THE IMPACTS OF SPIRITUAL CAPITAL TOWARDS CORPORATE GOVERNANCE PRACTICES: A CASE STUDY OF THE GOVERNMENT LINKED COMPANIES (GLCS) IN MALAYSIA

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ABSTRACT
The Malaysian regulators and agencies, such as the Securities Commission (SC), the Bursa Malaysia (BM) and the Malaysian Institute of Corporate Governance (MICG), have issued many Codes and guidelines to improve the governance practices among Malaysian businesses. The recently released Malaysian Code of Corporate Governance (MCCG 2012), the Corporate Governance Blueprint 2011 (Blueprint) as well as the Bursa Malaysia Listing Requirement seems inadequate to instill good governance practices among Malaysian companies. Since corporate governance (CG) revolves around people and the present Codes and guidelines focus more on structural and physical setting of corporations, it is vital to alleviate the problem via a humanistic approach. Therefore, the objective of this study is to examine the influence of spiritual capital (SpC) in improving the CG practices in Malaysian businesses. SpC is classified as the important fourth component of intellectual capital. SpC governs how the other three capitals (human capital, structural capital and customer capital) should be used. SpC is the “intangible knowledge”, faith, belief and emotion embedded in the minds and hearts of individuals and in the heart of organisations. It focuses on the interrelationships, interconnectedness and interdependency for sustainable development with the view to achieve companies’ objectives. Previous researches reveal that good CG practices can be achieved by changing the mindset of the players in an organization. Important players in an organization such as the Board of Directors, Board Audit Committee, the internal auditors or even the shareholders must embrace the understanding that good business is not just about achieving the desired financial bottom line by being competitive, but by also being ethical and sustainable (MCCG 2012). Using Rasch modeling technique, the study is expected to come up with a new model based on the attributes of SpC that also can be used by SC, BM or MICG in coming up with new guidelines or Codes or complementing the existing ones.

Keywords: Intellectual capital, Spiritual capital, Government-linked Companies, Malaysia

1.0 Introduction
Corporate governance (CG) has attracted a good deal of public interest due to its importance and impacts on the financial health of companies and society in general. Past researches revealed that good CG helps to maintain overall market confidence, attract long-term investment capital, sustain economic growth and ultimately enhanced nations overall wealth and welfare (Abdul Rahman, 2013). Investors are willing to pay a significant premium for shares of well-governed companies, especially those that ensure protection of minority shareholders (McKinsey, 2010). As far as Malaysian public is concerned, there are certain weaknesses in the CG mechanisms in the Malaysian business environment especially in protecting the investors, particularly the minority groups. The 1997 financial crisis exposed certain glaring cases of CG breakdown arising from related party transactions which had worked against the interest of minority shareholders. It was argued that the problem occurred not only because of certain weaknesses in the law but also because of the weak enforcement of minority shareholders rights, as well as the failure of the regulators to take strong actions against the violators. The financial crisis in 1997 provided the catalyst for a concerted effort and holistic approach to improve the governance practices in terms of legislations as well as the capital market infrastructure.

2.0 Research Background
Spiritual Capital (SpC) has significant effect towards Board of Directors (BODs) style and the way they manage the organization. BODs act a linkage between the people who are providing capital (shareholders) and the people who use that
capital to create value (managers) for a company. In addition, most of the companies are governed and directed by the BODs and they have to execute their roles in a commendable manner. The role of the Boards can be summarized as providing entrepreneurial leadership, setting strategy, ensuring the human and financial resources are available to objectives, reviewing management performance, setting the company’s values and standards, and ensuring that obligations to shareholders and other stakeholders are understood and met. In this way, the achievement of the companies is largely attributed to a successful board as a significant component of the Corporate Governance (CG) mechanism.

