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The Effects of Corporate Governance Mechanisms on Firm Financial Performance Pre- and Post-Covid-19 of Public Listed Companies in Malaysia

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ABSTRACT:

This study investigated the effects of corporate governance mechanisms, on the financial performance of the top 500 publicly listed companies in Malaysia. DuPont Analysis and Multiple Linear Regression identified and addressed critical research gaps. The study analyzed the financial landscapes of Malaysia's top 500 public listed companies from various sectors in 2018 and 2021. The results showcased a nuanced understanding of return on equity distribution, revealing a trend of moderately positive ROE for most PLCs in 2018. The 2021 analysis data revealed insignificant and bare disruptive effects of the COVID-19 outbreak on the sampled public listed companies as there was an almost negligible number of companies that were affected by the outbreak. Multiple Linear Regression is showing a statistically significant positive relationship with firm financial performance. In contrast, board independence, size and tenure exhibited non-significant relationships, with nuanced interpretations of their potential impact. This study insights into the evolving landscape of corporate governance in Malaysia, highlighting the importance of resilience in the face of economic disruptions. This study advocates for continuous research to understand and enhance the resilience of corporate governance mechanisms in ensuring sustained financial performance in diverse industry contexts.

Keywords: Corporate governance, Corporate governance mechanisms, DuPont analysis, Firm financial performance, MCCG, Public listed companies in Malaysia.

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Introduction

Within 25 years since the 1970s, corporate governance (CG) has become the topic of discussion by academics, policymakers, and industry stakeholders. There currently needs to be a comprehensive historical analysis of CG, and it is uncertain if such an analysis will ever exist due to the extensive nature of the topic. The concept of CG may have emerged when introducing the corporate structure led to potential conflicts between investors and management (Cheffins, 2012).

CG is widely seen as the linchpin in the corporate structure, functioning as the foundation that maintains integrity, transparency, accountability, and ethical behavior inside businesses. CG, in its fundamental form, encompasses a collection of concepts, rules, and procedures that govern the direction and management of a firm. The compass serves as a guiding tool for decision-making processes, ensuring accountability and protecting the interests of all stakeholders in the business ecosystem. Imagine a corporation as an intricate machinery with several components in motion – executives, shareholders, employees, and other stakeholders – each playing a role in its operation.

CG is the stabilising factor that brings together these varied interests, coordinating them towards the ultimate objective of conducting business sustainably and responsibly. Essentially, it acts as the basis for the structure of corporate achievement and moral business principles. The backdrop of CG is not merely a theoretical construct; it is a vibrant and captivating field that has garnered the keen interest of researchers across diverse disciplines globally. Due to this, it has become the subject of extensive scrutiny in the academic realm.

Therefore, this study's venture into this arena seeks to contribute to the academic discourse and the pragmatic understanding of how governance mechanisms manifest within the intricate fabric of Malaysia's public listed companies (PLCs). Drawing inspiration from past studies such as the analysis by Eriqat et al. (2023) on CG effects on financial firms' reputation in emerging markets and a study by Kyere and Ausloos (2021) on the CG-performance relationship in the UK, this study navigated a rich tapestry of insights to gain better understanding of the effects of CG mechanisms (board independence, board diversity, board size, and board tenure) on firm financial performance of PLCs in a Malaysian context.

This study sampled PLCs that were listed in the Bursa Malaysia for the years 2018 and 2021. This period is significant to the study's objectives as it can further the understanding of the global COVID-19 outbreak effects. While there has been numerous research conducted on the relationship between CG mechanisms and firm performance pre- and post-pandemic (Boshnak et al., 2023; Jebran & Chen, 2023; Salin et al., 2023; Zattoni & Pugliese, 2021), this study's purpose is to add to the existing CG literature in a Malaysian context by quantifying and understanding the CG mechanisms effects of firm financial performance with considerations on external contributing factor such that of an external crisis resulting in global economic uncertainties.

Other than understanding the effects of CG mechanisms on firm financial performance, this study also set out to understand the effects of moderating and mediating variables on the mechanisms. Based on previous studies, various moderating and mediating variables can be introduced into the analysis to add nuance and further in-depth understanding to the given study (MacKinnon, 2011). Guided by studies such as Mensah and Boachie (2023), Tarighi et al. (2023), Boachie and Mensah (2022) and Mubeen et al. (2021), this study aims to add a layer of expanding the grasp on the effects and relationships of CG mechanisms on the firm financial performance of

PLCs in Malaysia.

