

# The Effect Of Ethical Culture, Leadership Qualities, Entrepreneurship And Innovation On The Performance Of Government Linked Companies


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## ABSTRACT

*Government-linked companies (GLCs) play an essential role in the expansion of the Malaysian economy. GLCs are contributing a significant percentage of the nation's gross capital formation and National Gross Domestic Product and they have been regarded as instruments of national growth and supplementing government's effort in promoting social and economic goals. Nevertheless, the performance of GLCs remains as a major concern. Although much research has been done on organisations and enterprises there is lack of research done on GLCs' performance. Previously, the performance of GLCs in Malaysia has been affected by the poor performance of its key companies such as Proton Holdings Berhad and Malaysia Airline System (MAS). Hence, this study attempts to examine on the effect of ethical culture practices, leadership qualities, entrepreneurship orientation, and innovation existence towards the performance of Malaysian GLCs. In this study, the data is gathered via questionnaires survey collected from 102 state and federal level GLCs. The results of coefficient of independent variables showed that leadership qualities and innovation are positively correlated with organisational performance. This study suggests to improve the performance of GLCs through emphasizing on leadership qualities and placing high emphasis on innovation.*

**Keywords:** Government-Linked Companies (GLCs); Performance; Entrepreneurship; Ethical Culture; Leadership Qualities; Innovation

## INTRODUCTION

 Organisational performance is one of the important factors that shareholders and stakeholders are concerned about. It is considered as an indicator to assess how well the organisation is being operated. A convincing performance boosts up the confidence of shareholders, stakeholders and even potential investors too. The performance of an organisation depends on many factors, for example, ethical culture, leadership qualities, entrepreneurship orientation, innovation, marketing policies, financial policies, human resources, asset efficiency are to name but a few. Government linked companies (GLCs) has a greater role in the economy in Malaysia (Mokhtar, 2005). Government wants to develop the country's economy by transforming GLCs into high-performing entities. In order to achieve this, the Prime Minister of Malaysia has introduced the GLC Transformation Programme<sup>1</sup> in 2011. Thus, with the investment together with the long term planning implemented by the government, it is expected that the GLCs will be performing well to patronage the market capitalisation besides achieving their commercial objectives. The objectives of GLCs are not only to make profit but also to fulfil their responsibilities to their citizen as well. There are some allegations relating to ethics, leadership, entrepreneurship and innovation against GLCs.

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<sup>1</sup> GLC Transformation Programme refers to the government's efforts at improving performance in companies under its control or stewardship will have a positive demonstrative effect on the rest of the corporate sector. Undertaking such a program should result in a sustainable lift to the current trajectory of GLC performance, improving Malaysia's ability to achieve Vision 2020. The programme is driven by the Putrajaya Committee on GLC High Performance (PCG) which is chaired by the Prime Minister of Malaysia.

Despite many efforts have been taken by the government for improving the performance of GLCs, there are still numbers of GLCs which are under-performing. According to the overview of 2011 National Audit Report Initiatives & Updates Related to State Owned Corporations, 28.6 % of the GLCs showed a loss amounting to RM1.720 billion. The National Audit Department indicated that eleven number of GLCs were suffered a loss for the year ended 2008 until 2010. The losses were due to several factors including the unsuccessful of business strategy. These problems occurred due to lack of business expertise and their investment decisions were not economically represented (Mokhtar, 2005). As a result, the companies were not able to perform well in order to achieve the targeted objectives.

These few issues have made the public wonder on ethical culture, leadership qualities, entrepreneurial ownership and innovation. The issue is that some GLCs may have shown good performance with the intervention of the government while others may not. The weaknesses on complying with certain standards, stipulated by the top management, may be one of the causes of not performing as expected. One of the most important factors is the ability of GLCs to enhance performance. However, there is less empirical research on the examination of factors which may contribute to the performance of GLCs. There is a research gap and this study strives to fill this research gap. This study aims to examine factors such as ethical culture, leadership qualities, entrepreneurship orientation, and innovation on the performance of GLCs in Malaysia. This study also aims to contribute to the body of knowledge and to help stakeholders and public in seeking for a better and clearer picture on how these GLCs are performing their operations.

The next section presents a literature review, and this is followed by a description of the model, methodology, the results and discussion, and the conclusion.

