

The Impact of Board Characteristics on Co-operative Reputation: Evidence from Malaysia

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ABSTRACT

This paper seeks to examine the potential relationship between board characteristics and co-operative reputation in Malaysia from the perspective of resource-based view theory (RBVT). Numerous studies on corporate governance proposed the connection of board characteristics on firm performance and reputation. However, the results are mixed and limited research in the co-operatives context has creates a great interest to fill the conspicuous gap. Hence, multiple regression was conducted to analyze the relationship between co-operatives reputation with the respect of Top 100 Co-operatives Index and board characteristics in terms of board size, ethnic diversity, gender diversity, age diversity and education diversity in this study. The sample is composed of 61 listed co-operatives in the Top 100 Co-operatives Index for the three-consecutive year during the period 2015 to 2017. Reputation data were obtained from Top 100 Co-operative Index that published at Malaysia Co-operative Societies Commission (MCSC) website. While, the data of board characteristics and co-operative size on log of total assets which lagged by a year were extracted from MCSC's INFOKOP system that provides both financial and non-financial data. The results found that Malaysian co-operatives that appear high up in terms of ranking in the reputation MCSC index tend to have a greater proportion of high educational directors on their board. Other board characteristics including board size, ethnic diversity, gender diversity and age diversity were not associated with the reputation of co-operatives. This generally can be explained that different types of law, geography, historical background, cultural environment and other factors may affect composition and diversity; and particularly the board in co-operative societies. Findings of this study provide insights into potential strategies in relation to corporate governance towards improving co-operative's values and indirectly helps the government in achieving the national economic goals.

Keywords: Board characteristics, Board diversity, Reputation, Capabilities, Resource-based view theory