The findings and discussions from this study can serve as a crucial guide for policymakers and stakeholders, providing valuable insights beyond just statistical correlations. The essential value of this resides in its capacity to provide information and impact decision-making in regulatory and business contexts, offering actual advantages for policymakers and stakeholders. The study can serve as a solid basis for policymakers to develop and improve CG rules in Malaysia. The study's examination of how PLCs successfully navigated the challenges posed by the COVID-19 outbreak while adhering to the requirements outlined in the Malaysian Code on Corporate Governance (MCCG) offers vital knowledge.

Policymakers can utilise this knowledge to modify policies that enhance resilience in response to external crises. Other than that, various stakeholders can benefit substantially, including investors, employees, and the broader community. This study's emphasis on the role of governance in mitigating the effects of external crises, combined with adherence to guidelines, builds a narrative of corporate responsibility and foresight that goes beyond academic discussion and provides practical advantages to policymakers and stakeholders. It offers valuable insights that can be used to create regulations, improve corporate methods, and promote a trustworthy and resilient environment within the Malaysian business ecosystem.

Literature Review

The primary objective of CG, as defined by the World Bank and endorsed by most national policymakers, is to safeguard the interests and rights of minority investors. The World Bank's Doing Business Reports assess effective governance by considering six key components in aggregate, i.e., (i) the assessment, endorsement, and revelation of prerequisites for transactions involving parties with a close relationship, (ii) the capacity of minority shareholders to legally pursue and hold accountable directors with vested interests in detrimental related-party transactions, (iii) the simplicity of initiating a lawsuit as a minority shareholder, (iv) the rights of shareholders in significant corporate dealings, (v) measures in place to safeguard shareholders from excessive control and entrenched behaviour by the board, and (vi) the level of transparency exhibited by the corporation (Kirchmaier & Gerner-Beuerle, 2021). A report on the trends and challenges of CG in South Asia, especially in member countries of the South Asian Association for Regional Corporation (SAARC), stated that CG codes exist in most of the member countries' policies, though not all (refer to Table 1).

Table 1 Corporate Governance Codes In South Asian Association For Regional Corporation

Country	Code	Issuer	Latest Edition
Afghanistan	None		
Bangladesh	Corporate Governance Code	Bangladesh Securities & Exchange Commission	2018
	Code of Corporate Governance for Bangladesh	Bangladesh Enterprise Institute	2014
Bhutan	None	-	-
India	Corporate Governance Voluntary Guidelines	Ministry of Corporate Affairs	2009
	Corporate Governance Recommendation	Confederation of Indian Industry	2009
Maldives	Corporate Governance Code	Capital Market Development Authority	2014
Nepal	None	-	-
Pakistan	Code of Corporate Governance	Securities and Exchange Commission of Pakistan	2019
Sri Lanka	Code of Best Practices on Corporate Governance	Institute of Chartered Accountants/Securities and Exchange Commission of Sri Lanka	2017

Note: From the "Corporate Governance in South Asia: Trends and Challenges" by Kirchmaier, T. and Gerner-Beuerle, C., 2021, Asian Development Bank.

In the past 15 years, South Asia has made significant progress in improving national regulatory frameworks and establishing effective

CG structures. These advancements have been influenced by international initiatives such as the Organisation for Economic Co-operation and Development (OECD)-Asian Roundtable on Corporate Governance, which outlined a reform programme in its 2003 White Paper on CG in Asia. The World Bank also plays a role by monitoring the implementation of international standards on CG. Additionally, under the International Finance Corporation's (IFC) guidance, international financial institutions have developed a common methodology for evaluating CG in investee companies. National government bodies and private sector associations have also contributed to these efforts (Kirchmaier & Gerner-Beuerle, 2021).

The prevalence of CG research in South Asia, especially in its Southeastern region, indicates a growing interest in this area. Studies such as that by Bagh et al. (2023) analysed the effects of board diversity on firms' financial performance by analysing companies listed on four South Asian Stock Exchanges over 13 years. CG has also been studied as a moderating or mediating variable in Asia. This approach was undertaken by Al-Jaifi et al. (2023) by studying 11 countries in the Asia Pacific region to understand the moderating effects of board independence on board diversity's effects on environmental performance.

In another, Wahyuningrum et al. (2023) conducted a bibliometric study on 656 CG articles to assess the trends and themes of CG research in Asia from 2001 to 2021. Hartono et al. (2023) studied the critical factors that affect CG implementation in Indonesia through Structural Equation Modelling (SEM) analysis.

