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ATTITUDE OF CORPORATE MANAGERS AND STOCKHOLDERS WITH RESPECT TO GOOD GOVERNANCE IN A DEVELOPING COUNTRY: A CASE STUDY OF BANGLADESH

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ABSTRACT

This study showed the perceptional differences between corporate managers[1] *and stockholders*[2] *regarding good governance. The study is conducted among 25 pairs of senior managers and stockholders from 25 randomly chosen corporations*[3] *in Bangladesh. Different statistical tools like numeric scale, discriminant analysis, descriptive analysis, t-test, F-test were used for the comparative analysis. Regarding good governance, it is found that the corporate managers and stockholders possess opposing view. While managers of the studied firms find governance of their companies is quite well but stockholders view that it is very poor. This happened especially in terms of turnover, production, capital, leverage, debt service, credit policy, solvency, human resource, recruitment, technology, customer satisfaction, internal control, strength, opportunity, competition, industry position, collective bargaining agent (CBA) issues and economic remedies which the study found the groups differ in perception; whereas, they have similar view in terms of adequacy of research fund, company weaknesses and threats, contingency plans, presence of political influence. The managers think that the companies do not have enough retained earnings and these should not be distributed among stockholders, but the stockholders think otherwise. Managers always perceive that they are underpaid whereas stockholders express the opposite view. Each group believes that it is the other group that dominates the decision-making. While both the groups want to have mutual interaction but stockholders want to interact more than the mangers. No doubt this attitudinal differences are not good for smooth functioning of the corporations, what is needed is openness, more dialogues, mutual trust and understanding of each other. The study also noted that corporate managers' tenure is more with the company than a stockholder's holding of stock. It is also found that the managers are better educated than the stockholders. The study observed more male domination both in management position and stockholding of the corporations. Though both of the groups belong to same age level but their distribution shows that the stockholders entering the share market at an early age.*

CORPORATE GOVERNANCE ISSUES

The degree of closeness of manager-stockholder relationship has a significant influence on the governance of companies. The basic nature of executive work calls for an intimate relationship, but diffused and arm's length stockholders cannot provide good oversight or counsel and often evoke mistrust and hostility. To make good governance a reality, what is needed is a combination of visionary policies and bold actions (Haque, 2002). In addition the relationship among various participants in determining the direction and performance of corporations, and to add value to as many organizational stockholders as possible is also important (Bain & Band, 1996; Monks & Minnow, 1995). Hample Committee Report (1998) recommend the continuation of a voluntary or self-regulation, rather than statutory, approach to corporate governance. Cadbury and Greenbury reports were produced in response to widespread concern about particular aspect of corporate governance, namely corporate fraud and excessive pay, etc. (Cadbury, 1992; Greenbury, 1995).

Globalization of trade and commerce has also put subtle pressure on local banks and other financial organization to adopt corporate governance, which in turn help them tap international market and expand their business. To meet this challenge, organizations such as International Accounting Standard Committee (IASC), the Bank for Intentional Settlements (BIS), International Organization of Security Commission (IOSC), World Trade Organization (WTO), International Labor Organization (ILO), etc., have responded by establishing standards and norms related to important aspect of corporate governance.

Corporate Manager-Stockholder Dilemma/Dichotomy

Corporation is the place where both corporate manager and corporate stockholder play their roles to maximize the value of the entity. Corporate managers – unlike agents who execute specific tasks under the direction of their principal like doctors or lawyers – have a broad responsibility: a fiduciary one to act in the best interest of stockholders. As with other fiduciaries, their performance cannot be assessed according to a mechanical formula. Corporate stockholders must weigh the outcomes that they observe against their guesses such as what would have happened if managers had followed other strategies. Losses do not necessarily establish managerial incompetence, the alternatives might have been worse. If concrete performance objectives have been set, then shareholder can judge whether managers are playing games with the targets, e.g., if they are meeting cash flow goals by saving on maintenance (Bhide, 1994).

The stockholders-managers relationship gives rise to a potential conflict between the objectives of the individual manager and the objectives of the stockholders.

This is known as agency problem – where the managers may place their personal goals and objectives above those of the company and act accordingly (Fama, 1980). What is needed is for the concept of shareholder to be broadened to that of stakeholder. All those affected by corporate behavior – the general public, workers, consumers and the surrounding committee – ought to have some representation on corporate boards. The core argument that is more of a psychological and motivational is that people function best if they have specific responsibilities for which they are accountable by means which are transparent, viable, and respect the realities of human nature.

To make truly fair evaluations, therefore, shareholders must maintain an ongoing dialogue with managers, which in reality, is almost impossible. Indeed, manager must conceal strategic information from them. When a company like Apple struggles to convince potential buyers that its hand held computers have to stay, for example, its managers cannot reveal to stockholders how disappointing the early sales have been. Moreover, managers who disclose more than what the rules require risk shareholders suit. Almost 17% of Chief Executive Officers (CEOs) surveyed by the American Stock Exchange reported that their companies had been sued in the past five year over voluntary disclosures they had made in analysts meetings, press releases or speeches (Zipser, 1994).

