

## **CORPORATE GOVERNANCE AND MANAGEMENT OPPORTUNISTIC BEHAVIOUR**

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### **Abstract**

The theoretical paradigm on the principal-agent relationship stipulates that management should use organizational resources in a manner that benefits all parties of the firm. However, the failure of some corporate giants has been traced to the opportunistic behavior of management, wherein managers abuse their power by controlling the release of corporate information to satisfy their own objectives. Corporate governance mechanisms have therefore been suggested as an approach to mitigating managerial opportunism. This study examined the link between corporate governance mechanisms and the mitigation of managerial opportunism through the use of a performance related executive compensation scheme as an aspect of corporate governance, modelling opportunistic behaviour as asymmetric information proxied by analysts following the firm. Using primary data from a sample of 125 randomly selected top executives in Nigerian firms, and applying OLS regression, the paper found that the CEO benefits and bonuses ratio, and executive benefits and bonuses, could reduce managerial opportunism. On the other hand, CEO long-term mix was found to increase opportunistic behaviour contrary to apriori expectation. It is recommended that the CEO benefit ratio and executive bonuses be employed by Nigerian firms to check opportunistic behaviour by management.

**Keywords:** Executive compensation, information asymmetry, analysts' following, Chief Executive Officer.

### **1. INTRODUCTION**

The Companies Act of most countries places the responsibility of financial reporting on the management of such entities. Management is under obligation to prepare and present financial statements of their firms to auditors as well as other stakeholders. They are also liable for any material mis-statement in the report. While managers have assumed

this responsibility, they have also exploited this privilege to their own advantage. They can withhold any information or select any particular method of reporting that suits their interest. This opportunistic behaviour by management to undertake earnings manipulation and other forms of creative accounting leads to them having more information about their firms than other stakeholders or parties. This is the "information asymmetry" that is

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credited to Akerlof (1970) and extended by Spence (1973) (concept of signaling) and Stiglitz (1975) (concept of screening). Therefore, managerial opportunistic behaviour is examined and modeled in the form of asymmetric information.

Clearly, information asymmetry describes a situation where one party to a transaction has more or better information than the other party, whereby the informed party utilizes the information to the detriment of the uninformed party (Yassin, Ali & Hamdallah, 2015). In the capital market, the firm's insiders who are mostly the managers are better informed regarding the value of the firm. Consequently, their trading activities can generate abnormal profit for them. This attempt to benefit from private information will aggravate the agency problem. Agency cost manifests either as direct cost on the firm, or as opportunity cost on the bottom line. It is therefore a conflict between managers and shareholders (Rosser, 2003).

In the opinion of Ajina, Sougne and Laouiti (2013), investment risk is substantially increased when investors make decisions in the face of asymmetric information. Therefore, a guarantee of accuracy of the information reported and disclosed by management will be highly appreciated by market participants. According to Chen, Chung, Lee and Liao (2007), shareholders in their capacity as principal do attempt to mitigate agency cost by changing the agent's behaviour. This can be accomplished by using incentives directly to reduce the information asymmetry or indirectly through monitoring (Elbadry, Gounopoulos & Skinner, 2015). Evidence in recent literature suggests that good corporate governance assures information disclosure and hence curtails information asymmetry (Holm, Balling & Poulsen, 2014; Martins & Paulo, 2014; Pourali & Partoo, 2013).

A large proportion of studies that have examined the intricate link between corporate governance and information asymmetry have utilized secondary data on proxies and measures of both the explained and the explanatory variables (see Ajina et al. 2013;

Goh, Lee, Ng & Owyong, 2016; Pourali & Partoo, 2013). The results from prior studies have also been mixed. For instance, while Florackis and Ozkan (2009) provide evidence that corporate governance reduces information asymmetry and improves long-term performance for large shareholders as a result of corporate governance, the earlier study by Fehle (2004) found large institutional ownership, as a measure of corporate governance, to accentuate information asymmetry due to the lower degree of informed trading.