Malaysian Code of Corporate Governance (MCCG)

CG can still be considered in its early stages in Malaysia as it began to emerge, along with several other Southeast Asian countries, as a significant policy concern following the Southeast Asian financial crisis in 1997-98. In 1998, the Malaysian government formed a High-Level Finance Committee (HLFC, the Committee) to create a structure for CG and define the most effective methods for the Malaysian business sector (Singam, 2003).

Malaysia has implemented many proactive measures to enhance its CG framework. In addition, the Committee's recommendations led to substantial changes in the Listing Requirements of the Kuala Lumpur Stock Exchange (now Bursa Malaysia) with the introduction of the Malaysian Code of Corporate Governance (MCCG; the Code) by Securities Commission Malaysia (SCM) in March 2000. The Code is a central regulatory framework that significantly influences the governance environment in the country. Since its implementation, the Code has been revised in 2007, 2012, 2017, and the latest in 2021.

The MCCG is designed to offer comprehensive standards that govern the conduct of boards and key stakeholders in Malaysian PLCs. The Code delineates fundamental principles and optimal methods, encompassing aspects such as board composition, their roles, and the disclosure of information. One of its main objectives is to protect the interests of shareholders while fostering long-term sustainability and resilience in the business sphere (Hasan et al., 2023; Murugason et al., 2023; Bakri et al., 2021).

The framework recognizes the dynamic nature of business and governance processes, permitting frequent updates to guarantee its pertinence and efficacy. Malaysia's adaptability demonstrates its dedication to harmonizing its governance norms with globally recognized benchmarks, enhancing investor trust, and reinforcing its position in the worldwide economic landscape. Table 2 summarizes the key provisions and revisions of the Codes.

Table 2 Summary of The Malaysian Code of

Corporate Governance

MCCG 2000	Represented the first measure taken to improve governance standards in Malaysia. Established the foundation for clear and open communication, the protection of shareholders' interests, and the accountability of the board.
MCCG 2007	Implemented a more organised and systematic approach. Emphasised on providing clearer standards, fostering responsibility, and establishing the concept of board effectiveness.
MCCG 2012	Demonstrated a notable advancement by adopting the "comply or explain" principle. Incentivised enterprises to either adhere to prescribed processes or offer valid justifications for non-adherence.
MCCG 2017	Focussed on the makeup of the board, the independence of directors, and the implementation of sustainable practices. Incorporated the Malaysian Qualifications Framework for directors in the code, together with the mandate for yearly board effectiveness reviews. Revised the "complain or explain" into CARE Approach (comprehend, apply, and report)
MCCG 2021	Demonstrates an adaptive approach to current governance concerns. Revisions included stronger focus on involving stakeholders, considerations on climate change, and acknowledging the influence of technology on governance.

Note: From "The Effects of Corporate Governance Mechanisms on Firm Financial Performance of Public Listed Companies in Malaysia Using DuPont Analysis" by Teh, N., (2024)

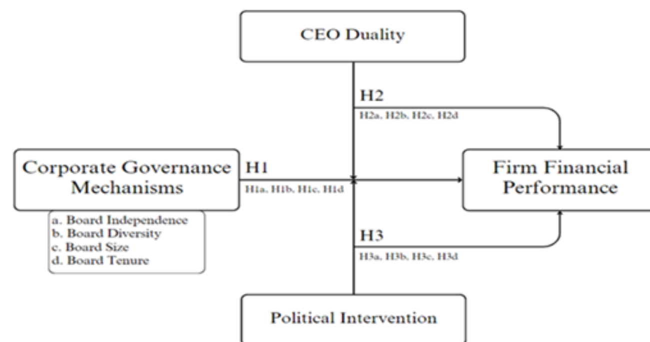
The MCCG is more than a mere set of regulations; it is a dynamic tool that influences the governance culture inside Malaysian PLCs. It highlights the close connection between regulatory supervision and corporate accountability. It establishes a setting where ethical behavior, responsibility, and sustainable business practices are promoted and deeply ingrained in the country's corporate organizations.

Corporate Governance Mechanisms

Broadly, CG mechanisms are classified as external and internal factors that govern a corporation. Multiple studies have been conducted on various CG mechanisms but, commonly, many studies analyzed board independence (Dahya et al., 2023; Hu et al., 2023; Bertoni et al., 2022), board diversity (Li & He, 2023; Chen et al., 2022; Shen et al., 2022), board size (McLeod et al., 2023; Nuswantara et al., 2023; Cao et al., 2021), and board tenure (Livnat et al., 2021; Choi et al., 2020; Sun & Bhuiyan, 2020).