Managers are forced to be in their own boundary. They cannot debate critical strategic issues in public and inside trading rules discourage private disclosures. Almost inevitability, their dialogues with the investment community revolve around quarterly earnings per share estimates, even though both sides know well that those figures have little long run significance. How whole-heartedly managers will advance the interest of anonymous shareholders is also questionable, and how and where should managers draw the line is important (Bhide, 1994).

Equity Market

The alienation of stockholders and managers makes public equity markets an unreliable source of capital. Large public corporations from all the major industrialized nations apparently issue common stock to raise funds only in the most exigent circumstances and macro economic evidence suggests that the quantity of funds raised by new equity issued especially by established companies appear to be relatively insignificant (Baskin, 1988). When public companies do issue equity, it is rarely to fund attractive new projects. Instead, they issue equity to reduce their leverage in anticipation of increased business risk and therefore increased probability of bankruptcy. Investors in turn regard stock issues with great suspicion. Investors recognize that manager have superior information and interpret (equity) offer announcements accordingly. The study shows an average 3.1% risk adjusted drop in stock price in the two days surrounding an equity offer announcement (Healy & Palepu, 1989).

Windows of Opportunity, Unpredictability and Unplanned Diversification

The stock market does, on occasion, allow companies in fashionable industries to issue stock at lofty prices. But such instances usually represent episode of market mania or what underwriters call windows of opportunity. When the window closes, investors dump the stocks wholesale and don't give the category another chance for a long time. For example, when the market for biotechnology issues was hot, any company whose name included some part of the words biology, technology or genetics could issue stock without any products revenues or profits. But later, when valuations dropped back down to earth, good biotech companies couldn't raise capital in the public markets to fund their research and development (R&D) (Bhide, 1994).

The market often valued favored companies believing multiples of their future earnings. But companies fall in and out of favor unpredictably. The market abruptly switches from a rosy long-term view of biotechnology to a fascination with multimedia companies. Understandably so without inside knowledge of companies' strategies and performance investors follow the crowd. Managers, in turn, pursue strategies to protect their companies against apathetic or fickle investors. Uncertain about access to capital when the company might need it, managers avoid paying out earnings to stockholders even when it does not. They reinvest profits sometimes in marginal project and outside shareholders can do little about the situation (Chandler, 1990). In more recent periods, the managerial propensity to retain earnings has led to investment in business that should be shrunk. Managers leave the exit to others while they continue to invest, so they will have a chair when the music stops (Jensen, 1993).

Indifference and Hostility

Indifference and hostility are also reflected in operating inefficiencies. The worst affront to RJR Nabiscos stockholders wasn't the perks for the CEO's dog. It was the instruction to the head of the Nabisco division not to generate too much profit in any one year so that the company could report smoothly growing earnings. Apparently, many managers don't try very hard for anonymous shareholders. Several studies have documented dramatic improvements in profit margin, cash flows, sales per employee, working capital, etc., after leverage buyout transactions that replaced diffused public stockholders with a few private investors. Average operating earnings increase by 42% and cash flow by 96% in the three years after public companies are taken private (Kaplan, 1989). Trust that the people with whom you deal will not only obey the law but will also fulfill the fiduciary responsibilities inherent in their relationships is as essential to the working of the capitalists system as a sound currency and a reliable legal system (Stein, 1990).

Social Norms and Corporate Governance

Social norms provide little guidance. In Japan, the chairman of the national airlines is expected to resign when a pilot's error cause a plane crash. But in the United States (US) there is no standard for how Exxon's chairman should atone for the multibillion-dollar Valdez disaster. Rather, the identity and value of the particular individuals whose approval manager seek have much greater influence on their behavior. For example, CEOs who want to impress other CEOs and who have no contract with their shareholders will find it easier to convince them that a corporate jet makes them more productive. Executives know their stockholders and value their esteem, however, will probably be more careful stewards. Similarly, shareholders are more apt to ascribe poor performance to managerial incompetence than to bad luck if their perceptions have been shaped by colorful report in the press than by personal relationship with a company's manager (Bhide, 1994).

Unfortunately, thanks to the rules, manager and shareholder in the US now regard each other with suspicion. CEOs complain that investors fixed their eyes on quarterly earnings and are ignorant of companies market, competitive position and strategies and therefore cannot evaluate managers. Investors see many CEOs as entrenched overpaid and self-serving. As Peter Lynch, the former manager of Fidelity's fund, half jokingly remarked, "I only buy business a fool could run, because sooner or later one will." Conversely, CEOs could well ask how the manager of the multibillion-dollar funds even remembered the names of the 1,000 or so securities in which he invested (Bhide, 1994). In the ethical text compiled by Pratley (1995), Charles Handy states that:

> An ethical company is one that does what it believes in, and if it does it well, then the stockholders will be benefited. People will work better and the company will be respected by everyone including customers and clients.