Accordingly, more studies are warranted to give deeper insight into corporate governance and opportunistic behaviour. In contributing to the literature, this study examines the impact of corporate governance modeled by executive compensation schemes that are performance related, on managerial opportunism as modeled by information asymmetry. The basic empirical question under investigation is: does corporate governance lead to lower information asymmetry? Accordingly, the null hypothesis to be tested is; corporate governance does not reduce management opportunistic behaviour.

However, the point of departure of this study from the earlier studies of Wruck (1993), Kang, Kuma and Lee (2006) and Elbadry et al. (2015) is that it uses primary data for analysis. Unlike secondary data that carries historical information, primary data reveals current information at the time of carrying out the study. Also, the collection method enables the researcher to build a connection with those who are actually concerned with the phenomenon being studied. Against this backdrop, the knowledge gap filled by this study is its ability to decompose and analyse, individually and jointly, the influence of the three components of performance related executive compensation on mitigating managerial opportunism. It is believed that the results of this study can provide deeper insight into the subject of investigation than those who used the total value of executive compensation.

## 2. LITERATURE REVIEW

### 2.1 Corporate Governance

Organizations have a symbiotic relationship with their internal and external environments. This means that there are numerous stakeholders to be served. To ensure fair dealing with all parties, organizations need to practice corporate governance. In this connection, Hassasyeganeh (2006) viewed corporate governance from the perspective of stakeholders' theory to mean regulations, systems and structures that accentuate transparency, accountability and stakeholders' rights. It is an instrument for reducing agency cost, through changing the behaviour of the agent, so as to align the interests of shareholders with those of directors. Pourali and Partoo (2013) see corporate governance from a macro perspective to be "the extent to which companies are managed in an open and honest atmosphere" (p826). Therefore, it is a mechanism that checks undue expropriation of organizational resources by those entrusted with such resources.

Kamua and Basweti (2013) view corporate governance as a structural relationship among management, shareholders and other stakeholders that assures effective control and management of an organization for the benefit of all. OECD (2011) identified four dimensions of corporate governance principles which, when applied, can resolve the agency problem. These are accountability, fairness, responsibility, and transparency. It is believed that these will ensure adequate disclosure of relevant information to all parties and reduce the expectation gap in the management of organizations.

Elbadry et al. (2015) linked corporate governance with information asymmetry by stating that corporate governance is an indirect tool that principals can use to curtail managerial opportunism. Given that managers are saddled with the responsibility of financial reporting, they can decide on the way and manner of presentation provided it is within the ambient of accounting standards.

For this reason, they are more informed about their firm's activities than shareholders and other stakeholders. How to change this behaviour of managers and hence reduce agency cost is the concern of corporate governance.

Agency cost affects the value of a firm measured by its share price when substantial debt is involved (Nazir & Afza, 2018). This is because shareholders can use their administrative powers to pursue strategies that conflict with the interests of bondholders, thereby increasing the risk exposure of the firm. Chen and Liu (2013) and Goh et al. (2016) are of the opinion that changing managerial actions to reduce information asymmetry can be accomplished through incentives and monitoring. Under incentives, managers are encouraged to reveal their expended efforts to enable them to earn bonuses. In monitoring, measures are taken to inhibit collusion and open up the behaviour of managers to shareholders.

In the same vein, Salehi, Rezaie and Ansari (2014) have suggested that when incentives are tied to performance, it will encourage agents to disclose more information regarding their activities and thus curtail asymmetry in information. Similarly, making a separation between the Chairman's role and the CEO's role, and increasing the number of non-executive directors, are monitoring devices to curtailing information asymmetry. In this study, we focus on executive compensation as a proxy for corporate governance. This is to enable us to do an in-depth analysis on this element of corporate governance in view of the mixed results reported in prior studies.