These studies analyzed how CG mechanisms impact various aspects of the corporations or how they interact with other internal and external contributing factors on the corporations. As discussed earlier, these mechanisms are also applied as moderating or mediating variables further to explore the mechanism's effects and relationships on corporations. Figure 1 illustrates how these mechanisms are applied in this study to analyze the effects of PLCs on firms' financial performance in Malaysia.

Figure 1 Corporate Governance Mechanisms In



The Conceptual Framework

While CG has been found to have positive relationships with firm financial performance (Mensah & Bein, 2023; Ausloos & Kyere, 2020), corporate innovation (Li & He, 2023), earnings management (Kumar & Ravi, 2023), and intellectual capital management (Soriya & Kumar, 2022), there are also studies that either found negative or no relationships or effect between CG mechanisms and on aspects of corporation (Abdullah & Tursoy, 2023; Cao et al., 2021; Mubeen et al., 2021).

Theoretical Approach

The underpinning theories in this study are Agency Theory, Stakeholders Theory, and Stewardship Theory. The fundamental principles of these three

theories serve as the foundation for providing perspectives to analyse the complex dynamics of CG. Agency Theory explores the link between principals and agents, highlighting possible conflicts of interest between shareholders and managers (Bendickson et al., 2016). Stakeholder Theory expands the perspective by promoting a comprehensive assessment of company performance by considering the consequences of choices on various stakeholder groups (Mahajan et al., 2023). Stewardship Theory, as opposed to Agency Theory, presents a favorable viewpoint by saying that managers function as stewards, ensuring that their objectives align with the company's long-term prosperity and the interests of its owners (Chrisman, 2019). These theories offer a thorough conceptual structure that directs the investigation of motivations, behaviors, and results in CG.

Methodology

Two quantitative methods were employed to analyse the return on equity (ROE) of the sampled Malaysian PLCs and assess the effects of CG mechanisms on the firm financial performance of these PLCs. The DuPont (DuP) analysis calculated the ROE to determine the financial performance. To test the relationship between CG mechanisms and firm financial performance, this study employed the Multiple Linear Regression (MLR) analysis.

DuP analysis, established by Donaldson Brown in 1912, is regarded as a practical approach to obtaining valuable data that is both informative and easy to conduct (Melvin et al., 2004). The DuP model is valuable since it reveals the ROE and identifies the variables responsible for driving the ROE. Quantifying and emphasizing these fundamentals simplify pinpointing them, formulating corporate strategies to enhance or modify what can be streamlined and asserting authority by astute, deliberate, and resolute measures. DuP analysis was calculated as follows:

ROE = NPM x TAT x FL (1)

Table 3 states the terms involved in the equation.

Table 3 Operational Terms in DuPont (DuP) Analysis

Variables	Proxy	Definitions	
DuPont Analysis	DuP	ROE =	NPM × TAT × FL
Return on equity	ROE	The ratio of net income to total shareholders' equity =	Net income / Shareholder's Equity
Net profit margin	NPM	The ratio of net income to total sales =	Net Income / Total Sales
Total asset turnover	TAT	The ratio of sales of total assets =	Total Sales / Total Assets
Financial leverage	FL	The ratio of total assets to equity =	Total Assets / Shareholders' Equity *This is also known as the equity multiplier*

MLR is employed to examine the hypotheses in this study. MLR is a statistical method that examines the relationship between a dependent variable and multiple independent variables by calculating coefficients for a linear equation. Linear regression analysis is most commonly utilized (Boulhaga et al., 2023). MLR is employed in this study as a predictive analytic technique to provide a more detailed and comprehensive understanding of the relationship between a dependent variable and two or more independent variables.

Results

Before conducting the DuP to measure the Malaysian PLCs in the sample, the study eliminated those not meeting the criteria. As of 31 December 2018, and 31 December 2021, Bursa Malaysia listed 902 and 905 PLCs, respectively. The top 500 PLCs were then selected for analysis. After screening, the final sample size that was

accurate for statistical analysis was n = 464 (2018) and n = 466 (2021).

This study eliminated companies that were financial and insurance institutions, real estate investment trusts, closed-end funds, and special purpose acquisition companies. The DuP analysis allowed the study to understand the ROE for the PLCs in Malaysia for the years 2018 and 2021. The ROE is important to further the understanding of the relationship between CG mechanisms and firm financial performance - Table 4 and Table 5 state the ROE for the PLCs.