Corporate Governance in Bangladesh

A developing country like Bangladesh cannot afford ill governance particularly in the context of its relationship with the international development community. Development partners recognize a growing demand for reform in governance worldwide. Accordingly, global corporate governance forum has been convened recently to provide assistance on corporate governance to developing economies (Hample, 1998). Such an initiative has received new urgency because of global financial crisis and major corporate failures that shook major financial centers of the world. Performances of financial institutions, public or private, are directly related to economic development and social progress. Any disruption in this area due to weak governance can cause misery and sufferings to the people in general and poor in particular. As such corporate governance has become a critical issue closely related with proper functioning of financial regulatory bodies.

Precedence of major corporate failures like Bank of Credit and Commerce International (BCCI) and a few others in Bangladesh have been attributed to corruption, fraud, incompetence, and abuse of power at the highest level. Every such failure has resulted in evolving better system, more laws and regulation, and their implementation within the framework of corporate governance. Currently the Bangladeshi government has formed a committee to reshuffle the companies' act 1994 by incorporating details statutory governance bindings for companies. In addition there has been also an initiative to make code of corporate governance. Also there has been a tremendous pressure on foreign associates and sister concern to comply with very recently introduced Surbae-Oxley Act to improve their governance.

RESEARCH QUESTIONS

The literatures show that corporate managers and stockholders perceptions in different issues often conflicting. In a developing country like Bangladesh, efficient and effective stock markets are the prerequisite for development and that ultimately will be based on smooth and follow up relationship between managers and stockholders. These two groups must be linked up from their different perceptions to govern corporation for its best prospective way. The broad intended objective for the study undertaken is to measure attitude of managers and stockholders with respect to good governance of the company. The basic research question would be: *How different are the managers and stockholders view in terms of various aspects of governance, retained earnings, dividend payments, managers' remunerations, decision making, mutual interaction and good governance in general?* The above-mentioned parameters and sub-parameters (for measuring aspects of governance mentioned in specific objective 2) are most often considered as a measure of good corporate governance in Bangladesh.

The specific questions addressed in this regard are:

1. Do managers and stockholders differ in their profile such as involvement with the company, Annual General Meeting (AGM) attended, educational qualification, gender and age?

2. Do managers and stockholders differ in various aspect of corporate governance such as turnover (sale), production, capital, leverage, debt service, credit policy, solvency, human resource, recruitment policy, technology used, customer satisfaction, R&D, internal control, strength, weakness, opportunity, threat, competition, sound plan, position in industry, CBA/Employees' Association, political influence, remedies for depression?

3. Do managers and stockholders differ in adequacy, distribution and alternative utilization of retained earnings?

4. Do managers and stockholders differ in dividend payments for magnitude of dividend and change in dividend policy?

5. Do managers and stockholders differ in managers' remuneration for magnitude of remuneration and change in remuneration structure?

6. Do managers and stockholders differ in corporate decision-making?

7. Do managers and stockholders differ in mutual interaction among themselves?

8. Do managers and stockholders differ in corporate governance in general?

METHODOLOGY

This paper is basically exploratory in nature. The main sampling units are top-level managers and highly invested stockholders of the public limited companies (PLCs). The detail research parameters are enumerated below:

Sampling Frame

The sampling frame of this study consists of the corporate managers and shareholders of the studied PLCs. The sample frame has been derived from the list of PLCs provided by the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). Only those companies have been taken which have been enlisted in both the aforesaid stock exchanges. There are 163 PLCs enlisted in both the stock exchanges at June 2002. These companies have been divided into 10 strata such as, (1) bank, (2) engineering, (3) food and allied, (4) fuel, (5) textile, (6) pharmaceuticals, (7) paper and allied, (8) service, (9) insurance, and (10) miscellaneous.

Sampling Unit

Sampling units are the managers and stockholders chosen in pair from different PLCs. Thirty PLCs were selected primarily from the various strata. Ultimately, 25 PLCs were validated at the analytical level. Proportionate stratified random sampling method has been used to select these 30 from the aforesaid 10 strata. One paired sampling unit consists of one corporate manager and one stockholder of a particular PLC.

Interview Procedure

After preparation of the sample frame, unit and size, a sample size of 35 were selected for interview to meet the target of 30. Endeavor has been made to all 35 respondents with the request for seeking an interview. Out of the 35 respondents, only 31 responded. Of these 31, 27 agreed to cooperate and the rest finally regretted. The survey started with the visit and interview of these 27 respondents. During the interviewing process, initiatives have been taken to approach and persuade the other respondents those did not respond to the first request for giving interviews but ended with failure. Because of inadequate and incomplete information, two of the interviews were dropped from the survey. After final scrutiny, only 25 were retained.

Sources and Collection of Data

The data of this study has been collected through interviews in person. The interviews were conducted with a structured questionnaire. Secondary sources including the annual audit reports, management reports and other documents of PLCs were also consulted. Stockholders are selected randomly from company's Member Register[4] and contacted by the address given thereupon. In few cases of failure in contacting selected stockholder, next one in the resister was selected and contacted in the same procedure.

