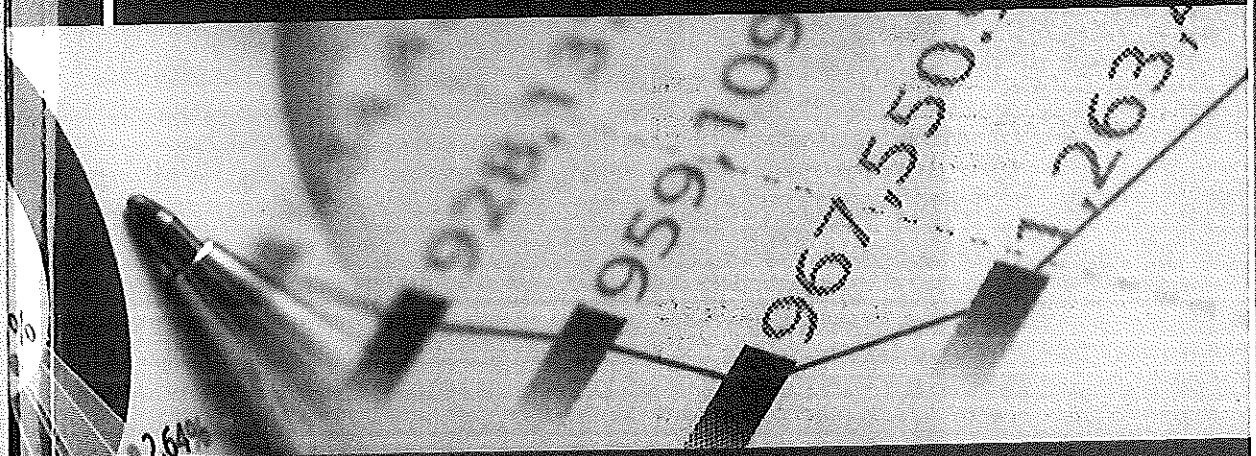


# CORPORATE GOVERNANCE PRACTICES IN MALAYSIA



**Editors**

**Zulkarnain Muhamad Sori • Ridzwana Mohd Said  
Mazrah Malek • Rosmila Senik**

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## Chapter 3

# Towards Islamic Worldview Based Corporate Governance Framework

Shiela Nu Nu Htay

## INTRODUCTION

The importance of corporate governance (CG) emerged together with the birth of corporations. Most of the codes and literature on CG are derived from recommendations from the concept of agency theory which focuses on the agency relationship between the shareholders (owners) and directors (agents). However, nowadays the accountability of directors has been broadening since they are responsible not only to the owners but also to the stakeholders such as suppliers, customers and employees. Therefore, if the trend of the evolution of the CG is observed, shareholder-centred role of the directors has been integrated with responsibilities towards the stakeholders. It can be assumed that the current CG guidelines are a combination of the concepts of stakeholder theory and agency theory. Hence, overall progress of the development of the conventional CG codes has been done with a problem solving approach by tackling emerging problems.

Moreover, even with the existence of the guidelines, CG failures still exist, for instance, Enron, WorldCom, HealthSouth, Pamalat, Jinro Ltd, and Tyco international companies. Hence, the effectiveness of the existing codes is questionable since they are not concrete solutions. In the researcher's opinion, it might be for the reason that they are man-made