Table 4 Return On Equity (ROE) For 2018 Public Listed Companies (PLCs)

2018		
Return on Equity	ROE %	No. of PLCs
Extreme negative	< -100	1
Very low	- 100 – - 50	7
Low	- 50 – 0	72
Slightly positive	0 – 25	352
Positive	25 – 50	22
High	50 – 100	2
Very high	100 – 200	7
Extreme positive	> 200	1
Total		**464**

Table 5 Return on Equity (ROE) For 2021 Public Listed Companies (PLCs)

2021		
Return on Equity	ROE %	No. of PLCs
Extreme negative	< - 50	3
Very low	- 100 – - 50	0
Low	- 50 – 0	64
Slightly positive	0 – 25	361
Positive	25 – 50	26
High	50 – 100	7
Very high	100 – 200	4
Extreme positive	> 200	1
Total		**466**

DuP 2018 and 2021 examinations showed that most PLCs saw a little ROE increase in 2018, indicating a stable financial performance. ROE levels varied between sample organizations, indicating financial well-being and strategy performance. While there was evidence of the COVID-19 outbreak causing severe financial crises for many companies, the analysis for 2021 showed insignificant and bare disruptive effects of the pandemic. The number of PLCs within the ROE range of "very low" to "slightly positive" did not vary greatly (2018, n = 431; 2021, n = 451), indicating an insignificant difference between the PLCs ROE in 2018 and 2021. This phenomenon was then further statistically tested with Multiple Linear Regression to determine the relationship between CG mechanisms and the firm financial performance.

The results displayed the findings of MLR analysis, which examined the relationship between the independent variables (board independence (BIND); board diversity (BDIV); board size (BSIZ), and board tenure (BTEN)) and the dependent variable (firm financial performance) (hypotheses H1(a) - H1(d)). Nevertheless, as the study did not provide any data for moderating variable CEO duality (CEOD) and mediating variable political intervention (POIN) thus, hypotheses H2(a) - H2(d) and H3(a) - H3(d) were not tested. This decision was made because the lack of data made it unsuitable for testing.

The correlation between BIND and firm financial performance demonstrates a lack of statistical significance, as indicated by the p-value of 0.493. The coefficient is not statistically significant at the 5% level since it exceeds the commonly accepted threshold of 0.05 for determining statistical significance. A positive regression coefficient value of β = 0.329 indicates the lack of a significant association, suggesting a beneficial impact of BIND on business financial performance. The positive regression coefficient in the sample suggests a positive association between BIND and firm financial performance. However, the non-significant p-value indicates that this positive effect is not statistically significant.

The correlation between BDIV and firm financial performance demonstrated a statistically significant outcome, as indicated by a p-value of 0.056. The p-value exceeded the standard

threshold of 0.05 for statistical significance at the 5% level. Nevertheless, researchers and academic disciplines may consider a p-value near 0.05 to suggest a significant pattern, particularly when the study holds practical or theoretical relevance and is supported by additional reliable statistical or substantive evidence. The regression coefficient for BDIV (β = 0.835) was statistically significant and higher than other variables. This indicated that BDIV has the most significant effect on firm financial performance in the model used in this study. The coefficient value of 0.835 indicated a strong positive correlation, suggesting that as BDIV increases, firm financial performance also tends to increase. This confirmed a statistically significant relationship between BDIV and firm financial performance. Therefore, it was determined that H1(b) is supported, indicating that companies with more diverse boards may encounter improved firm financial performance.

The correlation between BSIZ and firm financial performance was not statistically significant, as indicated by the p-value of 0.274. Therefore, this coefficient did not have a significant effect at the 5% significance level. Given that the p-value was more than the conventional significance level of 0.05, the observed correlation between BSIZ and company financial performance in the sample might be attributed to chance rather than a genuine effect in the sample. The lack of significance in this association was indicated by a negative regression coefficient value of β = -0.307, which has a detrimental impact on both board size and firm financial performance. The regression coefficient for BSIZ was negative, indicating an inverse relationship between BSIZ and its firm financial performance within the analysed sample.