Measurement

The study undertaken is mostly involved in measuring attitude of managers and stockholders in good governance and other related aspects. A 7-point Likert scale[5] has been given to each respondent. A typical numerical scale is as follows:

Strongly Disagree	1	2	3	4	5	6	7	Strongly Agree

This numerical scale utilizes bipolar qualitative adjectives in the same manner as the likert differential. After measuring the attitude in quantitative terms, different statistical tools are used to analyze and draw conclusion about them.

FINDINGS OF THE STUDY

Manager and Stockholder Profile

Involvement in company activities

The study shows that on an average, a corporate manager's tenure is much more with the company than a stockholder's holding of stock (62.16 months vs. 28.12 months). Majority of the managers (48%) are involved with their organizations for a period between 30–60 months, whereas majority of the stockholders (64%) keep the stocks of a company for a period of 1–30 months (Table 1). It is also noted that a significant (24%) portion of the managers works for a company for 60–90 months. Similarly 36% of the stockholders keep the stocks for a period of 30–60 months. This may be due to the fact that a manager is much more close and loyal to his/her job where a stockholder frequently buys and sells his/her stocks as and when opportunity comes.

TABLE 1
INVOLVEMENT OF MANAGERS AND STOCKHOLDERS
IN COMPANY ACTIVITIES

Involvement (Month)	Manager		Stockholder	
	Frequency	Percent	Frequency	Percent
0–30	3	12	16	64
30–60	12	48	9	36
60–90	6	24	0	0
90–120	4	16	0	0
Total	25	100	25	100
Mean	62.16		28.12	
Std. Dev.	27.98		13.11	

*Mean and standard deviations are different at 5% level of significance

AGM attendance

It is found that the managers' average number of attendance in the AGM is not significantly different ($\alpha = 0.05$) than that of the stockholders (2.80 vs. 2.28), though numerically the managers' attendance is slightly higher than the stockholders (Table 2). This can be rationalized in the sense that though the managers are obligated to attend the AGMs, whereas the stockholders are not, but both has interest in the AGMs to set the future strategies of the organizations.

TABLE 2
NUMBERS OF AGM ATTENDED BY
MANAGERS AND STOCKHOLDERS

AGMs attended	Manager		Stockholder	
	Frequency	Percent	Frequency	Percent
1	6	24	6	24
2	4	16	9	36
3	7	28	7	28
4	6	24	3	12
5	1	4	0	0
6	1	4	0	0
Total	25	100	25	100
Mean	2.80		2.28	
Std. Dev.	1.38		0.98	

*Mean and standard deviations are different at 5% level of significance

Education level

The study shows that average corporate managers hold higher educational status than average stockholders. As can be seen from Table 3 that none of the managers are holding below a bachelor degree, whereas, 24% of the stockholders are in this level of education. Also it is worth noting that majority of the managers (56%) hold graduate degree in comparison to only 32% of the stockholders. But in general it is observed that majority of the stockholders (44%) have a undergraduate (bachelor) degree in education.

TABLE 3
EDUCATION LEVEL OF MANAGERS AND STOCKHOLDERS

Education level	Manager		Stockholder	
	Frequency	Percent	Frequency	Percent
Up to high school	0	0	6	24
Bachelor	11	44	11	44
Graduate	14	56	8	32
Total	25	100	25	100

Gender

There is serious gender biasness both in management positions and stockholding of the corporations. A hundred percent male manager participation and 96% male stockholder participation in the study do advocate this gender inequality. It can be noted here that male in decision making in almost every aspect of life dominates Bangladeshi culture.

TABLE 4
GENDER DISCREPANCY OF MANAGERS AND STOCKHOLDERS

Gender	Manager		Stockholder	
	Frequency	Percent	Frequency	Percent
Male	25	100	24	96
Female	0	0	1	4
Total	25	100	25	100

Age

The study shows that both the groups belong to same age level (35 years for managers vs. 33 years for stockholders) with no significant difference ($\alpha = 0.05$) between the group's mean age. Majority of the managers (36%) fall in the age group of 30–40 years in comparison to majority of stockholders (44%) mean age between 20–30 years. It can be noted that the age distribution of managers are symmetrical, whereas the age distribution of stockholders are more skewed to the right. This indicates that the stockholders enters into the share market at an early age and gradually move into some other business.

TABLE 5
AGE DISTRIBUTION OF MANAGERS AND STOCKHOLDERS

Age (Years)	Manager		Stockholder	
	Frequency	Percent	Frequency	Percent
<20	0	0	0	0
20–30	8	32	11	44
30–40	9	36	8	32
>40	8	32	6	24
Total	25	100	25	100
Mean	35		33	
Std. Dev.	8.16		8.16	

*Mean and standard deviations are different at 5% level of significance

Attitudes of Managers and Stockholders

In the attitude measurement the study focused on perception of managers and stockholders regarding the issues of governance, retained earnings, dividend payments, remunerations, dominance, and mutual interaction. The following subsections enumerated the findings regarding the managers and stockholders attitude in each of these areas.