## **LITERATURE REVIEW**

Ethical culture (EC) is the perceived conditions in the organisational context that stimulates employees to behave ethically. Trevino and Weaver (2003) defined ethical culture as those aspects that stimulate ethical conduct. Unethical conduct occurs when employees suffer from lack of adequate or sufficient time, budgets, equipment, information, and authority to fulfil their responsibilities (Kaptein, 2008). Business ethics might have a positive influence on financial performance or vice-versa where it has become an open research question (Berrone et al., 2007). Friedman (1970), Jensen (2001), and Schwab (1996) state that the only social task of the organisation is to maximise shareholders' value while complying with the rules of the market. These scholars argue that ethical investments are in conflict with the profit oriented strategies of the organisation. Rockness and Rockness (2005) mention that the US Sarbanes Oxley legislation, which imposed stern penalties for unethical conduct, recommends that market incentives are highly unpredictable. In contra, Jones (1995), and Jones and Wicks (1999) claim that proactive ethical cultures has a positive impact on performance by creating intangible assets that are very important for long run ventures. Hosmer (1994) also suggests that intangible assets such as trust, commitment and good reputation are generated via a strong ethical standpoint. Further, Fombrun et al. (2000) agree that the act of behaving ethically, an organisation generates intangible gains that improve its capability to attract resources, building up competitive advantages, and advance performance as well as fulfilling the goals of its stakeholders'. Berrone et al. (2007) suggest that corporate ethical identity (CEI) has a positive effect on stakeholders' satisfaction as they believe that the organisation is fulfilling their ethical demands. The organisation increases the level of satisfaction of stakeholders' by addressing the stakeholders' ethical demands. Consequently, they are willing to provide more capital and efforts which leads to enhance performance of the organisation. As such the following hypothesis could be formulated to test the relationship between ethical culture and firm performance.

**H1:** There is a significant relationship between ethical culture and performance of GLCs.

Good governance provides strong leadership qualities and enhances reliable judgement which ensures that an organisation's resources are used in the most effective way to assist the people and causes its set up for benefit (Driscoll, 2011). According to traditional view, leaders with good qualities has a major critical impact on the performance of the organisation Hall (1997). However, this view has been argued by the contextualists who mainly emphasize on the situational factor as a restriction that leaders face. The arguments are rested after identifying that leadership who possesses good qualities, do not make any difference (Liebersohn and O'connor, 1972). Leaders are restricted to the different types of performance result. They are also constrained by the organisation's size which limited the generation of performance value. Another outcome reveals that consistent differences in performance are

observed between organisations. The impact of the leaders' qualities towards organisation performance is limited by the size of the organisation rather than anything the leaders possesses or do. However, Lieberson and O'Connor (1972) employed a combined of dependent variables and data analysis that was almost impossible for the leadership qualities variable to take a major role (Hambrick and Mason, 1984). They did not allow leadership qualities variable to enter earlier into the equation where the result generated from the choice of the dependent and independent variables were almost repeated. They stated a key research issue that was to determine the relative importance of leadership qualities and organisational performance. How much variance of organisational performance could be associated to individual's leadership qualities and how are they using their competent quality in dealing with business operation within the organisation? To response this question they got information on earnings, sales, profit margin and period of leader joining the department for 167 major United States publicly owned corporation for years 1946 to 1965. They used three dependent performance variables namely sales, earnings, and profit margin and four independent variables namely leadership qualities, year, company, and industry in the analysis. The leadership qualities variable represented the influence of leaders during their tenure with the company. The analytical strategy was to link variance for each performance measure to each independent variable which was meant for sequential dispersion of variance.

Based on these studies, it was concluded that leadership qualities had a few or no impact on organisational performance as major performance variance was represented by non-leadership factors. Pearce, Steven, and Perry (1985) noted that the appointment of new presidents in a corporation could make headlines in the business section of the newspapers. On the other hand, Lieberson and O'connor (1972) did not find any relationship between leadership qualities and organisational performance indicators, such as profits. In contrast, Pfeffer and Salancik (1978) argued that studies on the effect of skilful administrators indicated that they represented 10 percent of the organisation performance variance. Thomas (1988) provided consistent and compelling evidence that individual leaders could do make a difference. Hence, the flowing hypothesis is proposed:

**H2:** There is a significant relationship between leadership qualities and performance of GLCs.

Corporate entrepreneurship is an organisational process that contributes to firm survival and performance (Covin and Slevin, 1989; Drucker, 1985; Lumpkin and Dess, 1996; Miller, 1983; Zahra, 1993). The present research on entrepreneurs has been originated from the work of Joseph Schumpeter (1883–1950) who emphasizes on entrepreneurs who introduce new products or new methods of production, and other innovations are the main agents of economic growth that catalyst performance of economy activity. Further, Schumpeter described entrepreneurship as a process of 'creative destruction', whereby the entrepreneur constantly displaces existing products with new ones. Kemelgor et al., (2002) concluded that entrepreneurial orientation (EO) is characterized by cultural differences. They found significant differences in the intensity of EO between firms as well as a significant correlation between EO and business performance. Past studies have conceptually agreed that firms benefit from placing high emphasised on newness, responsiveness, and a reasonable amount of boldness (Rauch et al., 2004; Lumpkin and Dess, 1996). A group of studies have found firms with strong entrepreneurial orientation perform much better than firms that place less emphasis on an entrepreneurial orientation (Covin & Slevin, 1989; Hult, Snow, & Kandemir, 2003; Lee, Lee & Pennings, 2001; Wiklund & Shepherd 2003). Another group of studies reported positive but weak relationship between EO and firms' performance (Dimitratos, Lioukas, & Carter, 2004; Lumpkin & Dess, 2001; Zahra, 1991). However, a group of studies unable to find a positive relationship between EO and performance (George, Wood, & Khan, 2001; Covin, Slevin, & Schultz, 1994). These mixed finding warrent more studies to test the relationship between EO and performance.

Hence, the following hypothesis could be formulated:

**H3:** There is a relationship between entrepreneurship orientation and performance of GLCs.

As innovation is scaled across the company, it begins simultaneously to fulfil the core business mandate and to support societal goals. Innovation has gained more literature attention in the context of smaller firms (Acs and Audretsch, 1988). Innovation is an advantage for firms which adopt entrepreneurship to gain profit via the impermanent introduction of a monopoly considering the non-stop innovation activity as the main source of long term entrepreneurial success (Schumpeter, 1934). The establishment of innovative services, processes, products or business models innovative products, services, processes, or business models creates to be attractive offer which become extra

opportunity for SMEs remains competitive (Porter, 1980). SMEs could be beneficial from buyers' brand loyalty and demand sensitivity to price reduction as a consequence of customers' perception towards innovation uniqueness (Lieberman and Montgomery, 1988). Nor Ghani et al., 2016 studied the relationship between innovation and organisation performance and found a positive relationship between innovation and value creation. It was also found that productivity would increase for service companies where it was independent from the level of newness of the innovations. Rosenbusch et al. (2011) studied the relationship between innovation and performance. In the study, they found that innovation has a positive relationship on the performance of SMEs.