The correlation between BTEN and firm financial performance was not statistically significant, as indicated by a p-value of 0.554. This value was significantly higher than the commonly used threshold of 0.05 for statistical significance at the 5% level. Therefore, the observed relationship in the sample data cannot be considered statistically significant at the 5% level. This statistically insignificant outcome implied that any apparent correlation between BTEN and business financial performance in the data may be attributed to random variation rather than a genuine impact. The regression coefficient for BTEN is positive (β = 0.051), indicating a direct and positive relationship between BTEN and company financial performance within the sample. Nevertheless, the positive correlation lacked statistical significance due to the high p-value. Table 6 summarizes the result of the MLR analysis.

Table 6 Hypotheses Testing Result

	Beta	Std. Error	t	p-value	95.0% Confidence Interval	
					Lower Bound	Upper Bound
Constant	7.132	1.928	3.700	0.000	3.344	10.920
Board independence	0.329	0.479	0.686	0.493	-0.613	1.271
Board diversity	0.835	0.436	1.913	0.056*	0.023	1.692
Board size	-0.307	0.280	-1.095	0.274	-0.858	0.244
Board tenure	0.051	0.086	0.592	0.554	-0.118	0.220

F=1.081, p>0.05, R2= 0.009; Dependent variable: Firm financial performance (%) *Significant at 5% level.

The R-squared score of 0.009 suggested that the independent variables account for just 0.9% of the overall variability in the organization's financial performance. The F-value of 1.081 ($p > 0.05$) indicated that the model lacks statistical significance. Based on the outcome, the researcher concluded that predictive modelling using MLR analysis was insignificant, as just one hypothesis was validated.

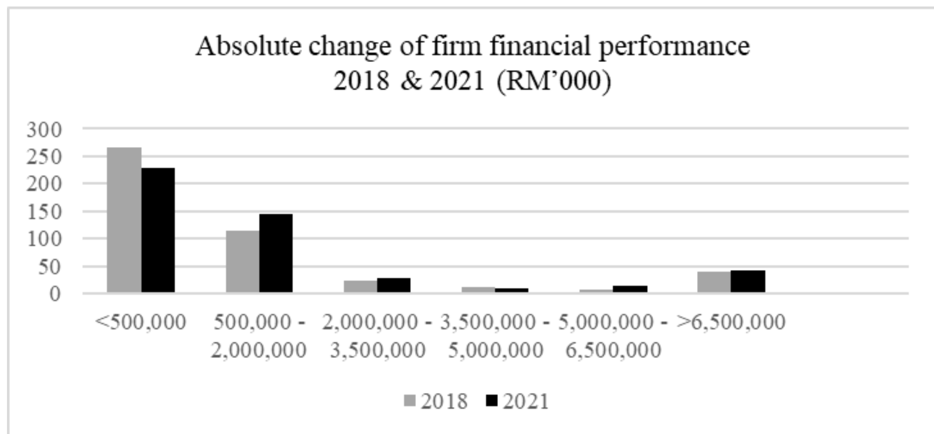


Figure 2 Public Listed Companies' Firm Financial Performance Absolute Change

Furthering the understanding of the effects of CG mechanisms on firms' financial performance, this study conducted the t-test to compare the financial performance of the PLCs for 2018 and 2021. The t-test assessed and confirmed the statistical significance of differences across different groups. The absolute change was obtained through this, and the comparison between the PLCs' 2018 and 2019 firm financial performance is clearer.

Most of the PLCs in the 2018 and 2021 data sets demonstrated favorable firm financial performance growth from 2018 to 2021—only the PLCs with financial performance ranging from RM3.5 billion to RM5.0 billion experienced decreased market capitalization. Figure 2 states the absolute change in the PLCs firm financial performance.

Discussion

Based on a thorough examination of relevant literature and empirical data, the study's findings highlighted the crucial relationship between CG procedures and firms' financial success. A comprehensive literature review from many sources established the study's basis. This literature emphasized the complex nature of CG, provided valuable insights into worldwide best practices, and offered a theoretical framework through underpinning theories, namely Agency Theory, Stakeholder Theory, and Stewardship Theory. Guided by the Malaysian Code on Corporate Governance (MCCG; the Code) and previous literature, this study explored the many facets of the CG system in the Malaysian context. The MCCG is designed to provide comprehensive recommendations for the behavior of boards and essential stakeholders for PLCs in Malaysia. It offers principles and best practices for board composition, duties, and information dissemination. One of its key objectives is to protect shareholders' interests while fostering long-term sustainability and resilience in the business environment. Adaptability is an essential feature of the MCCG. The framework recognizes the

changing nature of business and governance processes, allowing frequent updates to guarantee relevance and effectiveness. This flexibility indicates Malaysia's determination to align its governance standards with worldwide best practices, increasing investor trust and strengthening the country's position in the global economic arena.