Governance

To compare the governance related attitudinal differences between the managers and stockholders, the respondents were given 23 company governance related options to rank in a 1 (strongly disagree) – 7 (strongly agree) scale (Table 6). It has been found that the managers and the stockholders posses different attitude in 18 issues out of 23 given options (Table 6). In terms of turnover, production, capital, leverage, debt service, credit policy, solvency, human resource, recruitment, technology, satisfaction, internal control, strength, opportunity, competition, position, CBA, and remedies the managers and stockholders attitude differ, i.e., towards these variables they are not agreeable with each other. For example, when a manager says the company's turnover is satisfactory, a stockholder says that it is not. But they agree for issues like R&D, weakness, threat, plan and political influence. For example, when a manager says that the company has weakness in many areas; a stockholder says that it has.

TABLE 6
ATTITUDE OF CORPORATE MANAGERS AND STOCKHOLDERS
REGARDING COMPANY'S GOVERNANCE

Sl. No.	Parameters/Variables	Manager		Stockholder		Sig. level (α)
		Mean	Std. Dev.	Mean	Std. Dev.	
V1	Company has satisfactory turnover	5.56	1.26	3.16	1.34	0
V2	Company has satisfactory production	5.52	1.29	3.32	1.31	0
V3	Company has adequate capital	5.48	1.23	3.56	1.08	0
V4	Company has reasonable leverage	5.40	1.29	3.60	1.12	0
V5	Company has good debt-service capability	5.24	1.23	3.76	1.16	0
V6	Company has standard credit policy	5.04	1.59	3.44	1.47	0.001

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TABLE 6. *(Continued)*

Sl. No.	Parameters/Variables	Manager		Stockholder		Sig. level (α)
		Mean	Std. Dev.	Mean	Std. Dev.	
V7	Company has overall solvency	5.56	1.26	3.40	1.26	0
V8	Company has potential human resource	5.48	1.39	3.84	1.28	0
V9	Company has sound recruitment policy	5.84	1.52	3.92	1.35	0
V10	Company uses state of the art technology	5.04	1.49	3.40	1.32	0
V11	Company's customers are satisfied	5.16	1.07	3.24	1.39	0
V12	Company has adequate R&D fund	3.60	2.04	2.80	1.55	0.130*
V13	Company practices effective internal control	5.88	1.51	3.80	1.58	0
V14	Company has strength potential	4.68	1.75	3.04	1.21	0.001
V15	Company has potential weakness	4.04	1.34	3.76	1.20	0.454*
V16	Company has prospective opportunity	4.96	1.65	3.44	1.16	0.002
V17	Company is facing threats	4.20	1.26	3.48	1.19	0.098*
V18	Company has high competition	4.84	1.62	3.80	1.35	0.018
V19	Company has plan to face challenges	4.00	1.68	3.20	1.26	0.067*
V20	Company has good position in the industry	4.16	1.49	3.04	1.17	0.006
V21	CBA's demands are impediment to work	3.00	1.58	1.92	0.95	0.004
V22	Company has political Influence	3.24	1.36	2.68	1.07	0.134*
V23	Company has remedies for economic depression	3.28	1.51	2.48	0.96	0.043

* Not significantly different at $\alpha = 0.05$
Note: Rank in a 1 (strongly disagree) – 7 (strongly agree) scale

Retained earnings and dividend payments

The study shows that the managers and stockholders differ for adequacy of retained earnings and distribution of these retained earnings as dividend

(Table 7). A manager thinks that the company does not have enough retained earnings and these should not be distributed among stockholders, whereas a stockholder thinks in the opposite direction.

TABLE 7
ATTITUDE OF CORPORATE MANAGERS AND STOCKHOLDERS REGARDING RETAINED EARNINGS AND DIVIDEND PAYMENTS

Sl. No.	Parameters/Variables	Manager		Stockholder		Sig. level (α)
		Mean	Std. Dev.	Mean	Std. Dev.	
1	Adequate retained earnings	3.24	1.48	4.60	1.61	0.018
2	Distribution of available retained earning	3.28	1.93	5.44	1.71	0
3	More than deserved dividend is paid	3.48	1.45	1.84	1.07	0
4	Change in dividend policy is needed	3.72	1.31	5.24	1.30	0.001

But alternative uses of retained earnings other than dividend have got the similar type of opinion. Out of 25, 12 (48%) managers want the fund use for expansion, 6 (24%) managers wants the fund use by modernization and 7 (28%) managers wants the fund use by prospective investment; similarly out of 25, 14 (56%) stockholders wants the fund use by expansion, 5 (20%) stockholders wants the fund use by modernization and 6 (24%) stockholders wants the fund use by prospective investment.

Regarding dividend income, which is more controllable by the company than capital gain, the study shows that the managers and stockholders conflict with each other. A manager opines that stockholder is having more dividend than they deserve whereas a stockholder opines in the opposite direction. They also give different opinion about changing the dividend policy, e.g., the stockholders are in favor whereas the managers are against the change. This is may be because of manager wants consistent dividend growth where stockholder wants much more dividend than previously received.

Remuneration

Corporate manager gets remuneration for the service they have extended to the company. The study shows that the managers always think that they are underpaid (Table 8). But the stockholders express the reverse view, i.e., they are overpaid. Interestingly, the managers do not want to change the payment structure, even if, they think they are underpaid; but stockholders want the change in salary structure for consistency and fair payment.