#### 2.1.1 Executive Compensation

##### Performance Related Scheme

Compensation refers to the reward earned by an employee based on their contribution, performance and the value of his/her job to the organization. Specifically, executive compensation describes the financial compensation for executives and is

usually fixed by the board of directors and approved by shareholders. Primarily, CEOs are charged with the responsibility of piloting the affairs of their organizations. To this end, their entitlements and compensation plans could impact either positively or negatively on their performance level. Recent concerns emanating from the collapse of corporate giants like Enron and WorldCom suggest that CEOs are overpaid. It is therefore imperative to understand the executive compensation landscape bearing in mind the agency cost. Which form of CEO compensation is most appropriate is yet to be resolved in the empirical literature. For instance, Ismail, Yabai and Hahn (2014) have argued that a stock-based compensation package can encourage earnings manipulation. This however, contradicts the earlier view expressed by Devers, Conella, Reilly and Yonder (2007).

One of the issues addressed in the 2011 Code of Corporate Governance for Public Companies in Nigeria is directors' remuneration. A comprehensive remuneration policy for directors and top management that will attract and motivate them to run the company excellently is prescribed. Also, the remuneration policy should state the mechanism and criteria for ascertaining certain levels of remuneration, the frequency for its review, and processes for the determination of executive and non-executive directors' compensations. To what extent and how executive directors' rewards should be linked to the firm's and their individual performance should be stated.

Conceptually, benefits that are related to performance are designed to induce managers to reveal the efforts expended on the job. This reduces information asymmetry and enhances shareholder value. Shleifer and Vishny (1997) and Kang et al. (2006) suggest that compensation packages for executives should as much as possible align executives' interests with those of the owners. Saidu, Bello and Jubril (2017) see executive compensation as all forms of reward accruing from different sources to directors and top management. This reward is either short term or long term.

It can also include fixed components like insurance benefits, allowances and salary, and variable components like shares and bonuses, which are based on the financial performance of the firm. Executive compensation has been found to have a positive link with firm performance (Ogbeide & Akanji, 2016; Saidu et al. 2017; Saka, 2018).

Maseko (2015) gave the opinion that executive incentive compensation could encourage opportunistic behaviour as CEOs would attempt to manipulate performance measures. The board and remuneration committee could cooperate with CEOs for excessive compensation. Benmelech, Kandel and Veronesi (2010) reported greater earning manipulation for firms with more incentive executive compensation.

## 2.2 Managerial Opportunistic Behaviour

In the current theory, opportunistic behaviour by management is modeled as information asymmetry. Hiring of CEOs and their remuneration now constitutes market failure as in most cases the principal is unable to see who is an excellent CEO. This lack of knowledge on the part of the principal is capitalized on by the CEO to demand excessive remuneration and protect against sudden firing (Jan-Erik, 2017). Klein, O'Brien and Peters (2002) gave the opinion that information asymmetry conveys the meaning that certain individuals within a firm, like the executive, possess better information on the value of assets and investment opportunities relative to other market participants.

Asymmetric information arises as a result of conflicts of interest between various groups in an organization. This is the basis of the agency problem which rests on the divergence of interest between agents and the principal (Salehi et al., 2014). Kyle (1995) attributes information asymmetry to insider trading probability. Watts (2003) states that information asymmetry can be adduced to management incentives to misrepresent. Chae (2005) suggests that information asymmetry can be due to firm size. Boujelbene and

Besbes (2012) identify stock return measures, autocorrelation of returns, and analysts forecast measures, among others, as determinants of asymmetric information.

The submission by Lang, Lins and Miller (2003) that analysts are more likely to follow firms with impressive corporate governance can help us to link analysts following and corporate governance. In this regard, Garcia-Lara, GarciaOsma, and Penalva (2014) defined analysts as a proxy for information asymmetry, whereby the value of interest is the number of analysts following the firm's activities or collecting and disseminating information about the quality of its policies. A large proportion of existing work, such as that by Brennan and Subrahmanyam (1995), Krishnaswani and Subramaniam (1999), and Piotroski and Roulstone (2004), focuses on the aspect of information production in analyst behaviour, hence analyst following is taken as a measure of information asymmetry. This surmise has produced evidence that analysts produce and convey information to the market, including the idea that stock prices reflect more earnings-related information earlier than other sources. Our study agrees with this prior literature and therefore adopts *analyst following* as a proxy for information asymmetry.