Meanwhile, prior researches such as Ismail (2005), Jan Khan (2014) and Hashim (2015) indicated that SpC is one of the important components of intellectual capital (IC). IC is an aggregate supply of collective knowledge, facts, technologies, expertise, intellectual property, customer trustworthiness and team management that can be used to generate appraisal of the product and services in an associations. IC consists of six components, which is Human Capital (HC), Customer Capital (CC), Structural Capital (SC), Social Capital (SC), Technological Capital (TC), and Spiritual Capital (SpC) (Khalique, 2011). This research is focusing on the SpC because previous researches have shown that the spiritual capital has positive impact on the performance in the companies (Ismail, 2005; Palmer, 2013; Iannaccone, 2007). SpC is a connection of capability, influence, morale and judgment that can obtained through religion (Khalique, Nassir & Md.Isa, 2011). SpC takes a stakeholder access to deal with business proceeding. It is also publicize business feasibility for all stakeholders concerns and intimidate self-interest favouritism (Dsooli, 2010).

Prior studies on organizational performance found that SpC is one of the most significant factors in organizational performance (Mitroff and Denton, 1999). Moreover, study by Barrett (1998) found that nearly 60% of respondents’ belief in the positive benefit of SpC at the work place. These studies further show that business ethics (sometimes called corporate morals), integrity, values and personal commitment give contribution to employee’s performance (Osman, et al, 2010). These characteristics apply to all part of business directly and are important to the behaviour of the people and whole companies. Therefore, it is not surprising that many companies had widely adopted SpC in the work place in their effort to resolve the issue of productivity, performance and job satisfaction (Osman, et al, 2010).

3.0 Problem Statement

Prevalent public protest over some earlier local scandals such as Perwaja Steel, Renong Berhad and Technology Resources Berhad (TRY) were pointing towards lack of CG as the main contributory factors towards the collapsed of these companies (Abdul Rahman, 2013). The crisis and failure of those listed companies had caused the government to realize that enhancing CG should be an essential agenda to bring back the economy on the right track. The issue is worsening when the scandals involve the companies that are linked to the Government (Government-linked Companies, GLCs). To illustrate, in mid-2010, Malaysian public was shock to discover that Sime Darby Berhad had announced its earnings may be cut by up to RM964 million due to losses in its Energy & Utilities Division, from cost overruns in four projects (Māk, 2012).

Consequently, the Malaysian regulators such as the Securities Commission (SC) reviewed the MCCG 2007 and come up with the Corporate Governance Blueprint in 2011 (Blueprint) and recently released the Malaysian Code of Corporate Governance 2012 (MCCG 2012). The Codes and other rules were mainly focus on the structural and physical setting of the companies but less on the human or soft aspects.

The Board of Directors (BODs) are supposedly applying the SpC in the companies. SpC can serve as a framework to the BODs as part of the good ethical practices in running the companies. Nowadays, most of the companies in Malaysia are contributed to the fraudulent cases in order to earn higher profits and higher return. The fraud cases that occurred in Malaysia are such as Megan Media Holding Berhad, Transmile Bhd, Welli Multi Corp Bhd and PEWAJA significantly affected the business society. From the fraud survey that was conducted by Klynveld Peat Marwick Goerdele (KPMG) in Malaysia, the results indicated that 68% of the reported fraud incidents were within the range of RM10,001 to RM100,000. The widest circumstances of unethical behaviour experienced in the work environment are management conflict of interest (71%), unauthorized conflict interest of an individual (38%) and unapproved exposure of private or keen information (KPMG), (2013). Hence, the findings from the survey indicate that the main culprit to these conflicts in the companies is due to human behaviour.

Prior researches discovered that even with the present of the Directors Code of Ethics, the crisis and scandals in companies were still apparent. The main players in an organization such as the Board of Directors, Board Audit Committee and the internal auditors must realize the understanding that good business is not just about achieving the desired financial bottom line by being competitive, but by also being ethical and sustainable (MCCG 2012). Such realization must come within a person’s conscious mind, which is spiritually driven. Spiritual attributes such as integrity, honesty, loyalty must be embedded within the main players of the organization. This is viewed as absent from the present practice. Hence, the study is envisaged to close the gap.