TABLE 8
ATTITUDE OF CORPORATE MANAGERS AND STOCKHOLDERS
REGARDING REMUNERATION

Sl. No.	Parameters/Variables	Manager		Stockholder		Sig. level (α)
		Mean	Std. Dev.	Mean	Std. Dev.	
1	Managers are overpaid	3.08	1.63	5.52	1.12	0
2	Salary structure to be changed	3.64	1.89	5.04	1.77	0.010

Dominance and mutual interaction

So far it has been deduced that the managers conflict with stockholders' view in many respects. This is also true regarding dominance and mutual interaction. The study finds that company's undertaken decisions are believed to be dominated by both managers and stockholders (Table 9). For dominancy each group believes that it is the other group that dominates the decision-making.

TABLE 9
ATTITUDE OF CORPORATE MANAGERS AND STOCKHOLDERS
REGARDING DOMINANCE AND MUTUAL INTERACTION

Sl. No.	Parameters/Variables	Manager		Stockholder		Sig. level (α)
		Mean	Std. Dev.	Mean	Std. Dev.	
1	Domination of stockholders	3.00	1.53	2.24	1.27	0.062
2	Domination of managers	4.08	1.61	5.68	1.14	0.001
3	Mutual Interaction is important	4.24	2.01	5.56	1.58	0.009
4	Should work on common platform	4.44	2.02	5.68	1.49	0.009

To ensure good governance, mutual interaction between manager and stockholder seems to be useful. But our study claims that both the groups want to have mutual interaction but stockholders want to interact more than managers (Table 9). This indicates stockholders intention to work and involve more in corporate decision-making.

Overall view on good governance

The overall view of managers and stockholders regarding good governance of their respective companies seems to be totally opposite (4.92 vs. 2.96). Manager strongly believes that the governance of their companies is quite good. On the contrary the stockholders views it is very poor. This overall view is also a reflection of the previous study findings regarding different governance parameters where in 82% cases the attitudes of managers and stockholders are found dissimilar. Table 10 shows a differential picture comparing the mean attitudes of the two groups of stakeholders of the studied corporations on different parameters. As can be seen from the table clear distinctions of attitudes of the two groups of the stakeholders regarding different parameters are clearly visible.

TABLE 10
COMPARISON OF ATTITUDE BETWEEN CORPORATE MANAGERS AND STOCKHOLDERS REGARDING DIFFERENT PARAMETERS

Sl. No.	Parameters	Mean response		Sig. level (α)
		Manager	Stockholder	
A. Governance				
1	Satisfactory turnover	5.56	3.16	0
2	Satisfactory production	5.52	3.32	0
3	Adequate capital	5.48	3.56	0
4	Reasonable leverage	5.40	3.60	0
5	Adequate debt service capability	5.24	3.76	0
6	Standard credit policy	5.04	3.44	0.001
7	Solvency in material purpose	5.56	3.40	0
8	Potential human resource for operation	5.48	3.84	0
9	Sound recruitment policy	5.84	3.92	0
10	Use of state of the art technology	5.04	3.40	0
11	Customer satisfaction	5.16	3.24	0
12	Adequate R&D fund	3.60	2.80	0.130*
13	Effective internal control	5.88	3.80	0
14	Enough strength	4.68	3.04	0.001
15	Potential weakness	4.04	3.76	0.454*
16	Prospective opportunity	4.96	3.44	0.002
17	Facing threat	4.20	3.48	0.098*
18	High competition	4.84	3.80	0.018

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TABLE 9. *(Continued)*

Sl. No.	Parameters	Mean response		Sig. level (α)
		Manager	Stockholder	
19	Plan to face challenges	4.00	3.20	0.067*
20	Good position in the industry	4.16	3.04	0.006
21	CBA's demands are impediment	3.00	1.92	0.004
22	Political Influence	3.24	2.68	0.134*
23	Remedies exist for economic depression	3.28	2.48	0.043
B. Retained Earnings and Dividend Payments				
1	Adequate retained earnings	3.24	4.60	0.018
2	Distribution of available retained earning	3.28	5.44	0
3	More than deserved dividend is paid	3.48	1.84	0
4	Change in dividend policy is needed	3.72	5.24	0.001
C. Remuneration				
1	Managers are overpaid	3.08	5.52	0
2	Salary structure to be changed	3.64	5.04	0.010
D. Dominance and Mutual Interaction				
1	Domination of stock-holders	3.00	2.24	0.062*
2	Domination of managers	4.08	5.68	0.001
3	Mutual interaction is important	4.24	5.56	0.009
4	Should work on common platform	4.44	5.68	0.009
E. Overall Governance		4.92	2.96	0

* Not significantly different at $\alpha = 0.05$

Comparison of variance of attitude

As already noted that the managers and stockholders mostly differ in their attitudes regarding different parameters of good governance in their organizations. To strengthen our study findings further an analysis of comparison of variance of attitudes are made and enumerated below. In this section we tried to find out whether the variances of their answers against each of the parameters discussed in previous sections are similar or different. In this process a F-test is conducted at a level of significance of 5%. Here the null and alternate hypotheses are:

H_o: The variances are same

H_a: The variances are not same

The study shows that except for two cases (CBA's demands are impediment, remedies exist for economic depression) the variances of the answers of the two groups are same at a level of significance of 5% (Table 11). In the light of above findings regarding good governance, it can be concluded that the differing attitudes observed between the managers and stockholders are quite strong and each group is not very dispersed in their stronghold.

