

## HAS CORPORATE MALAYSIA SHIFTED TO STAKEHOLDER CORPORATE GOVERNANCE?

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### **Abstract:-**

*Although many studies have explored the shift to stakeholder corporate governance in western countries, so far there has been a lack of study, which explores whether corporate Malaysia has shifted to stakeholder corporate governance. Therefore, the main objective of this study is to explore whether corporate Malaysia has shifted to stakeholder corporate governance. Based on 15 interviews with board members of Malaysian listed companies, the analysis of this study was conducted, using thematic analysis through NVivo version 10. Finally, the interpretive approach was adopted as the main worldview of the study.*

*The findings indicated that the practices of board members have shifted to stakeholder corporate governance primarily shareholders, employees, customers and the community. Several factors emerged as determinants of stakeholder corporate governance such as sustainability, values and ethics, corporate attributes, and individual attributes. This study, implicates that, current corporate governance theories such as agency theory and stakeholder theory are inadequate to explain the actual behaviors of board members regarding the practices of stakeholder corporate governance. Therefore, this study proposes a practical theory regarding stakeholder corporate governance based on the actual behaviors of board members.*

## INTRODUCTION

The latest financial crises raise serious questions about the dominance of the shareholder model in corporate governance at the practical level and the academic level (Ahrens et al, 2009; Tse, 2011). For instance, more than 1000 MBA students from different top business schools signed an oath that declared the rejection of shareholder model and asked for more importance to be given to employees, customers and the society in which they operate (Skapinker, 2009). Indeed the crises harmed many people and caused severe economic conditions to societies and states, and this could be the result of not considering the interest of multiple stakeholders in managerial decision making. Maximizing only shareholder wealth is not a reasonable idea; corporations should make their decisions where the interests of employees, creditors and society at large are taken (See-Yan, 2010). Therefore, this study takes a broader approach than the shareholder approach, which is only concerned shareholder value maximization; the current study adopts the stakeholder perspective of corporate governance.

There are a growing number of companies which are embracing a business philosophy that pays attention not only to financial results but also to social and environmental issues (Quinn & Jones 1995). Such companies do not assume that the main purpose of business is only to maximize shareholders wealth, but the purpose of business is extended to include social and environmental issues mainly to remain sustainable in the long-term. This philosophy is in sync with new concepts such as corporate social responsibility in which companies should align their values and behavior with the expectations and needs of stakeholders, not just shareholders and customers, but also employees, suppliers, communities, regulators, special interests groups, and society as a whole (Quinn & Norton 2004). In addition to that, this philosophy is in line with the concept of sustainability in which the company develops over time by taking into consideration the economic, social, and environmental dimensions of its processes and performance (Perrini & Tencati 2006).

For a company to remain sustainable, it cannot ignore the context in which it operates and as a result of that it must look beyond shareholders to include other stakeholders as well. At the organizational level, a sustainable business has been defined as one that meets the needs of its stakeholders without compromising its ability also to meet their needs in the future (Hubbard 2009). Therefore, companies which want to be sustainable have embraced the idea of triple bottomline which mandates that managers pay attention not only to the profits of the company, but also to social and environmental issues (Gimenez et al. 2012). The concept of triple bottom-line is referred to as profits, people and planet (Assaf et al. 2012).

Most previous empirical studies which address BOD role according to the shift of business philosophy as mentioned above are mainly based on stakeholder theory. Some studies explore directors' attitudes and perceptions based on qualitative research methods (Demirbas & Yukhanev 2011; Lahovink 2009; Law 2011; Kooskora 2008; Wang & Dewhirt 1992). Other studies examine several BOD characteristics in relation to several accounting and managerial issues such as their decision making, corporate performance, corporate social responsibilities and other issues quantitatively (Hung 2011; Adams et al. 2011; Shao 2011; Ayuso et al. 2007; Hillman et al. 2001; Kassinis & Vafeas 2002; Dimovski & Brooks 2004). Review of these studies and the identified empirical research gap, is discussed in the next section.