In Malaysia, Government-Linked Companies (GLC’s) constitute a significant part of the economic structure of the nation. Many critics contend GLCs could perform better than other private firm because of their close relationship with the government, which give them special advantages in term of accessing funds and engaging in growth opportunities (Ting and Lean, 2011). However, GLCs may also perform worse than private firms because their managers are mainly civil servants who lack business acumen, and their investment decisions may be politically rather than economically motivated. The issue of unethical culture practice among GLCs has become the public concern. The annual survey conducted by Transparency International to measure the degree to which corruption is perceived among public sector official in 168 countries around the world revealed that Malaysia ranked at number 54th in year 2015. The lower the number in overall result indicates that the countries has high corruption tendency (Transparency International Report, 2015).
Another important factor that influences the human behaviour is the individual religion or belief principle. Religion can be defined as a principle or system beliefs that held with faith or a personal set of the religious attitudes, belief and practices. Weaver and Angel (2002) and Amaliah (2014) found that the internalization of religious values can influence ethical behaviour or values of an individual and personal attitudes and behaviours and reflected in personal and social life. A good understanding of religiosity of an individual will be built in their attitudes and behaviour in performing various activities including in their working life. Moreover, religion is one of the factors that affected the leadership performance in the company which, in turn, may influence in decision making. Therefore, if there is any controversy between religious belief and the principal stated in the professional code of ethics, this controversy might cause a dilemma to the individual. As Buckley (2004) stated “A dilemma generated by a conflict between a moral standard and a religious standard is classified as an existential religious dilemma”. Based on Abrahamic, religious values in Islamic tradition state that systematic reviews have evolved, scandals and concerns attribute to the ethical conduct impacted to the company. Other than that, religious is a central to the human experienced that realized through a combination of business ethics and company performances. Research conducted by Dsouli (2010) indicates how the religious are aligned with GLCs performance regarding the leadership perceptual that related to the corporate governance practices.

As the result above, the main players in GLC’s such as stakeholders are not only focusing on the profits return but the stakeholder and management also responsible to implement the moral manner in making a decision by taking into account the spiritual capital. This is to avoid the unethical behaviour in the companies. This indicates that SpC would have significant impacts on the way the companies are managed. Hence, this study envisages finding out how spiritual capital would influence the corporate governance in GLCs in Malaysia.

4.0 Research Objectives

Based on the discussion on the research background and problems statements above, this study comes up with the following research objectives:

i. To assess the level of spiritual practices in Government-Linked Companies (GLCs) in Malaysia.
ii. To explore the relationship between spiritual capital and corporate governance in GLCs in Malaysia.
iii. To come up with a new model on corporate governance which is driven by the spiritual capital attributes.

5.0 Literature Review

5.1 Overview of Spiritual Capital

Mallochs (2010) defines spiritual capital (SpC) as an individual ethical and spiritual being. From another perspective, SpC is regarded as a mechanism of the IC that consists of the power, inspiration, spirit and knowledge (Beekun and Badawi, 2005). Based on the SpC Research Program (2003), they state spirituality as “the effects of spiritual and religious practices, belief, networks and institutions that have a measurable impact on individual, communities and societies”. SpC is about the ethical base and the practice of business and it involve the capitalism which it is due to additional of moral and social dimensions. SpC is not concern about monetary wealth but it concerned on the making of profits by running the business (Cornuel, Habisch & Kletz, 2010).

SpC are closely related with the subject of religion, health and well-being. Spirituality and religion are synonyms that may lead the question whether the spirituality and religion are simply one word or not. If not, the researcher should separate the key terms between spirituality and religion. From the previous study, spirituality is hard to define because it consists of reality that transcends words or measure. Today, spirituality can directly measure and observe based on its terms (Clarke, 2009). To differentiate the spirituality and religion, the recommendation has been made between extrinsic which is the religion is meant to an end and intrinsic is religion as a way of life (Lung & Bond, 2013). But this recommendation has been argued that it is difficult and fails to capture the characteristic of spirituality and religion (Cornuel et al., 2010). The conceptual distinction between religion and spirituality has been ignored and it is not helpful to understand the differences between religion and spirituality (Beekun and Badawi, 2005).

