



## ABSTRACT

Since the Asian Financial crisis occurred in 1997, Malaysia has implemented important corporate governance reforms to identify and address weaknesses highlighted during the crisis. Malaysia is aggressively highlighting the importance of good corporate governance to maintain its competitive edge as well as a source for sustainable economic growth. Keenan and Aggestam (2001) stressed that the success and failure of organizations in the twenty-first century depends on good governance practices in creating and leveraging intellectual capital (IC). Further, Tayles *et al.*, (2007) view that IC has attracted increasing interest in recent years as management recognizes the contribution it makes in their pursuit of competitive advantage. Studies have been conducted on corporate governance and voluntary disclosure in Malaysian corporations, however little is known about the influence of corporate governance on voluntary disclosure of IC. Thus, this study is motivated to fill this research void. The objectives of this study are to determine the nature and extent of IC disclosure (ICD) among companies listed in Bursa Malaysia and to investigate the relationship between corporate governance attributes, ownership structures and voluntary disclosure of IC. Using content analysis, a longitudinal study was carried out from years 2006 to 2008 on 162 top companies listed in Bursa Malaysia. The Statistical Package on Social Science (SPSS) 16 was used to analyse and test the hypotheses developed in this study. The research found that size of audit committees and financial expertises within the audit committees have an influence on voluntary disclosure of IC. In addition, ownership structure is able to explain the behavioural practices of voluntary disclosure of IC and its components. Results show that GLCs and OWNDIFFs voluntarily disclose information on IC. In contrast, FAMC strictly adhere to their secrecy of not disclosing more details than those stipulated by law. Empirically, this study provides evidence of the nature and extent of information disclosed voluntarily on IC on corporations in Malaysia. The results also indicate the significance and growing awareness of IC information reported in annual reports. Furthermore, it presents useful insights into IC reporting of the three different ownership structures. These disclosures tap into the richness of IC as well as provide insights on the type of IC in the respective companies listed in Bursa Malaysia. From a theoretical view, this thesis contributes towards the agency as well as institutional theory in explaining the relationship between corporate governance, ownership structure and ICD. This study may be of interest to the regulators as well as standard-setters in meeting the growing demand for intangible information to be incorporated in annual report and facilitate the further call for them to speed up their efforts in producing guidelines for a more consistent IC reporting framework.