### **2.3 Empirical Review on Corporate Governance and Management Opportunistic Behaviour**

An avalanche of studies abound on the relationship between corporate governance variables and measures of managerial opportunism (information asymmetry). A few of these studies are presented here. Benmelech et al. (2010) reported that CEO stock-based compensation causes the CEO to work harder; it also induces them to hide "bad-news" which they feel will worsen the investment opportunities of their firm. CEOs are also found to opportunistically time option grants awarded around the period of earning announcement, so as to increase their compensation.

Pourali and Partoo (2013) investigated corporate governance and asymmetric information using 89 firms listed in the Tehran Stock Exchange over the period from 2007 to 2010. Corporate governance as an independent variable was measured by internal auditing; the ratio of non-executive members to total board members; and the percentage of shares held by major institutional shareholders. The dependent variable, information asymmetry was captured by the bid-ask spread, and market depth. The study reported that internal auditing is not significantly related to information asymmetry. There were also no significant relationships between institutional shareholders and market depth, or non-executive members and bid-ask spread. However, the study provides support for the significant influence of institutional ownership on the spread ratio, and of non-executive directors on market depth.

Ajina et al. (2013) investigated board characteristics and information asymmetry using a sample of 160 firms listed on the Paris Stock Exchange from 2008 to 2010. The results present evidence that corporate governance improves transparency and hence reduces information asymmetry. Specifically, adverse selection (information asymmetry) and board size were negatively related. Similarly, the independence of directors, financial expertise of directors, and meeting frequency had a negative relationship with adverse selection. On the other hand, board diligence (attendance at meetings) was found to be positively related to adverse selection, implying that it increases information asymmetry.

Holm, Balling and Poulsen (2014) addressed corporate governance ratings and asymmetric information. Using 100 Danish companies listed in the Copenhagen Stock Exchange and data from the companies' 2003 annual reports, 120 corporate governance attributes were examined. The results suggested that if rating providers select relevant attributes intelligently, it can improve the screening of firms in relation to governance quality. Implicitly, using

corporate governance ratings in an intelligent manner can reduce asymmetric information.

Salehi et al. (2014) investigated the impact of corporate governance mechanisms on information asymmetry using a sample of 72 companies listed on the Tehran Stock Exchange, and data spanning from 2005 to 2011. Among the corporate governance mechanisms studied were: the number of board members not willing to act as executive, ownership concentration, and the percentage of institutional ownership. Information asymmetry on the other hand was proxied by bid-ask spread. The study found a positive and significant relationship between board members who were unwilling to act as executive, institutional ownership and information asymmetry. Ownership concentration on the other hand was negatively related with the other variables.

Elbadry et al. (2015) examined the connection between executive compensation and information asymmetry measured by the spread ratio, average volatility of daily stock returns, and share trading volume. Executive compensation was captured by CEO benefits and the bonuses ratio, CEO long term mix, and executive benefits. The study found that a performance related compensation scheme significantly reduces information asymmetry.

Goh et al. (2016) examined board independence and information asymmetry using 10,744 firm-year observations of equities listed on NYSE, AMEX and NASDAQ over the period from 1997 to 2006. Applying the OLS framework and using both the probability of informed traders (PIN), and spread ratio as proxies for information asymmetry, the study found evidence of greater board independence reducing information asymmetry. This can occur through two channels, including greater voluntary disclosure or high analyst coverage. However, the second channel was found to have more influence.

Shin and Shiah (2016) examined the role of analysts in reducing agency problems and information asymmetry. Firms listed in the S&P 1500 were considered, and a regression analysis applied, to test for the effect of

analyst coverage on CEO compensation. The statistical evidence showed that higher pay for better performance was associated with CEOs of firms with greater analyst coverage. Also, CEOs of firms that had higher analyst coverage quality, were associated with greater compensation, excess compensation and compensation incentives increasing risk to the firm. Even when the study included institutional holdings and internal governance as control variables in their model, an incremental effect remained, regarding the effect of analysts' activities on CEO compensation structure.

