

1. INTRODUCTION

1.1 Purpose And Significance Of The Study

Effective governance of modern firms or corporations is of interest to shareholders, managers, investors, academic scholars, and leaders of nations alike. It is believed this interest arises because some strategic decisions made by top-level managers have not been adequately monitored nor controlled and are not aligned with the shareholders' interests. Thus, countries that govern their corporations and shareholders are trying to hold top-level managers more accountable for their decisions and the results they generate.

The purpose of the study is as follows:

- To outline and describe the principles and mechanism of corporate governance,
- To make a comparison on the approach in developing the principles corporate governance in Malaysia.
- To make a comparison on the implementation of the Malaysian corporate governance principles and practices
- To describe the factors that causes or contributes to the differences in the Malaysian corporate governance principles or practices.

1.2 Research Questions

As study of this nature only makes comparison between code and practices of corporate governance of Malaysia against that of another developed country, the research questions are:

- i. How does the Malaysian Corporate principles compare against the codes or practices of other developed countries?

- ii. How does the conventional image of Malaysian company board reflect actual boardroom composition and practice?
- iii. In reality, how does the Malaysian Code of Corporate Governance compare against actual corporate practices?

1.3 Scope Of The Study

As the primary objective of corporate governance is to ensure that interests of top-level managers are aligned with the shareholders' interests, the study will attempt to differentiate how the practices of corporate governance in Malaysia are argued against the practices of corporate governance in other prominent economic systems such as United Kingdom, Germany, and United States of America.

1.4 Limitations Of The Study

The study is hampered by the availability of data particularly about the current practices of corporate governance by both listed and unlisted firms. The author expresses doubts as to the integrity of any participating firms and the individuals volunteering these informations about the practices of their firms. Thus a study of this nature relies upon information provided by the firms in the form of annual report disclosures.

1.5 Organisation Of The Study

The study is organised into five chapters.

- 1.5.1 As an introduction, Chapter 1 will cover the purpose and significance of the study, the research questions involved, the scope of the study, the limitations of the study, and how the study is organised.

- 1.5.2 Chapter 2 then will consist of review of literature from books, journals, articles and extracts from research works of other people.
- 1.5.3 Chapter 3 will dwell in-depth on the various codes of corporate governance and the best practices in each of the countries chosen for the study.
- 1.5.4 Meanwhile Chapter 4 will discuss on the results of the research.
- 1.5.5 In Chapter 5, the study summarised and concludes any major discoveries, discuss interpretation of major findings, contributions of study, limitations of study. Any suggestions for additional research and its implications will be put in this chapter.
- 1.5.6 Bibliography and references will be attached for reference.