## LITERATURE REVIEW

There are several studies which investigate stakeholder issues based on qualitative research designs. For example, Demirbas & Yukhanev (2011) examined the role of BOD in Russia with specific attention to their independence, employee's relations and the ability of successful adoption of the international standards. A survey questionnaire was used to provide an empirical example from a transitional economy to the corporate governance literature by exploring the attitudes of 55 BOD members from 30 companies from Russian listed companies. Their findings suggested that respondents recognized the BOD as an important instrument of efficient and good corporate governance. They also found that BOD members have in favor of employees' representatives on the BOD and agreed that BOD composition and size should be enhanced by employee representation on BOD.

Lahovink (2009) examined the characteristics of corporate governance system in Slovenia, in particular the role of various stakeholders in Slovenian companies. Based on a survey questionnaire of 69 top managers, they found that Slovenian companies have changed their strategic behavior to reflect the interests of their stakeholders mainly customers, employees and shareholders.

Law (2011) examined whether the existing audit framework in Hong Kong adequately served the legitimate interests of stakeholders. Based on survey questionnaire responses of 166 CEOs it was found that CEOs are aware of their corporate responsibilities to companies' stakeholders and demonstrated that they understood stakeholder theory by applying it, in the companies that they managed.

Kooskora (2008) explored the perceptions of 26 top Estonian managers and shareholders regarding corporate governance from the stakeholder perspective based on in-depth interviews. The findings indicated that the most important stakeholders for managers are the media and public opinion, employees, customers and shareholders. However, shareholders showed preference to profits above any other thing.

Wang & Dewhirt (1992) explored the stakeholder orientation of U.S directors and CEOs based on a survey questionnaire which was distributed to 2361 directors representing 291 companies of the largest companies of the Southeast States, they ended up with final sample of 462 respondents representing 83 companies. The findings demonstrated that BOD members no longer believe that shareholders are the only constituent that they are responsible to. The results indicated that BOD members recognized that their responsibilities encompass more than shareholders and were very conscious about the needs of various stakeholders.

However, other studies examined stakeholder theory on BOD level based on quantitative research.

Hung (2011) examined the association between directors' stakeholder concern and corporate social responsibility. Based on responses of 120 BOD members of a survey questionnaire and using regression analysis, the findings indicated that the more BOD members are concerned with stakeholders, the more likely that they will perceive the need to perform their CSR effectively.

Adams et al. (2011) examined how directors make decisions that involve shareholders and other stakeholders. Based on 502 responses from BOD members and CEOs of public listed companies in Sweden and using regression analysis, they found that directors' personal values and roles play an important part in their decisions. Directors and CEOs are more pro-shareholders, when they endorse entrepreneurial values specifically high-achievement, power, self-direction values and lower universalism values.

Shao (2011) examined the effects of BOD structure of American media companies on corporate performance from a stakeholder perspective. Based on a sample of 75 companies from 2004-2007 and using regression analysis, the findings indicated that the proportion of non-executive directors was positively associated with corporate performance.

Ayuso et al. (2007) examined the relationship between BOD diversity and corporate performance and corporate social responsibility. Based on regression analysis the findings indicated that independent directors, female directors and stakeholder directors are positively associated with corporate financial performance, but no association was found with corporate social responsibility.

Hillman et al. (2001) examined the links between stakeholders, directors and enterprise strategic outcomes and stakeholder relations. Applying regression analysis to a sample of 250 companies, they found no relationship between the proportion of stakeholder directors, and enterprise strategic outcomes and stakeholder relations.

Kassinis & Vafeas (2002) examined the relationship between BOD and environmental lawsuits between 1994 and 1998. They found that the likelihood of becoming a lawsuit defendant increases directly with BOD size, the fraction of directors in industrial companies, and the fraction of inside ownership, and decreases in proportion to the number of directorships held by outside directors.

They suggested that managers, researchers and policy makers need to direct their attention to BOD as the core decision making unit forming corporate environmental policies.

Dimovski & Brooks (2004) analyzed the BOD composition of Australian public offerings (IPOs) over the period 1994 to 1997. They found that the representation of stakeholder directors on the BOD is not very frequent. This suggests that capital rising by new lists in Australian equity market does not require stakeholder representation on BOD.