### 3. DATA AND METHODS

The data for this study is primary data collected by means of a questionnaire, administered to the senior management staff of medium and large scale firms. These firms are not necessarily listed firms, but they are firms that are under regulation in Nigeria by the Code of Corporate Governance, or Code of Best Practices on Corporate Governance, Companies and Allied Matters Act, Financial Reporting Council of Nigeria, and the Ministry of Trades and Investments. A random selection of 125 top executives was conducted, resulting in 97 usable responses obtained from the requested respondents. The questionnaire uses a Likert-type scale of: Strongly agree (4), Agree (3), Disagree (2), Strongly disagree (1). These values were used to transform the responses into quantitative values to determine the interval level of measurement. Some examples of questions (statements) asked are: Executive benefits and bonus schemes will encourage better performance and reduce information asymmetry. Strongly agree  Agree  Disagree  Strongly disagree ; A long term incentive scheme will encourage better performance and reduce the degree of asymmetric information. Strongly agree  Agree  Disagree  Strongly disagree ; CEO compensation that is tied to performance will make CEOs disclose more regarding their activities. Strongly agree  Agree  Disagree  Strongly disagree ; Analysts are interested

in a firm they perceive to have sound corporate governance structures. Strongly agree  Agree  Disagree  Strongly disagree

The research instrument was validated by expert testing and through measurement. To assure the reliability of the instrument, the test-retest method was adopted and the results revealed a value of 0.78, above the benchmark value of 0.70 suggested by most researchers.

### 3.1 Model and Variable Measurement

The dependent variable for this study is the opportunistic behavior of management, as modeled via information asymmetry. Different proxies can be used for modelling information asymmetry, such as bid-ask spread, accrual quality, probability of insider trading (PIN), return volatility, trading volume, market depth, forecast error, forecast dispersion and analysts' following/coverage (GarciaLara et al. 2014; Goh et al. 2016; Paurali & Partoo, 2013).

Unlike the spread ratio, PIN and stock return volatility, analysts' following as a measure of information asymmetry has not been rigorously studied. To gain more insight into information asymmetry, this study adopts analysts' following as its measure. Existing literature reveals that accounting quality affects analysts' coverage decisions. Analysts' following has been found to be positively correlated with the quality of disclosure, especially regarding quick recognition of bad news (Lang & Lundholm, 1996; Skinner, 1994; Tucker, 2010).

The independent variable for this study is corporate governance, modeled by executive compensation. This study adopts the three measures of executive compensation proposed by Elbadry et al. (2015). These are: (i) the CEO benefits and bonuses ratio (measured as CEO's benefits and bonuses divided by CEO's total annual income). (ii) CEO long term mix (measured as CEO remunerated with stock option or payment from performance plans), and (iii) executive bonuses and benefits (that is other executives,

not the CEO, are remunerated with benefits, bonuses, or a stock option).

Since we are interested in ascertaining the influence of independent variables on the dependent variable, a multiple regression model will suffice. This will enable us to model both the individual influence as well as the joint influence of the independent variables. Therefore, the model for estimation using the ordinary least square (OLS) framework is:

$$ANAFO = \beta_0 + \beta_1CEORAT + \beta_2LONCEO + \beta_3EXEBEN + \varepsilon_i$$

Where:

ANAFO = Analysts' following, that is the average of the monthly number of analysts in each year making forecast of the annual earnings per share of the firm.

CEORAT = the CEO benefits and bonuses ratio

LONCEO = CEO long term mix

EXEBEN = Executive benefits and bonuses

$\varepsilon_i$  = Error term

$\beta_0... \beta_3$  = Parameters

Apriori expectation:  $\beta_1, \beta_2, \beta_3 < 0$  that is negative. The analysis of the data is done using STATA 13.0

## 4. ANALYSIS AND DISCUSSION

### 4.1 Descriptive Statistics

To ease the analysis of the result, the descriptive statistics are first presented as shown in Table 1.

