lead to different findings as there are about 90 and 95 companies listed respectively in main and second board in other parts of the country.

Secondly, purposive-sampling method employed in this study has many shortcomings too as the non-public listed company secretaries are excluded from the study. Again, one may question the generalisation of the findings.

Thirdly, even though clear instructions and explanation were given in the questionnaires, respondents may differ in their interpretation and understanding of the questions especially when respondents were asked to indicate their level of involvement in the specific duties of each statement in Section III of the survey form.

Finally, the low rate of response to the survey was considered to be another limitation to the research, as in-depth analysis and generalisation cannot be made. The low rate of response may be due to the fact that the company secretaries were not aware of the significance of the study.