The study's empirical results highlight the intricate dynamics inside Malaysian PLCs, as demonstrated by the analysis of DuP and MLR analyses. The observed statistically significant correlation between board diversity and financial success is consistent with other research and emphasizes the crucial impact of diversity on improving economic results (Al-Jaifi et al., 2023; Bagh et al., 2023; Chen et al., 2023; Li & He, 2023). Nevertheless, the lack of substantial correlations shown with board independence, size, and tenure necessitates a careful examination of the intricate effects of these processes. This challenges existing assumptions and highlights the importance of gaining a more detailed knowledge of their consequences.

Studies on the impact of board diversity on firm financial performance are more than merely a trend. The recognition of the importance and advantages of diverse leadership in CG is increasing, as seen by the rising trend of organizations hiring more female directors. This tendency is bolstered by a growing acknowledgement of the positive effects that gender diversity has on the performance, reputation, and overall sustainability of businesses (Mensah & Boachie, 2022, 2023).

The study's objectives corroborate the notion that BDIV is a key factor affecting firms' financial performance. This highlights the need for a higher proportion of female directors. Organizations are giving more importance to gender diversity in their leadership teams. Incorporating diverse boards, encompassing gender diversity among other forms, introduces a broad spectrum of perspectives, backgrounds, and competencies, fostering more knowledgeable and astute decision-making processes.

Research consistently shows that diverse teams foster creativity and innovation, enhancing an organization's ability to navigate complex challenges and seize new opportunities (Bogdan et al., 2023). Outside the boardroom, the benefits of having a higher percentage of female directors also impact the organization's culture. Gender-diverse leaders effectively convey the significance of equal opportunity and inclusivity, hence fostering a healthy workplace culture. Consequently, this can have a cascading effect on the overall performance of the company, as well as on the contentment and longevity of individual employees (Bagh et al., 2023).

The study's examination of business reactions to the disruptive influences of the COVID-19 pandemic is a current and pertinent addition, especially when there are other studies conducted on the effects of CG pre- and post-outbreak (Jebran & Chen, 2023; Salin et al., 2023; Tarighi et al., 2023; Zattoni & Pugliese, 2021). This highlights both the flexibility of Malaysian PLCs and the crucial importance of following the principles set by the MCCG in successfully navigating through external crises. This is consistent with the broader body of research that emphasizes the significance of governance systems in improving organizational resilience.

The study contributes to the increasing literature on CG in Malaysia by addressing a critical gap, i.e., the underutilization of DuPont (DuP) analysis in the Malaysian context. While previous research in Malaysia has examined many CG areas, DuP analysis has been restricted, notably in financial measurements or portfolio performance within narrow niches. By bringing DuP analysis into the research, the study broadens the methodological

toolset and demonstrates its applicability across sectors. This fresh contribution to the literature challenges the current quo and broadens the breadth of research approaches used in Malaysia.

Furthermore, the study's analysis of the relationship between CG mechanisms and firm financial performance, notably during the COVID-19 pandemic, filled an essential gap in the current research. It goes beyond theoretical debates to investigate real-world ramifications, giving valuable insights into how governance systems contribute to the resilience of Malaysian PLCs during economic downturns. The discovery of a significant relationship between board diversity and financial performance provides a unique perspective to the literature. While previous research has discussed the value of diversity, this study's empirical findings bolster the case and emphasize the practical ramifications for policymakers and businesses.

Nevertheless, the study openly acknowledges the existence of deficiencies, specifically in the limited use of DuP analysis within the Malaysian context. This significant insight poses a challenge to the current research environment, promoting the use of a broader range of research methods and highlighting the usefulness of DuP analysis in many sectors. Ultimately, the analysis combines the existing research and findings to provide a detailed comprehension of the complex connections inside CG structures. This work adds to the academic discussion and offers practical insights for policymakers and stakeholders. It also sets the stage for future research exploring corporate governance's intricacies in many industry settings.

Conclusion

Ultimately, this study stands out as a crucial investigation in the realm of CG in Malaysia, combining knowledge from existing literature (Khatib et al., 2022), empirical discoveries, and innovative methodologies to contribute significantly to the continuing discussion in this area. The thorough analysis of CG structures and their influence on firm financial performance, together with the underlying theories of Agency, Stakeholder, and Stewardship, provides a detailed and comprehensive comprehension of the complex dynamics involved and, thus, adds to the literature on CG in the Malaysian context.