Luoma & Goodsten (1999) examined the determinants of stakeholder directors' representation on BOD. Based on data obtained from 224 companies, they found that variations in legal environments, industry regulations and company size are associated with stakeholder representation on BOD but do not influence stakeholder representation on key BOD committees.

The aforementioned

studies can be classified into qualitative and quantitative. Qualitative studies are exploratory in nature and have indicated that there is a shift in business philosophy from seeing the purpose to only maximize shareholder wealth to be beyond shareholder wealth maximization to include other stakeholders as well. However, most of these studies explored stakeholders' position in corporate governance based on survey research (Demirbas & Yukhanev 2011; Lahovink 2009; Law 2011; Wang & Dewhirt 1992). However, the only study which considered in-depth interviews was carried out by Kooskora (2008) but even this study was only concerned to find the importance of stakeholders to the informants of the interviews and added new constructs in this respect. Also, the quantitative studies do not contribute in terms of theory building. Therefore, there is lack of theory regarding stakeholder corporate governance.

## RESEARCH METHODOLOGY

This study expands on previous which have explored the issue of stakeholder corporate governance using qualitative research methods (Demirbas & Yukhanev 2011; Lahovink 2009; Law 2011; Wang & Dewhirt 1992). However, this study contributes in two ways. First, unlike previous studies, this study propose a practical theory regarding stakeholder corporate governance. Also, this study is conducted in Malaysia where there is a lack of research regarding stakeholder corporate governance. Regarding data collection, the data was collected using semi-structured interview format, because

it allows researchers to control the time, content, and sequence of interviews (Sekaran 2003). A non-probability sampling technique was used to select the informants because they need to have the experience and in depth knowledge regarding governance issues. In particular, purposive sampling technique were used to select the informants based on their long experience in the industry, multiple board membership, and academic and professional qualifications. A number of board members of Malaysian listed companies in the Klang Valley area were selected. Based on the purposive sampling, only four board members accepted to participate in the study. In order to increase the number of interviews, we used snowball sampling technique.

A person who has good access in the industry helped to interview few board members, then these board members were asked to suggest other informants. The final number of interviews are 15 with board members of Malaysian listed companies. The interviewing process was then stopped because we reached to the point of saturation. It is not suggested that the insights from these interviews are representative of all Malaysian listed companies' board members, but the interviews were deep enough to build a practical theory regarding stakeholder corporate governance which is consistent with (e.g. Zattoni et al. 2013; Ahrens et al .2011) calls. Also, some of the informants sit on board of many listed companies, were former CEOs, chair more than board, chair compensation and other committees and are central actors in the creation of corporate policies and strategies in corporate Malaysia. Therefore, it is concluded that the relevant voices has been heard.

An interview guide was designed to seek elaborated responses on the stakeholder perspective of corporate governance. Then, based on the main ideas obtained from the first interviews, we framed the questions in subsequent interviews and each interview helped to set the questions for the next interview. Once an informant agreed to be interviewed, an appointment was made for the actual interview at the most convenient time for the informant. All interview sessions were conducted at the informants' offices. During the interviews, we took hand-written notes and a tape recorder was used in all interviews. On average, each interview lasted 30 to 45 minutes. After each interview, the data from the interview was immediately transcribed in order to prevent loss of data. Then, thematic analysis was applied to identifying emerging themes and patterns using NVivo version 0.10. The findings of the thematic analysis were used to propose a practical theory regarding stakeholder corporate governance based on the actual behaviours of board members.

## **FINDINGS AND DISCUSSION**

### **Stakeholder Corporate Governance**

The theme of stakeholder corporate governance indicated that almost all the informants agreed about stakeholder corporate governance and should dominate corporate governance codes and practices. The analysis also revealed that the practices of Malaysian boards have shifted to stakeholder corporate governance as required by the MCGC 2012.

The informants generally confessed the importance of stakeholders such as employees, customers and shareholders in governing the company and less attention is given to the community and the environment. This can be indicated by the following comments.