Today, in order to reach company objective, value and the responsibilities that are carried out by the employees through their duties are improbable to reach. The reason is because the goals between employees and companies are not congruence. As a result, their performance in the company is low and probably they may take the action to leave from the company. The action that company have to take is they should develop the integrity within the employees and the company itself. Referring to Kakabadse and Steane (2010) findings, the results of the attention of spirituality at the workplace is higher among the individual and the company. Spirituality may motivate individual differences in their own and others life’s through what they do at work (Dsouli, 2010). Cornuel et al (2010) stated “work is not just meant to be interesting or challenging, but that is about things such as searching for deeper meaning and purpose, living one’s dream, expressing one’s inner life needs by seeking meaningful work and contributing to others”.

Early spirituality study in Malaysia was conducted by Ismail (2005) at Telekom Malaysia Berhad. The survey conducted by Ismail (2005) on the company’s employees shows that there are 53.8% from the employees have a negative perception and claimed that Telekom Malaysia does not promote fairly and their promotion does not meet the objectivity of the company. A further 10-19% of the employees expressed their disagreement relating to the clear vision, mission, the inconsistency values of
the company which shows that the company have lack of empowerment (Ismail, 2005). Based on the result, it was concluded that SpC is important in the company because it would add the value of an employee and might automatically increase the spirituality of the employees and company itself.

Based on the review of the literature, the study conducted by Ismail (2005) stated that the SpC are represented by the accountability, supportiveness, self-focus, integrity, motivation, loyalty, ethics, values, culture, team works and others. For this study, we are focusing only at the internal and external behaviour of employees such as the integrity, values, ethics, team works and culture which committed with their performance duties.

5.1 Integrity

Integrity discussed the character of the individual, trust and faith in doing right and wrong act. Kakabadse and Steane (2010) assert integrity can be linked to the values, trust and unity of individual. Integrity refers to the principle which consists of trust that played as a key of individual relationships and without unity, trust may not be endured. Integrity can be measured through an inner compass of the individual which it may be controlled by the sense of direction. To be integrity in the company, the employees or individual should have the self-awareness towards their beliefs, values and motivation that may influence them. By maintaining the economic activities, confidence and protecting the interest of stakeholders, integrity is vital to be existed in the company. Without integrity into protecting the stakeholder’s interest, there may be many influences occur towards the corporate scandals and failure of financial institutions.

Today, most of the Malaysian companies admitted of having unethical behaviour that occurs in their companies which indirectly influences the acts of fraudulent practices. Results from the survey conducted by Omar et al (2012) revealed that 50% of the company facing a serious problem on fraudulent. Previously, survey by KPMG in 2002 stated there are 33% from the company surveyed involved with the fraudulent conducts which resulted in having losses of RM one million and above (KPMG, 2002). Such companies in Malaysia that are experienced in the fraudulent conduct are Transmile Group Berhad, Megan Media Holding Berhad and Tat Sang Berhad.

5.1.2 Culture

Culture involves with basic human activities which comprise about what human beings assume, what human do, and what human beings make. Similarly, several properties arise; culture is share, symbolic, adaptive integrated and transmitted cross generally through formal and informal interaction. Culture in the field of organisation behaviour can linked to the discipline of the employee or stakeholders in the company. Corporate culture is offered as an asset that would be managed to enhance company performance.

Schein (1992) stated culture is the value that dominant to the individual style language and symbols, the procedure and routine that characterized in the company. Cameron and Quinn (1999) defined the culture is developed from the internal and external focus and it’s strive for the flexibility and the individuality or stability of control. Scholz (1987) said culture as the inherent, invisible, fundamental which guide the behaviour of the individuals. But from Institute for the study of Economic Culture (ISEC), proposed that the SpC is across the culture. They had already done the research regarding to the forms, meanings and political investigation.