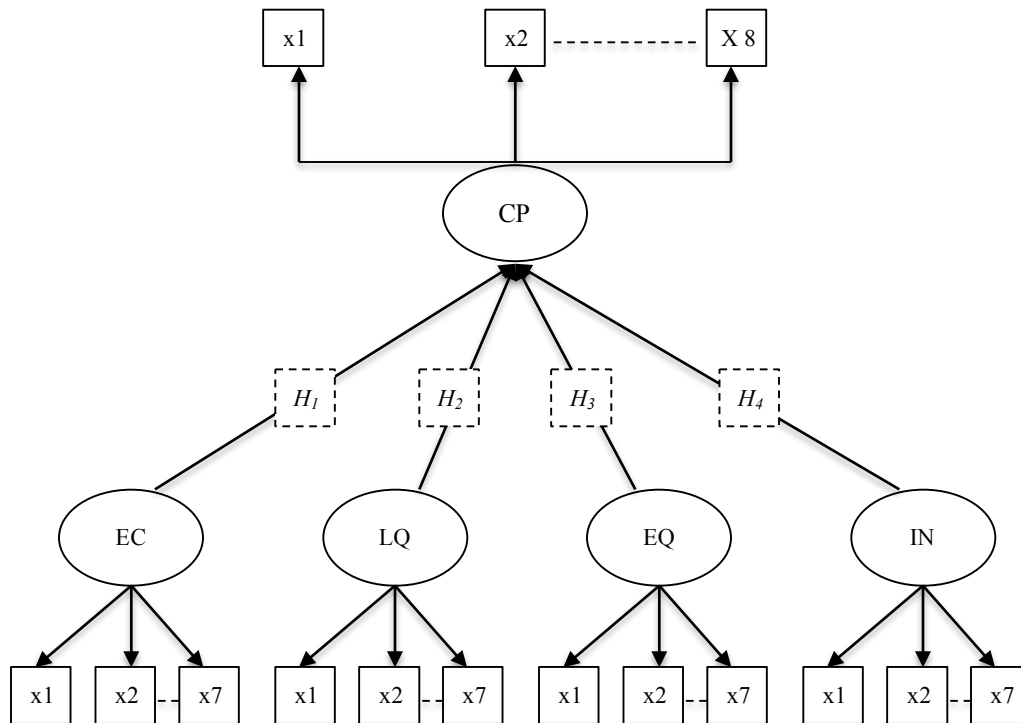
Innovation can be considered as valuable for an organization as it enables the production of products or services that satisfy the needs and desires of customers that other competitors fail to fulfill (Ireland, Hoskisson & Hitt, 2009). Due to the globalization, it is important for an organization to possess products or services that are unique from its competitors (Barney, 1991; Said. et.al, 2016). Through innovation, an organization would be able to produce products or services at an economical cost and satisfy the needs of its customers. This is because innovation would lead the organization to be a step ahead from its competitors (Barney, 1991). Innovation also assists an organization to improve its performance by introducing or upgrading its products or services. In other words, innovation assists an organization to maintain the loyalty of its customers towards its products or services (Rosli & Sidek, 2013). Hence, the following hypothesis is proposed:

**H4:** There is a significant relationship between innovation and performance of GLCs

### **CONCEPTUAL FRAMEWORK**

The visualization of our research idea could be shown in a diagrammatic manner to form a view of a graphical representation of the diagnostic pattern of the problem under study. Figure 1 shows that ethical culture (EC), leadership qualities (LQ), entrepreneurship orientation (EO), and innovation are four construct and each construct has seven (x1 - x7) observed indicators. These constructs are used subsequently as independent variable in this study. Again, corporate performance (CP) is another construct which has eight observed indicators (x1-x8) and this construct is used subsequently as dependent variable. Four alternative hypotheses are drawn in order to examine the influence of independent variable over dependent variable. Hypothesis 1 (H1) is drawn to examine the relationship between ethical culture and performance, hypothesis 2 (H2) is formed to investigate the influence of leadership qualities on corporate performance, hypothesis 3 (H3) is developed to measure the impact of entrepreneurship orientation on corporate performance and hypothesis 4 (H4) is established to examine the linear relationship between innovation and corporate performance.

Figure 1. The relationship between ethical culture, leadership qualities, entrepreneurship, innovation and corporate performance



**RESEARCH APPROACH**

**Data**

Structured questionnaires were designed for collecting primary data through a survey among accountant, accounts manager, or equivalent designations of all (401 companies) GLCs. In the questionnaire, seven specific questions (x1-x7) were developed for measuring each of four constructs such as ethical culture, leadership qualities, entrepreneurship orientation and innovation and eight specific questions (x1 – x8) were developed for measuring another construct i.e., corporate performance (Appendix 1). These questions were selected from previous literatures. A seven point Likert scale that ranged from 1 (strongly disagree) to 7 (strongly agree) was used to measure the four above constructs and another Likert scale that ranged from 1 (much worse) to 7 (much better) was used to measure the corporate performance construct. Finally, 102 respondents participated in the survey which is 25.5 percent of the population. Sufficient sample size could be measured using two conditions. 1). 15 participants per predictor and 2). Using the formula:  $N > 50 + 8m$ . The ‘m’ indicates the number of independent variables and the ‘N’ indicates the total number of sample. The number of participants in this study is  $102 > 15$  per predictor and hence the first condition is satisfied. The calculated total sample size should be more than 82 ( $= 50+8*4$ ) participants. The actual sample size is 102, which is more than 82 and therefore the second condition is also satisfied. This sample size allows us to generalise the results of this study.