“When we look at corporate governance in our definition is obviously the holistic view at the board level we have three segments. One is the board itself, the chairman with board, the board with other boards so they have their own sort of governance which they have to manage. The second one is what we call the management, “the organization”, you are the BOD of this company then you have to manage this company from the CEO to the CFO and the all organization. So, that is the other area you need to look at as stakeholders. The third one is the other stakeholders which includes customers, government and employees”. (C4, Chairman).

“Here it is not just shareholders, it is about other stakeholders as well, but more important here is accountability, responsibility, ethics, and values all is incorporated here”. (I3, Independent Nonexecutive Director).

“So, everyone is very important I will listen to everyone and make sure that the governance for everyone is taken into account”. (I5, Independent Non-executive Director).

“We have always been governing this company based on stakeholders’ value; we look at our shareholders, we look at our employees, and we look at our customers. We consider these as the main stakeholders and of course our employees are crucial to the achievement of all others”. (C2, Chairman).

Therefore, the analysis shows that stakeholder corporate governance is already practiced by BOD members in Malaysia and the main stakeholders identified are shareholders, employees, and customers. Also, it was observed that most of the non-financial measures that are used in CEO performance evaluation were related to employees and customers such as employee welfare and customer satisfaction. This implies that employees’ and customers’ interests such as employee welfare and customers satisfaction are set as strategic objectives. Therefore, non-financial measures are developed to measure the progress of those objectives.

However, I1 showed that he entirely disagree with the current model of corporate governance whether a shareholder model of corporate governance or stakeholder model of corporate governance because he believes that corporate

governance have failed to control the behavior of corporate BODs to ensure effective governance and highlighted that need to focus on the human part rather the company to ensure effective governance mechanism to achieve the general wellbeing including everybody which implies multiple stakeholders. So, the informant supported that stakeholders interests should take into account but not as results of compliance with corporate governance roles and regulations, but as an ethical demand which needs to come from inside BOD members based on high ethical values such as integrity, stakeholder values, and human governance. The informant I1 serves as an independent director on the BOD of government linked company, have experience more than 25, have been over five years in the current position, holds non-accounting degree, holds a PhD degree, serve on a BOD of a relatively large company, and serves as an independent director on a large BOD. The view of I1 can be indicated by the following comment. "It is clear that the current corporate governance model is only covering the top layer which is actually the behavioral, we are trying to control human behavior, but we cannot control human behavior unless we go two or three levels of the human behavior". (I1, Independent Non-executive Director).

Therefore, the analysis suggests that BOD members with high ethical values such as integrity, stakeholder values, and human governance would bring BOD attention to focus on multiple stakeholders when the strategic objectives are set. Also, the analysis revealed some corporate attributes which is associated with stakeholder corporate governance practices such as government linked company, company size, and large BOD and individual attributes including years of experience, years in the current position, and non-accounting degree.

### **Shareholders**

However, the theme of shareholders indicated that even though most informants are in favor of stakeholder corporate governance, they still consider shareholder wealth maximization as the main strategic objective of the company. Therefore, the importance of stakeholders is due to their contribution to maintain good shareholder value for the short-term as well as the long-term and sustainability. This can be indicated by the following comments.

"In running a PLCs obviously major shareholders play a major role because they are the ones who own the money so we have to give respect to that". (C5, Chairman).

"The most important stakeholder is shareholders, if your shareholders do not support you and not satisfied they would say I am out of here, so they have a choice. So, the most important stakeholder is shareholders, how you manage shareholders expectations, shareholders may be someone who is not really interested in the returns but more on CSR". (C4, Chairman).

"I think the trend now is to look at different stakeholders although the main objective is still the shareholder in order to remain sustainable". (N2, Non-executive Director).

"The ultimate objective is to maximize shareholder wealth. But, at the same time not at the expenses others. You can maximize shareholder wealth and at the same time you maximize the wealth of other stakeholders". (I4, Independent Non-executive Director).

"When you are talking about the company's strategy, it is actually about the company, meaning you are talking about the shareholders, that is very important because you have to provide the necessary returns to shareholders". (N1, Non-executive Director).