Referring (Cole, 2014) said workplace culture is influenced by the organisational framework and physical environment. It also may directly or indirectly affect the practices for example dress code, personalization of the workplace and environmental ethic and behaviour. Furthermore, it may affect the organisational structure which is the knowledge admission to that individuals have of the environmental controls and their potential to make changes. Bruce (1996) defined that the religious is part of the cultures which is consists the beliefs, actions that assume the existence supernatural entities of the moral purpose. In order to achieve the organisational goals, culture enables the inner life or the spiritual practice that are basically motivated by the employees. (Fry et al, 2005). Culture of the religion may be consists of set of customs, beliefs and values such as Muslim, Christian and Hindu which is it depends on culture.

5.1.3 Values

The third constructed to the SpC is individual values where it includes the item representing the congruence between company values and individual life. The value is including the involvement between leader and companies. In business prospective the values can be defined as a major influence on a person behaviour and attitude that set as guidelines in all situations. Common business defined value as a justice, innovation and community participation. In the company they are focused on the company’s relationship in its communication that evolved between employees and stakeholders. OECD principle (OECD, 2004) asserts to ensure the stakeholder’s communication is effective and efficiency within the company, the stakeholder should play their responsibility to has interacted with the employee in company. This communication is important to ensure that the stakeholder understand the business framework, company risk, condition of financial and performance of the company. The will help that the stakeholder can maintain their interest in the company regarding to their own interest profit. Other than that, communication is important to disclose the significant information. The information should be honest, intangible, meaningful, and timely and it must spread wide amongst stakeholder’s knowledge.

The previous study such as Kirkman and Shapiro (2001) stressed that values play a practical role that related with the work processes and as an organizational commitment (job satisfaction and work performance). Values also assigned as a central role
(Hensen and Willecox, 1997) in defining the right of individual and the organisations’ employment. The employee will be satisfied and motivated when their values are aligned with the organisational activities. Kluckhohn (1951) define value are crucial toward social system in order to reap positive common desire of the company. Value can be adapted from each of external and internal prospect but it provides a one-of-a-kind meaning to the company (Meglimo and Ravlin, 1998). Schwartz (1996) bringing up that value are essential to create the congruence among individual and company objective even though there are many values will be added from amongst of employees in company where each of them will convey a different value and perception in the company. This may result that value-added among the employees may additionally increase the spirituality of the individual and company itself.

5.1.4 Teamwork

The ‘teamwork’ is defined as a leadership commitment toward company through the monitoring their team management that are responsible to running their task in ensure that the company may achieve their goals (Noghui and Middlebrooks, 2010). Today, to ensure the competitive environment in the company, the employees are asked to show the skills and emotional intelligent that are linked to the individual interpersonal relationship. The company will offer the training programs in order to make their employees develop more creativity skill, teamwork, control the individual emotional and develop their skill in aggressiveness doing the business.

Noghui and Middlebrooks (2010) state the crucial part of the leadership and company persist is the conversation gap. To solve the crisis, the company must give the motivation and advice to their employees. To be a successful teamwork it is depend on how that leader manages their teams in interpreting their ideas to ensure the teamwork will achieve the company objective through their decision making and discussion amongst them. From the SpC’s point of view, leader is the one who will connect with the employees to ensure that they reach the company purposes.

5.1.5 Ethics

Nowadays, director is forced to have responsibility not only to shareholders but there were also responsible to stakeholders itself in running their operation. The director needs to manage frequently in struggling claims from new communities such as environmental development. In addition the director has to recognize the basic of definition of corporate ethics.

Gracia (2012) stated that SpC is linked to ethics which it is more suitable to assign moral and given the collective character. Referring to Hashi (2011), ethics is attempts the value of right and wrong of human action mainly about “what human ought to do”. It indicates human attempt of studying code of ethics to ensure that individual has the correct understanding of ethical behaviour. In addition, Islamic ethics is defined as a guideline of right and wrong which set down what human ought to do as stated by Quran and shown in the excellent life through action and words. Ethics can be improved or protected through the power of faith (Yaken, 2006).