**Methods**

The analyses in this study were divided into two phases such as measurement of construct phase and hypotheses testing phase. Cronbach’s alpha, Eigen values, Kaiser-Meyer-Olkin (KMO), Bartlett’s Test of sphericity, and confirmatory factor analysis (CFA) were under measurement phase. These values of constructs were saved as variables to test the hypotheses. Test of normality of variables (skewness and kurtosis), bi-variate analysis (correlation matrix), ANOVA (F test), and multiple regressions techniques (coefficients of the model) were under hypotheses testing phase. The bivariate analysis was applied to detect multicollinearity problems (if any) between independent variables;

ANOVA was used for having an overall direction of accepting or rejecting the hypotheses (Hasan et al. 2014); A regression model was developed for this study to estimate the impact of ethical culture, leadership qualities, entrepreneurship orientation and innovation on corporate performance. The matrix of regression model is presented below. Here, the number of rows and the number of column for  $N \times 1$  matrix ( $Y_i$ ) are 102 and 1 respectively. The number of rows and the number of column (constant and  $X_{ij}$  variables) for  $N \times P$  matrix are 102 and 5 respectively. The number of rows and the number of column for  $P \times 1$  matrix ( $\beta$ ) are 5 and 1 respectively. Finally, the number of rows and the number of column for  $N \times 1$  matrix ( $\epsilon_i$ ) are 102 and 1 respectively.

$$\begin{matrix} \begin{bmatrix} y_1 \\ y_2 \\ y_3 \\ \vdots \\ y_N \end{bmatrix} \\ N \times 1 \end{matrix} = \begin{matrix} \begin{bmatrix} 1 & X_{11} & X_{21} & X_{31} & X_{41} \\ 1 & X_{12} & X_{22} & X_{32} & X_{42} \\ 1 & X_{13} & X_{23} & X_{33} & X_{43} \\ \vdots & \vdots & \vdots & \vdots & \vdots \\ \vdots & \vdots & \vdots & \vdots & \vdots \\ \vdots & \vdots & \vdots & \vdots & \vdots \end{bmatrix} \\ N \times P \end{matrix} \begin{matrix} \begin{bmatrix} \beta_0 \\ \beta_1 \\ \beta_2 \\ \vdots \\ \vdots \end{bmatrix} \\ P \times 1 \end{matrix} + \begin{matrix} \begin{bmatrix} \epsilon_1 \\ \epsilon_2 \\ \epsilon_3 \\ \vdots \\ \vdots \end{bmatrix} \\ N \times 1 \end{matrix}$$

where,

Dependent Variable:

$Y_i$  = Corporate performance as per  $i$  respondents  
 $i = 1,2,3, \dots, 102$

Other Notions:

$N$  = Total number of observed records  
 $P$  = Total number of variables including intercept

Independent Variable:

$X_1$  = Ethical Culture  
 $X_2$  = Leadership Qualities  
 $X_3$  = Entrepreneurial Orientation  
 $X_4$  = Innovation

Regression Parameters”

$\beta_0$  = Intercept of the model  
 $\beta$  = Regression parameters

The Error Term:

$\epsilon_i$  = The unobserved variables of  $i$  respondents

## RESULTS AND DISCUSSION

Table 1 shows the descriptive statistics for five constructs such as ethical culture, leadership qualities, entrepreneurial orientation, innovation and corporate performance. Seven questions were set for each constructs (Appendix A: table 6-9) except corporate performance (Appendix A: table 10) for which eight questions were set. To compare the result for descriptive statistic, mean for each question was obtained first. From the table, the highest mean for ethical culture is question 5 (my organisation makes it sufficiently clear on how to use company equipment responsibly) with a mean of 5.74 and standard deviation of .974 whereby the lowest mean is question 2 (organisation sets a good example in terms of ethical behaviour) with mean of 5.36 and standard deviation of 1.115; for leadership qualities, the question 1 (top management has ultimate responsibility for directing the affairs of the organisation, ensuring it is not a debt, well run and delivering the outcomes for which it has been set up) secured the highest mean at 5.35 with a standard deviation of 1.021 while the question 5 ( top management has ultimate responsibility in finding way to reduce cost of



production or service) secured the lowest mean at 4.88 with a standard deviation of .904; for entrepreneurial orientation, question 5 (actively searching for business opportunities) secured the highest mean at 5.73 with standard deviation of 1.006 and question 3(my organisation has a strong tendency for high risk projects) secured the lowest mean at 5.18 with a standard deviation of 1.227; for innovation, question 6 (my organisation is adopting the introduction process of new products to the existing or new markets, through the combination strategic orientation with innovative behaviour and process) secured the highest mean score at 5.39 with a standard deviation of 0.997 and question 2 (my organisation is adopting a high level of organisation innovativeness) secured the lowest mean at 5.16 with a standard deviation of 1.106; and for corporate performance, question 5 (firm growth) and 6 (profitability) secured the highest mean at 5.92 with standard deviation of 1.069 and 1.216 respectively while question 3 (customer retention) secured the lowest mean at 5.33 with a standard deviation of 1.146.