Thus, the analysis shows that even BOD members practice stakeholder corporate governance, the strategic objective of shareholder wealth maximization still remains as the main strategic objective of the company for most BOD members. The analysis also indicates that BOD members include strategic objectives which are related to employees and customers to attain sustainable shareholder value. The next section discussed the theme of sustainability as a determinant of stakeholder corporate governance.

### **Sustainability**

Sustainability theme has indicated that the majority of informants are practicing stakeholder corporate governance primarily to ensure the sustainability of shareholder value in the long-term and informants believe that ignoring stakeholders' interests can have grave consequences on the company. This can be indicated by the following comments. "Sustainability of the company is the key word not the annual performance. So, the issue as I understand it is the issue of sustainability not performance". (I3, Independent Non-executive Director).

"It takes long time to do these things. I think that it is very important to consider the interests of multiple stakeholders in decision making for the sustainability of the company". (E2, Executive Director).

"One is that, it has to deal with long-term sustainability because all stakeholders are part of the organization". (I5, Independent Non-executive Directors).

“They also want organizations to be sustainable and for long-term and they are looking that every part of the organization, the governance are put properly in place”. (I5, Independent Non-executive Directors).

“I think the trend now is to look at different stakeholders although the main objective is still the shareholder in order to remain sustainable”. (N2, Non-executive Director).

Therefore, it is clear that sustainability is associated with stakeholder corporate governance and most companies which aim to be sustainable identify the related stakeholders and set the strategic objectives to achieve sustainability targets such as increasing growth engine, change programs, attaining customer satisfaction, enhancing employees' welfare, HRM, talent management, succession planning, CSR, welfare of the community, transformation plan and maintaining top position in the industry among competitors which contributes to the company's sustainability. Therefore, companies which aim to be sustainable are more likely to practice stakeholder corporate governance.

### **Ethics and Values**

However, two of the informants I1 and I3 stressed on the manner of shareholder wealth maximization rather than sustainable shareholder value in the long-term as a justification to consider stakeholders in decision making process. The informants highlight the importance of ethics and values in the way that BODs maximize shareholders wealth focusing on the importance of ethical issues such as integrity, stakeholder values, human governance, accountability, and responsibility. The particulars of the informant I1 indicated that he serves as an independent director on the BOD of government linked company, have experience more than 25, have been over five years in the current position, holds non-accounting degree, hold a PhD degree, serve on a BOD of a relatively large company, and serves as an independent director on a large BOD. The particulars of I3 indicated that he serves as an independent director on the BOD of government linked company, have experience more than 30, have been over five years in the current position, holds non-accounting degree, holds a PhD degree, serve on a BOD of a relatively small company, and serves as an independent director on a large BOD. The views of I1 and I3 regarding the manner of maximizing shareholders wealth can be indicated by the following comments.

“As I always say what matters here is not as much the end you reach as the manner of reaching it. If you tell a CEO I want two million by the end of the year, he can rob a bank for example. As far as I am concerned, this is what I like in the terminology of the Japanese Kuodo. Kuodo is Japanese

Archery. So the Japanese would say it is not the issue of hitting the bull's eye, the issue is getting the technique right. Once you get the technique right the bull's eye becomes a consequence”. (I1, Independent Non-executive Director).

“Here it is not just shareholders, it is about other stakeholders as well, but more important here is accountability, responsibility, ethics, and values all are incorporated here”. (I3, Independent Nonexecutive Directors).

Therefore, the analysis suggests that BOD members with high ethical values such as integrity, stakeholder values, human governance, accountability, and responsibility would influence BOD practices to be consistent with stakeholder corporate governance.

### **Employees**

Another theme which emerged from the analysis is employees as one of the most important stakeholders that BOD has to consider in its decision making. Employees have been discussed by nine interviews stressed on the importance of managing the welfare of employees to ensure good corporate performance especially in the long-term. Also, the findings highlighted that the importance of employees differs for different industry. Also, the findings indicated that employees is one the most important stakeholders which has always been neglected. The views of the informants regarding employees can be expressed in the following comments.