5.2 Corporate Governance

According to Rasidah (2011), CG is the system where the companies or the organization are concentrating and organised. It is a relationship between the companies’ board and its shareholders and stakeholders and individual who are interested in a business as stated by OECD Principle of Corporation. It improves business expansion and corporate responsibility as stated by Finance Committee.

The meanings of CG depends on the different views and perception of people. Shleifer (1997), for example, outlines CG as the way in which related to managing money providers to corporation and corporation assure themselves of getting money made on their investment. Naidoo (2011) strongly expresses that CG concern with holding the balance between the money-based and social goals and between an individual and collective objective. It includes a collection of relationship between management and company, an organization, board of director, shareholders and stakeholders and deal with obviation and less deleterious of the conflict of interest of stakeholders.

Today, the consequentiality of CG has been highlight over the world as it has been blamed as one of the fundamental courses of serious problem. The authorities in Malaysia extremely concern with respect to legitimate CG accomplishment in each company. Therefore, there have made a real effort to improve the country’s CG framework for the past recent years as expresses by the Institute of International Finance.

5.3 Government Linked-Company in Malaysia

Government-Linked Companies (GLCs) are companies that have a main objective within which the Malaysian government incorporates a direct controlling stake to appoint board of directors (BODs), senior management, also as creating major selections for the companies. GLCs compose a huge influence of the economic structure in Malaysia as they are the most suppliers of the core strategic utilities and service of Malaysia that together with water and sewerage, electricity, finance and monetary service, and public transports. In addition, GLCs frame for 34% of the capitalization of Bursa Malaysia. Moreover, these companies additionally play an important role in the areas of industrial policy and development, also as in international economic linkages (Putrajaya Committee on GLCs High Performance [PCG], 2006).
The introduction of the “silver book” (in July 2005) is commonly of the ten initiatives enclose within the GLCs transformation manual (PCG, 2006). The Silver Book set tips on how GLCs drive proactively contribute to the society. GLCs are embolden encourage to attenuate the impact of their business activities through the procedures, goods and services toward the atmosphere (PCG, 2006). This indicates that GLCs play a major role in Malaysia’s development.

5.4 Related Theory

This study shall select and discuss two theories that are related to the objectives of this research. Those theories are the agency theories and stakeholder theories. The theories are discussed below:

5.4.1 Agency Theory

Agency theory concepts identify potential conflicting attention among parties within a company (agent and principal), which in turn have an effect on corporate behaviour approaches (Jensen and Warner, 1988). Agency theory alludes to any connection happen between the principle and agent because of the welfare of the recommendation by the agent. As the agent would not act faithfully to principal’s interests, the strife will be arising and hence the conflicts exist.

Based on Carpenter and Westphal (2001), BOD consists of a balance of proficiency and capabilities that collectively constitute a pool of social capital, and provides worth in executing the board’s governance function. Qualifications of individual board members are imperative for resolution making. For example, the tracking position may be efficaciously carried out if the board members are qualified and experienced.

There are studies from Fama and Jensen (1983) which indicate that the larger the number of Non-Executive Directors (NEDs) on the board, the higher they are able to fulfil their role in tracking and controlling the actions of the Executive Directors (ED), as well as imparting a window to the outside world. Those ideas played a meaning role as the Board of Directors are extensively identified as an importance mechanism for tracking performance of managers and defensive shareholders’ securities.

5.4.2 Stakeholders Theory

Stakeholder theory is a conceptual framework of business ethics and organizational management which address moral and ethical values inside the management of a company or other institutions. Apart from shareholder of the company, who are also the proprietors of the company, different interested parties related to the company need to look after their wishes and targets. In addition, they too, make a contribution to the well-being and performance of the company. In short, stakeholder’s theory is used as a basis to analyse those groups to whom the company should be responsible. A company may be defining as a series of connections of stakeholders that the managers of the company attempt to handle (Freeman, 1984).