## ABSTRAK (BAHASA MELAYU)

Semenjak krisis kewangan melanda Asia dalam tahun 1997, Malaysia telah melaksanakan pembentukan semula pentadbiran korporat yang penting bagi mengenalpasti dan berhadapan dengan kelemahan-kelemahan yang diketengahkan semasa krisis. Malaysia mengenengahkan secara agresif kepentingan pentadbiran korporat yang baik bagi memelihara batas kompetitifnya dan juga sebagai satu sumber untuk perkembangan ekonomi yang boleh dipertahankan. Keenan dan Aggestam (2001) menekankan bahawa kejayaan dan kegagalan organisasi dalam abad ke duapuluh satu ini bergantung kepada amalan governan yang baik didalam mencipta dan meningkatkan modal intelektual (IC). Selanjutnya, Tayles *et al.*, (2007) berpandangan bahawa IC telah menarik begitu banyak minat dalam tahun-tahun kebelakangan ini kerana pihak pengurusan mengenalpasti sumbangannya di dalam mencapai kelebihan kompetitif. Banyak kajian telah dibuat ke atas pentadbiran korporat dan pendedahan voluntari di dalam syarikat-syarikat di Malaysia. Bagaimanapun tidak banyak yang diketahui tentang pengaruh pentadbiran korporat ke atas pendedahan tentang IC. Oleh itu, kajian ini dibuat bagi mengisi kekosongan di dalam penyelidikan ini. Objektif kajian ini adalah bagi menentukan jenis dan setakat mana pendedahan tentang IC dibuat dikalangan syarikat-syarikat di Bursa Malaysia serta mengkaji hubungan di antara sifat-sifat pentadbiran korporat, struktur milikan dan pendedahan voluntari tentang IC menggunakan analasi kandungan. Kajian ini dibuat dari tahun-tahun 2006 hingga 2008 ke atas 162 syarikat teratas yang disenaraikan di Bursa Malaysia. SPSS 16 digunakan untuk menganalisis dan menguji hipotesis yang dibangunkan dalam kajian ini. Kajian tersebut mendapati bahawa saiz jawatan kuasa audit dan pakar-pakar kewangan di dalam jawaankuasa audit mempunyai pengaruh ke atas pendedahan voluntari tentang IC. Tambahan pula, stuktur milikan boleh menjangkakan gelagat amalan pendedahan voluntari tentang IC dan komponen-komponennya. Hasil kajian menunjukkan GLC dan OWNDIFF secara voluntari mendedahkan maklumat IC. Sebaliknya, pula, FAMC mematuhi kerahsiaannya dengan tegas untuk tidak mendedahkan lebih banyak maklumat daripada apa yang telah ditetapkan oleh undang-undang. Secara empirikal, kajian ini menyediakan bukti tentang sifat dan setakat mana maklumat yang didedahkan secara voluntari tentang IC oleh syarikat-syarikat di Malaysia. Hasil kajian juga menunjukkan kepentingan dan kesedaran yang meningkat tentang maklumat IC yang dilaporkan di dalam laporan tahunan. Selanjutnya, ia memberi pemahaman yang berguna terhadap laporan IC untuk ketiga-tiga struktur milikan yang berbeza. Pendedahan ini membentangkan kekayaan IC dan juga memberi gambaran tentang jenis IC di dalam syarikat-syarikat berkenaan yang disenaraikan di Bursa Malaysia. Dari sudut teori, tesis ini menyumbang ke arah teori agensi dan institusi di dalam menerangkan hubungan di antara pentadbiran korporat, struktur milikan dan pendedahan IC. Kajian ini mungkin berguna kepada penggubal piawai di dalam memenuhi perminataan yang meningkat terhadap maklumat tidak ketara yang akan dimasukkan ke dalam laporan tahunan dan bagi membantu mereka mempercepatkan usaha di dalam mengeluarkan panduan untuk kerangka laporan IC yang lebih konsisten.

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## **LIST OF ABBREVIATIONS**

ACE	ACCESSIBILITY, CREDIBILITY AND EFFICIENCY
ACMEETING	AUDIT COMMITTEE MEETING
ACSIZE	AUDIT COMMITTEE SIZE
CCM	THE COMPANIES COMMISSION OF MALAYSIA
CC	CUSTOMER CAPITAL
CEO	CHIEF EXECUTIVE OFFICER
CODE	THE MALAYSIAN CODE OF CORPORATE GOVERNANCE
CSR	CORPORATE SOCIAL REPORTING
CRSSL	CROSS LEADERSHIP
EPU	ECONOMIC PLANNING UNIT
FAMC	FAMILY OWNED COMPANIES
FINEXPT	FINANCIAL EXPERT IN AUDIT COMMITTEE
FRS	FINANCIAL REPORTING STANDARDS
GLC	GOVERNMENT LINKED COMPANIES
HC	HUMAN CAPITAL
IAS	INTERNATIONAL ACCOUNTING STANDARDS
IC	INTELLECTUAL CAPITAL
ICD	INTELLECTUAL CAPITAL DISCLOSURE
INED	BOARD COMPOSITION
KDI	KNOWLEDGE-BASED ECONOMY DEVELOPMENT INDEX
LEV	LEVERAGE
MASB	MALAYSIAN ACCOUNTING STANDARDS BOARD
OWNDIFF	DIFFUSED OWNERSHIP
PLC	PUBLIC LISTED COMPANIES



RDUAL	BOARD LEADERSHIP
REITS	REAL ESTATE INVESTMENT TRUSTS
ROE	RETURNS ON EQUITY
SC	STRUCTURAL CAPITAL
TOPAUD	TOP FOUR AUDIT FIRMS
UiTM	MARA UNIVERSITY OF TECHNOLOGY
UK	UNITED KINGDOM
UM	UNIVERSITY OF MALAYA
US	THE UNITED STATES OF AMERICA
VAIC	VALUE ADDED INTELLECTUAL CAPITAL