**Table 1.** Summary of Descriptive Statistics

Constructs	Dimensions	Grade	Minimum	Maximum	Mean	St. Dev.
Ethical Culture	EC5	Highest	3	7	5.74	0.974
	EC2	Lowest	3	7	5.36	1.115
Leadership Qualities	LQ1	Highest	2	7	5.35	1.021
	LQ5	Lowest	3	7	4.88	0.904
Entrepreneurship Orientation	EO5	Highest	2	7	5.73	1.006
	EO3	Lowest	1	7	5.18	1.277
Innovation	IN6	Highest	3	7	5.39	0.997
	IN2	Lowest	2	7	5.16	1.106
Corporate Performance	CP5	Highest	2	7	5.92	1.069
	CP6	Highest	1	7	5.92	1.216
	CP3	Lowest	2	7	5.33	1.146

The reliability of a scale can vary depending on the sample. It is therefore necessary to check that whether each of scales is reliable with particular sample, outlined in Table 2. One of the most commonly used indicators of internal consistency is Cronbach’s alpha coefficient. Ideally, the Cronbach’s alpha coefficient of a scale should be above 7 (DeVellis 2003). Cronbach’s alpha coefficient of ethical culture, leadership qualities, entrepreneurial orientation, innovation, and corporate performance are .939 > .7, .852 > .7, .926 > .7, .952 > .7, and .89 > .7 respectively. So it is clear that the scales are reliable as all Cronbach’s alpha for all cases are more than .7.

The suitability of data for factor analysis was assessed in two ways such as Kaiser-Meyer-Olkin (KMO) and Bartlett’s Test of Sphericity (Bartlett 1954). The recommended value of KMO is .6 (Kaiser 1970, 1974) and The Chi square value of Bartlett’s Test of Sphericity should be statistically significant. The Kaiser-Meyer-Olkin (KMO) values for EC, LQ, EO, IN, and CP are .939 > .6, .852 > .6, .926 > .6, .952 > .6, and .890 > .6 respectively. The Bartlett’s Test of Sphericity for all constructs is statistically significant at 1 percent level of significance.

Therefore, there was no problem for conducting factor analysis of the constructs. According to the Kaiser’s criterion (factor extraction method), only factors with an eigenvalue of 1.0 or more are retained for further investigation. The Eigenvalues of EC, LQ, EO, IN, and CP were 4.863 > 1.0, 3.22 > 1.0, 4.571 > 1.0, 5.21 > 1.0 and 4.228 > 1.0 respectively.

**Table 2.** Instrument validation (Reliability and Factor Analysis)

	EC	LQ	EO	IN	CP
Cronbach's Alpha	0.939	0.852	0.926	0.952	0.89
Kaiser-Meyer-Olkin of sampling adequacy test	0.901	0.832	0.874	0.893	0.793
Bartlett's Test of Sphericity - Approx. Chi-square	601.372	286.028	521.514	719.345	551.710
Level of Significance	0.000	0.000	0.000	0.000	0.000
Eigenvalue Component 1	4.863	3.22	4.571	5.21	4.228
% of variance	69.467	46.003	65.3	74.423	36.013

Factor loading shows the connection strength between factors and indicators. Under confirmatory factor analysis there is only one factor and many indicators which are selected from the previous literatures. The relationship between them is measured through factor loading. Seven indicators were used for each of the four constructs such as EC, LQ, EO and IN and eight indicators were used to measure the value of corporate performance (CP). In each case, the connection strength between factor and indicators were very strong. The loading matrix for five constructs is presented in Table 3.