The study's utilization of DuPont (DuP) analysis, a methodology not commonly used in Malaysian context research, is a unique and significant contribution. The study examines the tool's application in several sectors, pushing the limits of traditional research methods and showcasing its versatility in analyzing the complex financial aspects of business performance. This methodological innovation helps address gaps in the current literature and encourages future scholars to expand their analytical approaches when studying corporate governance problems. The lack of research on the limited use of DuPont analysis in the Malaysian setting highlights the need for a broader range of research methods. Researchers are encouraged to investigate and use new analytical techniques to enhance their comprehension of company performance beyond traditional indicators.

The empirical findings from DuP and Multiple Linear Regression (MLR) analysis offer convincing insights into the connections between CG mechanisms and firms' financial performance. The statistically substantial positive correlation between board diversity and financial success is consistent with the ongoing global discourse on the importance of diversity in boardrooms. This highlights the significance of promoting a wide range of viewpoints among decision-makers, emphasizing its concrete influence on financial stability.

Nevertheless, the lack of substantial correlations with board independence, size, and tenure raises an essential point for contemplation. Instead of

disregarding their importance, the research encourages a more thorough investigation into the intricate dynamics of these systems, questioning preconceptions and emphasizing the necessity of considering individual contexts. This recognition of insignificance introduces a level of intricacy to the research, promoting a more comprehensive comprehension of how these governing factors appear in Malaysia's business environment.

The study's analysis of business reactions to the COVID-19 pandemic enhances its significance in the present global setting. The results highlight the flexibility of Malaysian PLCs and the crucial importance of adhering to the principles outlined in the Malaysian Code of Corporate Governance (MCCG) during external crises. This is consistent with the broader body of work on governance and resilience, highlighting the practical consequences of governance systems in protecting financial performance during difficult periods.

This study goes beyond the limitations of a conventional research project. It goes beyond only examining statistical connections and encompasses a comprehensive investigation that questions assumptions, offers new methods, and considers the practical consequences of its discoveries. This study can guide future research efforts and significantly contribute to the academic discussion on governance dynamics and financial resilience in Malaysia as the country adapts to the changing CG landscape.

Recommendations

The study's findings suggest that governance standards should be adjusted to priorities and encourage board diversity from a policy standpoint. Policymakers should consider implementing policies incentivizing corporations to cultivate diverse boards, acknowledging the direct link between board diversity and firm financial performance. This may entail implementing diversity quotas or creating programs to enhance gender and racial diversity and experience diversity among board compositions. By incorporating diversity concerns into governance regulations, policymakers may significantly contribute to developing more inclusive and resilient corporate leadership structures.

Regarding CG, corporations should actively adopt the study's findings by prioritizing the employment of directors with varied backgrounds and a wide range of skills. Beyond mere adherence to regulatory obligations, this action corresponds with board diversity's proven beneficial influence on financial results. Boards should conduct regular evaluations to thoroughly understand the composition and how it affects the company's overall success. By aggressively pursuing various viewpoints, firms may effectively traverse obstacles flexibly and take advantage of chances for long-term expansion.

The study emphasizes the significance of resilience while dealing with external challenges. Companies should include crisis management techniques in their governance structures, utilizing the insights gained from the COVID-19 pandemic. This entails complying with established governance principles, as demonstrated by the study's results and formulating proactive approaches to tackle unexpected challenges. Companies should consider using scenario planning, stress testing, and periodic evaluations of their governance structures to guarantee flexibility in response to changing problems.

The study provides opportunities for future research to delve into the intricate dynamics of CG structures in many business situations. Further studies are required to explore the non-significant associations identified with board independence, size, and tenure to understand the specific situations or industry conditions these characteristics may impact. Furthermore, further

studies might delve into the enduring consequences of board diversity on company sustainability, innovation, and ethical practices.

The lack of use of DuPont analysis in Malaysia's research environment indicates a need for a more comprehensive set of tools in financial analysis, especially in the country's context. Researchers should consider using a variety of analytical methodologies to enhance comprehension of financial performance beyond conventional indicators. This may entail investigating developing approaches or modifying old tools to align with the distinctive characteristics of the Malaysian corporate landscape.

The recommendations of this study encompass several areas, such as legislation, CG, practical implementation, and future research, providing a comprehensive strategy for using the study's findings. To support sustained firm financial performance and ethical business practices, governments, corporations, and scholars in Malaysia may jointly contribute to a more resilient, diversified, and flexible CG landscape by implementing these recommendations.

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