TABLE 11
COMPARISON OF VARIANCE OF ATTITUDE BETWEEN CORPORATE MANAGERS AND STOCKHOLDERS

Sl. No.	Parameters/Variables	Manager		Stockholder		F-Statistics	
		Mean	Std. Dev.	Mean	Std. Dev.	Value	Variance same/ different at $\alpha = 0.05$
1	Satisfactory turnover	5.56	1.26	3.16	1.34	1.13	Same
2	Satisfactory production	5.52	1.29	3.32	1.31	1.03	Same
3	Adequate capital	5.48	1.23	3.56	1.08	1.29	Same
4	Reasonable leverage	5.40	1.29	3.60	1.12	1.33	Same
5	Adequate debt service capability	5.24	1.23	3.76	1.16	1.12	Same
6	Standard credit policy	5.04	1.59	3.44	1.47	1.17	Same
7	Solvency in material purpose	5.56	1.26	3.40	1.26	1.0	Same
8	Potential human resource for operation	5.48	1.39	3.84	1.28	1.18	Same
9	Sound recruitment policy	5.84	1.52	3.92	1.35	1.27	Same
10	Use of state of the art technology	5.04	1.49	3.40	1.32	1.27	Same
11	Customer satisfaction	5.16	1.07	3.24	1.39	1.69	Same
12	Adequate R&D fund	3.60	2.04	2.80	1.55	1.73	Same
13	Effective internal control	5.88	1.51	3.80	1.58	1.09	Same
14	Enough strength	4.68	1.75	3.04	1.21	2.09	Same
15	Potential weakness	4.04	1.34	3.76	1.20	1.25	Same
16	Prospective opportunity	4.96	1.65	3.44	1.16	2.20	Same
17	Facing threat	4.20	1.26	3.48	1.19	1.12	Same
18	High competition	4.84	1.62	3.80	1.35	1.44	Same

(Continued on next page)

TABLE 11. *(Continued)*

Sl. No.	Parameters/Variables	Manager		Stockholder		F-Statistics	
		Mean	Std. Dev.	Mean	Std. Dev.	Value	Variance same/ different at $\alpha = 0.05$
19	Plan to face challenges	4.00	1.68	3.20	1.26	1.78	Same
20	Good position in the industry	4.16	1.49	3.04	1.17	1.62	Same
21	CBA's demands are impediment	3.00	1.58	1.92	0.95	2.77	Different
22	Political influence	3.24	1.36	2.68	1.07	1.62	Same
23	Remedies exist for economic depression	3.28	1.51	2.48	0.96	2.47	Different
24	Adequate retained earnings	3.24	1.48	4.60	1.61	1.18	Same
25	Distribution of available retained earning	3.28	1.93	5.44	1.71	1.27	Same
26	More than deserved dividend is paid	3.48	1.45	1.84	1.07	1.84	Same
27	Change in dividend policy is needed	3.72	1.31	5.24	1.30	1.02	Same
28	Managers are overpaid	3.08	1.63	5.52	1.12	2.12	Same
29	Salary structure to be changed	3.64	1.89	5.04	1.77	1.14	Same
30	Domination of stock-holders	3.00	1.53	2.24	1.27	1.45	Same
31	Domination of managers	4.08	1.61	5.68	1.14	1.99	Same
32	Mutual interaction is important	4.24	2.01	5.56	1.58	1.62	Same
33	Should work on common platform	4.44	2.02	5.68	1.49	1.84	Same
34	Governance	4.92	1.63	2.96	1.24	1.73	Same

Note: If F-Statistics is less than critical value 2.27 (at $\alpha = 0.05$ and 24^o of freedom for both numerator and denominator), we do not reject the null hypothesis (i.e., H_o: the variances are same).

Discriminant Analysis

A discriminant analysis is carried out to see if the overall classification of the attitude of the managers and the stockholders towards good governance are same or not. The variables taken are the 23 parameters chosen for attitude measurement of corporate managers and stockholders regarding good governance (Table 6). Here we put type 1 group as 25 corporate managers' responses and type 2 groups as 25 corporate stockholders' responses that make a total of 50 responses. The unstandardized discriminant function is shown in Table 12.

