

ENHANCING THE ACCOUNTABILITY OF MALAYSIAN GOVERNMENT LINKED COMPANIES THROUGH SUSTAINABLE COMPETITIVE ADVANTAGE AND VALUE CREATION

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ABSTRACT

Value creation is an essential element needed in every organization for sustainability in the global market. Value creation can be reflected through continuous improvement in the organization's earnings per share and the high level of operational effectiveness and competitiveness. Government-linked companies (GLCs) are organizations in which the government contributes more than fifty percent of capital and is expected to be actively involved in value creation to reflect high level accountability to taxpayers' money. However, despite many efforts by the government to improve the performance of GLCs, several studies have found a lack of value creation among GLCs that led to their closure. The resource-based view argues that an organization that possesses capabilities often create more value. This study aims to test resource-based view's proposition by examining whether companies with high sustainable competitive advantage can create high value. This study examines four components of sustainable competitive advantage: innovation, entrepreneurship, learning, and market orientation. Results show that the existence of the significant relationship among learning orientation, entrepreneurship orientation, and market orientation on value creation. However, this study finds that high innovation does not lead to better value creation in the context of Malaysian GLCs.

Keywords: government-linked companies, innovation, organizational learning, sustainable competitive advantage, value creation

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INTRODUCTION

Value creation is an important element that contributes to sustainable competitive advantage (Kraaijenbrink & Spender, 2011). Without value creation, an organization will have no added value and no reason for the organization to exist in the market (Kraaijenbrink & Spender, 2011; Sulaiman, Omar & Abdul Rahman, 2005) Value creation can improve organizational performance by maximizing earnings per share and ensuring high levels of operational effectiveness, and it enables organizations to remain competitive in the market (Gholami, 2011). Therefore, the Malaysian government has decided to corporatize or privatize some of its companies, and this move has led to the formation of government-linked companies (GLCs).

The Malaysian government has taken many initiatives to ensure that GLCs become more accountable to the money invested by the government. One of the initiatives is to transform the companies into high-performing companies (Putrajaya Committee)¹. GLCs are given more opportunities in terms of funds and growth because of their close connection with the government (Ting & Lean, 2011). In 2004, the Malaysian government introduced a program in an effort to provide the transformation initiative of GLCs to enhance board effectiveness through its Green Book. However, Lawler and Mohrman (2013) argued that focusing only on the board structure could not guarantee the effectiveness of an organization. Previous studies have supported their argument and have found that good leadership teams alone could not guarantee the organization's sustainability in the global market (Ishak & Ahmad, 2010).

Several studies in accounting literature have suggested that an organization needs to have products or services that are unique from those of its competitors. This approach can be done by differentiating products and services from those of its competitors and creating value to the organization's products or services. The organization creates competitive advantages (Jurevicius, 2013) and offers great value to customers through the offering of lower prices, better quality products or services, continuous improvement, service delivery, and product innovation. This approach is consistent with

¹ Retrieved from <http://www.pcg.gov.my/FAQ.asp>