**Table 3. Factor Loading Matrix**

	x1	x2	x3	x4	x5	x6	x7	x8
Ethical Culture	0.895	0.814	0.811	0.793	0.865	0.781	0.868	nil
Leadership Qualities	0.767	0.699	0.567	0.477	0.711	0.749	0.726	nil
Entrepreneurship Orientation	0.736	0.868	0.773	0.791	0.778	0.87	0.831	nil
Innovation	0.877	0.88	0.829	0.914	0.874	0.896	0.76	nil
Corporate Performance	0.783	0.66	0.692	0.721	0.732	0.825	0.753	0.631

A multiple regression was performed to investigate the influence of independent variables (EC, LQ, EO and IN) on dependent variable (CP). Preliminary analyses were conducted to ensure no violation of the assumption of normality, linearity, and homoscedasticity. Additionally, the correlations between predictor variables included in the study were examined. All correlations were weak to moderate, ranging between  $r = 0.511, <.001$  and  $r = 0.700, p <.001$ . This indicates that multicollinearity was unlikely to be a problem (see Tabachnick and Fidell, 2007). All predictor variables were statistically correlated with corporate performance which indicates that the data was suitably correlated with the dependent variable for examining through multiple regression to be reliably undertaken. The correlation matrix of the variables is presented in Table 4.

**Table 4. Correlation Matrix**

Variables	EC	LQ	EO	IN	CP
EC	1				
LQ	.512**	1			
EO	.653**	.511**	1		
IN	.529**	.626**	.700**	1	
CP	.532**	.799**	.555**	.703**	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

As for the estimation of the regression model, Table 5 shows that the explanatory power of the model is 71 percent (R<sup>2</sup>) of the variation in corporate performance. The F test (59.463; p value 0.000) revealed that a significant influence of independent variables on dependent variable at 1 percent level of significance was existed. The results of coefficient of independent variables showed that two variables (LQ and IN) had significant influence and the other two (EC) and EO) did not have significant influence on corporate performance. Leadership qualities and innovation have significant relationship with corporate performance at 1 percent level of significance. Ethical culture and entrepreneurship orientation do not have significant relationship even at 10 percent level of significance. The results are presented in the following table.



**Table 5.** Estimates of the coefficients of the Model

Predictors	Co-efficient (β)	SE	z-value	p-value	Hypothesis	Results
EC	0.081	0.07	1.079	0.283	H <sub>1</sub>	Reject
LQ	0.566	0.085	7.767	0.000	H <sub>2</sub>	Failed to reject
EO	-0.003	0.082	-0.035	0.972	H <sub>3</sub>	Reject
IN	0.308	0.081	3.62	0.000	H <sub>4</sub>	Failed to reject
<b>SE Regression</b>					<b>0.46756</b>	
R						0.843
R <sup>2</sup>						0.71
Adjusted R <sup>2</sup>						0.698
F-value						59.463
P-Value						0.000
DF - Model						4
DF - Residual						97
EC						Ethical culture
LQ						Leadership qualities
EO						Entrepreneurship orientation
IN						Innovation
R <sup>2</sup>						The explanatory power of regression equation

The coefficient indicates the direction of the relationship (positive for same direction and negative for opposite direction) between predictors and response variable. P-value indicates the level of significance in other words it tells us the confidence level of the results. The coefficients of ethical culture, leadership qualities, entrepreneurship orientation and innovation are 0.081, 0.566, -0.003, and 0.308 respectively. The p values of ethical culture, leadership qualities, entrepreneurship orientation and innovation are 0.283, 0.000, 0.972, and 0.000 respectively. Ethical culture (EC) does not have significant influence on corporate performance and also has a little but positive degree of influence. This result does not support the hypothesis (H1) about the significant linear relationship between ethical culture and corporate performance. This result indicates that management are currently unaware of practicing ethical culture for corporate performance. Leadership qualities (LQ) have a positive and high degree of influence on corporate performance at 1 percent level of significance. The result failed to reject the hypothesis 2 (H2). This results match with previous findings (Parry and Proctor-Thomson, 2002; Kotter and Heskett, 1992) but Lieberman and O’connor (1972) did not find significant relationship between leadership qualities and corporate performance. The coefficient of entrepreneurship orientation (EO) was the lowest value and negative. It does not have a significant relationship with corporate performance as well. This study failed to accept the hypothesis 3 (H3) and the result does not match with the previous results such as Zahra (2005). Innovation (IN) has a positive and high degree of influence on corporate performance at 1 percent level of significance. The result failed to reject the hypothesis 4 (H4). This results match with previous findings (Nonaka, 1995).