“It is very important to get focus on all stakeholders including the staff because the performance of the company is depended on the performance of the workers. So, it is important to focus on the welfare of the staff”. (I4, Independent Non-executive Director).

“And, of course employees are important but when you actually go to the board room most of the items are actually on the business aspects, what the company does and if you have to invest that is actually is your main function and therefore you have to provide returns to the shareholders”. (N1, Non-executive Director). “Staff is very important because without them how are you going to have your business going”. (N1, Non-executive Director).

“Whereas may be for other companies employees are important especially in high labor intensity industries; so, it depends and differs for different companies”. (N2, Non-executive Director).

“That is an idealistic viewpoint and is not consistent with the current corporate governance model. Unless, you take the long-term view then employees for example become important”. (C3, Chairman).

“Employees is one of the major stakeholders which always neglected because most companies look at stakeholders as regulators and customers, but employees do not receive enough attention and this is where I think human governance is important because people always say employees are the most important assets but it is not really practiced it is just a name”. (C4, Chairman).

Therefore, the analysis suggests that employees play very important role in stakeholder corporate governance especially for the long-terms performance of the company which implies sustainability. Also, the importance of employees could differ from industry to another. For example, employees found important stakeholders in industries which demand high labor. Finally, it seems that employees as stakeholders have not received enough attention by BOD members and regulators in corporate governance frameworks.

### **Customers**

In addition to that, customers have also emerged as an important theme from the analysis of the interviews. The views indicated that customers are important because customers are more aware about the role of the company is to contribute the society and they might prefer the products of companies which contribute to society. Also, customers have the power to boycott products and as a result the profits of the company could be diminished. Also, the results indicated that customers are more important for service industry than other industries. The views of the informants can be indicated by the following comments.

“Stakeholders are very important to make profits because as customers they are well informed; they look at companies and make choices of the products from these companies and they would normally favor companies which have taken a wider interests of the society”. (E1, Executive Director).

“May be for some companies customers are important especially in the service industry and therefore customers take the leading role”. (N2, Non-executive Director).

Therefore, the analysis suggests that customers also play a crucial role in stakeholder corporate governance because of the power that, customers have such as awareness about the importance of social and ethical issues regarding the company’s relationship with the society. So, the company have to be very careful with its relationship with the society because customers have the power to boycott their products which would have a negative consequence on the well-being of the company.

### **Corporate Social Responsibility**

The final theme is corporate social responsibility which has been discussed by five informants. Their responses indicated that the awareness of managers and BOD members about CSR programs make them to focus on non-shareholders issues. Also, the results showed the CSR activities does not have to conflict with the purpose of maximizing shareholder wealth and it should be aligned with the interests of the company. The CSR activities that the company executes do not require huge investment but it will be strategic which can open doors for profits in the long-term. Also, practicing CSR activities is good for the long-term because investors could be some who favors socially responsible companies. However, the findings also indicated CSR activities are more prominent in the west than Malaysia. The views of the informants can be indicated by the following comments. “So, when we build for the country it is what would be the base line infrastructure that does not require huge investment but it does job in terms of delivering CSR to the community”. (E3, Executive Director).

“Now we have all this environmental issues and CSR programs, therefore managers are more sensitive of the surrounding”. (E3, Executive Director).

“However, Even CSR which is western, business is not just doing well but you should align the interests with the company”. (N2, Non-executive Director).

“Another aspect is CSR, now days I think the west it is more prominent than here, in the west if your product that you produce not confined to the environmental standards you can get customers where they boycott your product. So, that is a pressure on you to make sure you invest in a responsible way”. (C4, Chairman).

“In the long-term, definitely. I think if you look at most cases in which foreign institutions funds, they like to invest in companies which pay attention to the environment, like the companies which pay attention to minorities, like the diversity on the board which can be effective, if you got a good board member”. (C5, Chairman).

Therefore, the analysis stresses on the importance of CSR in the practice stakeholder corporate governance which is aligned with shareholder value and does not conflict with that objective because shareholders might be interested in social responsible companies. Also, the findings suggest that BOD favor CSR because it achieves strategic aims of the company in the long-term. However, the analysis also shows that CSR activities are more established in the west, compared to Malaysia.