TABLE 12
SUMMARY OF CANONICAL DISCRIMINANT FUNCTION ANALYSIS

Variables	Coefficient	Variables	Coefficient	Variables	Coefficient
V1	+0.585	V9	+0.363	V17	+0.287
V2	–0.153	V10	–0.136	V18	+0.135
V3	+0.119	V11	+0.580	V19	–0.134
V4	+0.078	V12	–0.132	V20	–0.203
V5	–0.029	V13	–0.023	V21	+0.588
V6	–0.154	V14	–0.073	V22	–0.063
V7	+0.529	V15	+0.062	V23	+0.245
V8	–0.348	V16	–0.261		

Cannonical correlation coefficient = 0.85 (significance at $\alpha = 0.05$)
Wilk's lambda = 0.277 (significance at 0.002)
Box's M = 753.074 (significance at 0.001)
A "+" value of the function indicates managers attitude and a "–" value of the function indicates shareholders attitude

The test results indicate a significant ($\alpha = 0.05$) discriminant function with zero misclassification. A high canonical correlation coefficient (0.85) indicates strong correlation between the dependent and independent variables. A low Wilk's lambda (0.277 significant at 0.002) and high Box's M (753.074 significant at 0.001) also indicates a strong variation of the attitudes of the two groups. Therefore, the null hypothesis of equal population covariance matrices has been rejected at 5% level of significance. This means corporate manager's attitude towards good governance (Type 1), as a whole, is different from that of stockholders (Type 2).

CONCLUSIONS AND RECOMMENDATIONS

The study focuses on different views of good governance as perceived by corporate managers and stockholders. To answer the research question, 25 PLCs were selected. From each of these companies, one manager and one stockholder are chosen to get their views using a structured questionnaire. The profile of the managers and stockholders shows that on an average, a corporate manager's tenure is more with the company than a stockholder's holding of that company's stock (62.16 months vs. 28.12 months). This may be due to the fact that a manager is much more attached to the job where a stockholder frequently buys and sells the stocks as and when opportunity comes. It is found that the managers' average number of attendance in the AGM is not significantly different ($\alpha = 0.05$) than that of the stockholders (2.80 vs. 2.28), even though the managers are usually obligated to attend the AGMs, whereas the stockholders are not. This shows both the groups interest for their company.

The study also shows that average corporate managers have higher education than average stockholders. As found in the study that none of the managers are undergraduate, whereas, 24% of the stockholders are in this level of education. Also it is worth noting that majority of the managers (56%) hold postgraduate degree in comparison to only 32% of the stockholders. The study also shows male domination both in management positions and stockholding of the corporations. It is found that statistically both the groups belong to same average age level (35 years for managers vs. 33 years for stockholders). But it can be noted that the age distribution of managers are symmetrical, whereas the age distribution of stockholders are more skewed to the right. This indicates that the stockholders enters into the share market at an early age and gradually move into some other business.

To compare the governance related attitudinal differences between the managers and stockholders, it has been found that the managers and the stockholders posses different attitude in general, which is strongly supported by discriminant analysis. Manager strongly believes that the governance of their companies is quite good. On the contrary, the stockholders view it to be very poor. In terms of turnover, production, capital, leverage, debt service, credit policy, solvency, human resource, recruitment, technology, satisfaction, internal control, strength, opportunity, competition, position, CBA and remedies, the managers and stockholders attitude differ significantly. But they agree on issues like R&D, weakness, threat, plan and political influence.

The study shows that the managers and stockholders differ for adequacy of retained earnings and distribution of these retained earnings as dividend. A manager thinks that the company does not have enough retained earnings and these should not be distributed among stockholders, whereas a stockholder thinks in the opposite direction. But alternative uses of retained earnings other than dividend have got the similar type of opinion. Both the groups proposed to use the fund for expansion, modernization and prospective investment. Regarding dividend income, which is more controllable by the company than capital gain, the study shows that the stockholders are in favor of having more of it. This is possibly because of manager's desire of consistent dividend growth where stockholder wants more dividend than previously received.

The study shows that the managers always think that they are underpaid, but the stockholders express the reverse view. Interestingly, the managers do not want to change the payment structure, even if, they think they are underpaid; but stockholders want the change in salary structure for consistency and fair payment. The study finds that company's decisions are believed to be dominated by both managers and stockholders. Regarding dominancy, each group believes that it is the other group that dominates the decision making. To ensure good governance, both the groups want to have useful mutual interaction but stockholders want to interact more than managers. This indicates stockholders intention to work and involve more in corporate decision-making.

As noted that the managers and stockholders mostly differ in their attitudes regarding different good governance parameters. It is also found that the differing attitudes observed between the managers and stockholders regarding good governance are quite strong and each group is not very dispersed in their stronghold. Hence it can be concluded that unless measures are taken to reduce the gap of the managers and stockholders attitudes regarding good governance the smooth functioning of the corporations will be difficult. What is needed is openness, more dialogues, mutual trust, fair reporting, etc.

ENDNOTES

[1] Corporate Manager: An individual related to corporate management and controlling affairs for more than two years at a time.

[2] Corporate Stockholder: An individual stockholder of corporation for more than one year altogether at different time.

[3] Corporation: A public limited company (PLC) enlisted in both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) at January, 2003.

[4] Member Register: The register of the members (stockholders) containing their names, addresses, etc., and it is mandatory for every PLC to keep such register.

[5] Numerical Scale: Numerical scale has numbers as response options, rather than semantic space or verbal descriptions, to identify categories (response position).

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