Leadership qualities and innovation have a greater role in GLCs performance. Policy makers should take right decision while selecting leaders. Selecting the right person with right qualities and experiences can bring bless for the organisation. The leadership qualities is the most influential factor among four factors as it secured the highest beta value. Leaders who possess good qualities will lead the organisation for success. Good governance provides strong leadership qualities and enhances judgement which ensures the effective use of organisation’s resources. The good leadership qualities shown by Malaysian GLCs perhaps have boosted the business activities of the GLCs which indirectly shows overall better performance of the organisation. The innovation is the second most influential factor among four factors as it secured the second highest beta value in this study. Latest and frequent innovations will make the organisation one step ahead from its competitor in producing goods and services. It will make the organisation more competitive in the industry as a whole and as such, the performance of the organisation will also expand. Organisation need innovativeness and also innovative personnel in order to create new products, services and process for future success. In the Malaysian GLCs context perhaps, the good innovations have stimulated the overall performance of the organisation.

## CONCLUSION

The study concludes that leadership quality and innovation have a greater impact on corporate performance. Ethical culture and entrepreneurial orientation do not have statistical influence on corporate performance at present situation. Policy makers should select a right person with right qualities and experience including integrity. The leaders should promote the organisation with innovation to retain the existing customers as well as to bring potential customers. The findings of this study provide an indication that GLCs need to utilise talents of their leaders and adopts latest technology in the daily activities and support best innovation of product or services of the organisation. GLCs also need to have a proactive action in introducing products or services to show high level of innovation. The findings provide evidence that performance of GLCs can be enhanced if sufficient levels of financial priorities are taken into consideration. GLCs need to play an important role in seeking for organisation performance foremost so as to contribute to the country's economic development. In addition, ethical culture and entrepreneurial orientation is also important to introduce in the organisation in order to boost up the level of confidence of stakeholders.

Further research may consider of exploring the extent to which the Malaysian GLCs ownership and control structure which increase their overall performance could serve as a model for the-third-world and developing countries.

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**APPENDIX –A**

**Table 6. Ethical Culture Measurements**

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My organisation makes it sufficiently clear to all level of employees on appropriate ethical conduct within the organisation.
My organisation sets a good example in terms of ethical behavior.
My organisation communicates the importance of ethics and integrity clearly and convincingly.
My organisation never authorise unethical or illegal conduct to meet business goals.
My organisation makes it sufficiently clear on how to use company equipment responsibly.
My organisation makes it sufficiently clear on how to use working hours responsibly.
My organisation makes it sufficiently clear on how to deal with conflicts of interests and sideline activities responsibly.

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**Table 7. Leadership qualities measurement**

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Top management of my organisation has ultimate responsibility for directing the affairs of the organisation, ensuring it is not in debt, well run and delivering the outcomes for which it has been set up.
Top management of my organisation has approved our mission and values and also has assessed all proposed activities against them.
Top management of my organisation focuses on the strategic direction of the organization.
Top management of my organisation has ultimate responsibility in finding ways to reduce cost of production or services.
Top management of my organisation has shown a love of self-improvement for themselves and their followers.
Top management of my organisation are empowering their followers to get things accomplished

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**Table 8. Entrepreneurship orientation measurement**

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My organisation is very proactive in introducing new products/services, administrative techniques or operating technologies.
My organisation typically adopts a very competitive approach.
My organisation has a strong tendency for high-risk projects (with chances of very high returns)
My organisation believes that, owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firms objectives
My organisation is actively searching for business opportunities.
My organisation typically adopts a bold, aggressive posture in order to maximise the probability of exploiting potential opportunity.
My organisation recognises technological changes that have effect our organisation.

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**Table 9. Innovation measurement**

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My organisation is adopting a proactive action in introducing products/services innovation.
My organisation is adopting a high level of organisational innovativeness.
My organisation is adopting a newness of approach that is executed to enter and exploit the targeted market.
My organisation is adopting process innovativeness such as the introduction of new production methods, new management approaches, and new technologies that are used to improve production and management processes.
My organisation is adopting new competitive strategies that create value for the firm.
My organisation is adopting the introduction process of new products to the existing or new markets, through the combination of strategic orientation with innovative behavior and process.

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**Table 10. Performance measurement**

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Return on investment.
Customer satisfaction.
Customer retention.
Product innovation.
Firm growth.
Profitability.
Sales growth.
Development of new products.

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**NOTES**