Stakeholders are labelled into two groups, which consist of primary stakeholder group and any other being the secondary stakeholders group. Primary stakeholders are those who have preserving with participations that provide contributions to the crucial survival of the company. The examples of such stakeholders are the financiers, employees, customers, governments, communities as well as suppliers. On the other hand, secondary stakeholders are parties that are inspired via the company. They are not too crucial for its survival or not really engaged in transaction with the company directly.

5.5 Theoretical Framework

Based on the literature review and theoretical discussed above, this study comes up with the following theoretical framework.

5.6 Hypotheses Development

5.6.1 Integrity and Corporate Governance

The result on the relationship between integrity and corporate governance appear to be mixed. Past research find that integrity is significantly has positive relationship with organization performance. Integrity should be demonstrated in a complete manner in both individual and organizations that play an important role to help propel the Malaysian’s economy to high income economy
and also can to gain good corporate governance (Aziz, 1999). Integrity has been the main theme in social science literature especially in the area of organizational and ethics behaviour (Trevinyo-Rodriguez, 2007). (Kaptain and van Reenen, 2001) have stated that “discussions about the concept of integrity usually refer to the characteristic that only human can have”. Since the organization involves people and their relationship with each other is quite important in ensuring that the organization thrives among its competitor, it is appropriate to conceptualize integrity as an organization level concept and also the corporate governance. Hence, based on the previous research done, the study comes up with the following hypothesis:

**H1: There is a significant relationship between integrity and corporate governance.**

### 5.6.2 Culture and Corporate Governance

North defined culture as “communities of common ideologies and a common set of rules that all believe in” (North, 1987). Culture mobilizers’ individuals and turns them into a community with shared norms and values, where individuals make choices on the basis of their mental models. Past research found that culture is significantly has positive relationship with corporate governance. Theorist, practitioners and policy makers share the view that that culture gives impacts to the corporate governance which is ethnicity, customs, beliefs, shared, values and religion appear as primordial factors that affect effective system of corporate governance. (Stulz and Williamson, 2003) and (Litch et al., 2005) find that differences between national cultures can explain cross-country differences in corporate governance. Therefore, the study posits the following hypothesis:

**H2: There is a significant relationship between culture and corporate governance.**

### 5.6.3 Values and Corporate Governance.

Values are the organization-specific features determining the way of thinking, behaviours and responses to the events (Karadal, 2013). Personal values and interval motivation are among personal characteristics that are found in the literature to give impact on entrepreneurial orientation of entrepreneurs (Baum & Locke, 2004). The theory of Human Values assumes that the way people act or behave represent their sets of values as these values are beliefs on what is right and what is wrong to do. While, Schwartz (1992) stated that the theory of human values is the human values that will influence behaviour as values guide decisions and actions to some extent. In addition, Elizur and Shye (1994) proved that the both personal values and self-efficiency are link together. From the literature, an overall finding from most studies that examined the direct impacts of self-efficiency on either entrepreneurial orientation or formation of entrepreneurial firms conclude that individuals with higher self-efficiency have higher entrepreneurial orientations. A possible interpretation could be that the individuals who are having courage including honesty and discipline have higher self-efficiency to be innovative and risk taker. Thus, this research comes up with the following hypothesis:

**H3: There is a significant relationship between values and corporate governance.**

### 5.6.4 Teamwork

The relationship between teamwork and corporate governance appears to be directly. According to Bailey (1999), a team of workers is a collection of individuals who depend on the tasks and responsibilities for the decision. Team allows people to collaborate, improve individual skills and give constructive feedback to any conflict between individuals. Teamwork enhances the skills, knowledge and abilities while working in teams Marchington (2005).

The attitude of the team will improve the cooperation and trust within each individual to improve the capacity, expertise, skills and knowledge as well as accountability and commitment to the team and ready to perform tasks as a team. With teamwork can affect the SpC in each individual in which it is involve contributions from leadership and management to achieve a quick and accurate.