## CONCLUSION

The analysis of the semi structured interviews revealed several themes regarding the actual behaviors and practices of stakeholder corporate governance. The findings regarding the shift of BOD members' practices to stakeholder corporate governance contributes to the literature in two several ways. First, this provides a practical theory based on the actual BOD members' behaviors and practices regarding stakeholder corporate governance which modifies existing stakeholder theory. Also, this study has provided empirical evidence which reinforces the findings by providing consistent results. Finally, some empirical evidence represented new issues in stakeholder corporate governance.

The analysis provided several themes which are stakeholder corporate governance, shareholders, manner, sustainability, employees, customers, and CSR which was the basis to propose stakeholder corporate governance. The theory predicts that stakeholder corporate governance is determined by sustainability, ethics and values, and corporate and individual attributes. Usually, stakeholder companies would identify the relevant stakeholders and consider them in the strategic objectives of the company. The semi-structured interviews results showed that vast majority of BOD members indicated that most informants uphold to stakeholder corporate governance and they mostly include customers and employees in the companies' corporate governance framework, but most of them confessed that the main objective of the company is still shareholder wealth maximization. These findings are consistent with previous studies which found that the most important organizational stakeholders for top management and BOD members are shareholders, customers and, employees (Lahovink 2009; Kooskora 2006; Wang & Dewhirt 1992). However, thesis studies did not modify existing stakeholder theory.

Also, CSR theme indicated that there are some companies which practice CSR and mostly these companies are government linked companies and their BOD members are aware about CSR programs in Malaysia. Also, some informants indicated that CSR activities are aligned with the company's interests in terms of profitability (Chen & Wang 2011; Crisostomo et al. 2011; Oeynon et al. 2011). The findings also showed that CSR is more practiced in the west compared to Malaysia.

Therefore, this suggests that BOD members usually include primary stakeholders such as customers and employees in the corporate governance framework and less attention is given to secondary stakeholders such as the community and the environment. This means that they focus on stakeholders who help to achieve the main strategic objective which is shareholder wealth maximization which means they do not really have gone beyond maximizing shareholder wealth. For example, customers are important because they contribute to sales and consequently profits of the company and therefore customers should be included in the strategic objectives of the company. Also, employees are very important because without the employees the company cannot make its numbers in terms of profit and shareholder wealth. Furthermore, informants have clearly stated that customers and employees are very important for sustainability. This suggests that if the company sets sustainability as the purpose of the company that would increase the practices of stakeholder corporate governance. Aspects of strategic objectives which are related to sustainability could be increasing growth engine, change programs, attaining customer satisfaction, enhancing employees welfare, welfare of the community, transformation plan, HRM, talent management, succession planning, CSR, and maintaining top position in the industry among competitors. This is inconsistent with (Jensen 2002; Wicks & Harrison 2012) who argued that companies should recognize the rights of non-shareholders stakeholders as means of enhancing the profitability of the company. Therefore, this study has modified stakeholder theory in this respect by including sustainability and providing the most important issues related to sustainability, which influence BOD members behaviors and practices to consider stakeholders in the strategic plan of the company.

Additionally, the analysis indicated that two BOD members stressed on the manner of ensuring sustainable shareholder value to support stakeholders in corporate governance stressing on the importance of individual BOD members ethics and values such as integrity, stakeholder values, human governance, responsibility, and accountability. They believe that if the CEO does the right things ensuring sustainable shareholder value becomes a consequence. Therefore, this suggests that if BOD members have high ethical values, it would lead to the consideration of stakeholders in corporate governance frameworks. The original stakeholder theory particularly the normative stakeholder theory which justifies stakeholder corporate governance based on moral assumptions, but it talks on ethics and values of the company (Hasnas 2013) and not individual BOD members. Therefore, this study modify existing stakeholder theory by proposing BOD members ethical values as a determinant of stakeholder corporate governance. Also, some corporate and individual attributes were proposed as new determinants of stakeholder corporate governance such as years of experience, years in current position, non-accounting degree, governmental ownership, and BOD size.

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