**H4: There is significant relationship between teamwork and corporate governance**

### 5.6.5 Ethics

Ethics has been defined in a variety of ways, such as study of morality and inquiry into the nature and grounds of morality where the term morality is taken to mean moral judgments, standards and rules of conduct and the code of moral principles and values that governs the behaviours of a person or group with respect to what is right or wrong (Dimitriades, 2007).

The attitude of the team will improve the cooperation and trust within each individual to improve the capacity, expertise, skills and knowledge as well as accountability and commitment to the team and ready to perform tasks as a team. Based on the MCCG 2012 it focuses on clarifying the role of the board in providing leadership, enhancing board effectiveness through strengthening its composition and reinforcing its independence. The MCCG 2012 also encourages companies to put in place corporate disclosure policies that embody principles of good disclosure. Therefore, with teamwork can affect the SpC in each individual in which it is involve contributions from leadership and management to achieve a quick and accurate.

**H5: There is significant relationship between ethics and corporate governance.**

### 5.6.6 The impact of spiritual capital towards corporate government in GLC’s
The result determines the influences of SpC on the performance of a Malaysian GLC’s leveraged against company’s performances where theoretical and empirical contributions to the literature on the influence of intellectual capital on the effect of SpC and firm’s performance were most important. SpC is the effects of spiritual and religious practices, beliefs, networks and institutions that have a measurable impact on individuals, communities and societies (Liu, 2010). Furthermore, Marques (2008) found that spiritual behavior in an organization will lead to enhanced corporate performance and benefits to the various stakeholders. Therefore, the SpC required on all employees because they are sharing a common belief and believe that working is part of their acts of devotion to god which result in their thankfulness, commitment, loyalty, sincerity, honesty and that they are ethical and truthful in performing their duties and following the principle and tenets of good corporate governance to provide considerable benefits to the company.

H6: There is significant relationship between spiritual capital and corporate governance practices in GLC’s.

6.0 Research Methodology

Besides content analysis, data will be collected via survey questionnaires and/or semi-structured interviews with the Board of Directors and/or management teams of the Government-link Companies (GLCs) in Bursa Malaysia based on the convenient sampling. There are 462 lists of GLC’s in Malaysia (The Daily Sun, 8 November 2015. However, for this research we only will take top 20 GLC listed companies based on the market capitalization¹. The purpose of the data collection is to answer the first two research objectives above. Rasch modelling techniques will be used to validate the sample respondents and responses. Factor analysis will be used to analyse the data in order to identify the important factors that contribute to the good governance practices as far as spiritual capital (SpC) is concern. Subsequently, multiple regressions will be conducted to examine the correlation of the SpC and the CG practices. The results of the analysis will be summarised and a model shall be developed based on the spiritual capital attributes that will enhance excellence governance practices for the GLCs.

7.0 Significance Of The Study

Many studies were conducted on the corporate governance but majority of them focus on the ‘hard parts’ of the issue such as the composition of the Board, the financial and industry knowledge, the remuneration, the disclosures and others, but few research was done on the ‘soft parts’ of the CG. Thus, this study focuses on the spiritual capital attributes that is vital in shaping the attitudes and behaviour of the people involved in managing the business. The outcomes of the study are expected to contribute to the betterment of corporate governance practices in GLCs in particular and Malaysian companies in general.

The new model of the corporate governance ‘best practices’, based on the SPC, shall be applied by the GLCs as well as other companies in Malaysia. The Security Commission of Malaysia or the Malaysian Institute of Corporate Governance (MICG) may adopt the model to provide guidelines to Malaysian companies. These companies may disclose their spiritual capital practices in annual reports or other forms of announcement. Potential investors and other stakeholders will be able to evaluate the company’s governance practices in due course.

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¹ Market capitalization is where the share prices times with the number of outstanding of publicly traded companies that determine the size of the business corporation.


The Malaysian Code of Corporate Governance 2012.