**TABLE 1: Descriptive Statistics**

Stats	anafo	ceorat	Lonceo	exeben
MEAN	1.752577	1.85567	2.43299	1.742268
MAX	4	4	4	4
MIN	1	1	1	1
SD	1.000322	1.050691	1.215415	1.148172
P50	1	1	3	1

Source: Authors' Estimates (2018); STATA 13.0

As shown in Table 1, the mean of the dependent variable, Analysts' following (ANAFO), is 1.752577 with a standard deviation (SD) of 1.000322. The standard deviation shows that the deviation of the responses from the mean value is 1% implying that the observations cluster around the mean value. The mean of the independent variables: the CEO benefits and bonuses ratio (CEORAT), CEO long term mix (LONCEO), and executive benefits and bonuses (EXEBEN) are 1.85567, 2.43299, and 1.742268 respectively. Again, the deviations from these values measured by standard deviation are 1.05%, 1.21%, and 1.14% respectively, showing little deviation from the mean values. The minimum (MIN) and maximum (MAX) values of all variables are 1 and 4.

Aside from the descriptive statistics, the correlation matrix was also computed to show the direction of the relationship among the variables. The resulting correlation coefficients are presented in Table 2.

**TABLE 2: Correlation Matrix.**

	ANAFO	CEORAT	LONCEO	EXEBEN
ANAFO	1.0000			
CEORAT	0.0549	1.0000		
LONCEO	.2261	-0.0403	1.0000	
EXEBEN	-0.1196	-0.0916	0.2002	1.0000

Source: Authors' Estimate (2018); STATA 13.0

The results show that the CEO benefits and bonuses ratio (CEORAT) is positively related to analysts following of the firm (ANAFO). CEO long term mix (LONCEO) is positively related to analysts following of the firm, but negatively related to the CEO benefits and bonuses ratio (CEORAT). Additionally, executive benefits and bonuses (EXEBEN) is negatively correlated with analysts following of the firm, and the CEO benefits and bonuses ratio, but positively related to CEO long term mix. All the correlation coefficients that are positive,

imply that the variables concerned are moving in the same direction.

**4.2. Multicollinearity Test**

Molyneux, Nguyen and Zhang (2014) have suggested that the correlation matrix can be used to detect multicollinearity among the independent variables. To them, multicollinearity is present if the correlation coefficient exceeds 0.80. However, from the results presented in Table 2, it can be seen that all correlation coefficients are less than 0.80 implying that there is no problem of multicollinearity among the independent variables. The test for multicollinearity was further examined using the Variance Inflation Factor (VIF). These results are presented in Table 3.

**TABLE 3: Variance Inflation Factors**

VARIABLE	VIF	1/VIF
CEORAT	1.01	0.991108
LONCEO	1.04	0.959422
EXEBEN	1.05	0.952918
MEAN VIF	1.03	

Source: Authors' Estimate (2018); STATA 13.0

The VIF for the individual independent variables, and the mean VIF are shown in Table 3. The CEO benefits and bonuses ratio (CEORAT) has a VIF value of 1.01; CEO long term mix (LONCEO) has a value of 1.04, while the VIF value for executive benefits and bonuses (EXEBEN) is 1.05. In general, if VIF is greater than 10, multicollinearity is present. From these results, neither the individual value of VIF nor the mean VIF (1.03) is greater than 10, implying the absence of multicollinearity. The model is therefore suitable for estimation and the regression outcome can be deemed reliable. The study ignored other diagnostic tests like



heteroscedasticity and autocorrelation tests as the VIF result is very satisfactory, with a mean VIF of 1.03 which is very low. The difference among the dataset is 3 which is very insignificant and does not show a red-flag to warrant further analysis (Chatterjee & Hadi,2006). Data were collected at a single point in time and is therefore time invariant.

### 4.3. Test of Hypothesis

Having conducted the diagnostic test to determine the suitability of variables for analysis, a multiple regression model was implemented to test the formulated hypothesis. The results of the testing are presented in Table 4.

The regression output shows the parameter estimates, their t-values, and the corresponding probability values. The value of the parameter  $\beta_1$  is an estimate for the variable “CEO benefits and bonuses ratio” (CEORAT) and is -0.0476738.  $\beta_2$  is the estimate for CEO long term mix (LONCEO) and is 0.215346, while  $\beta_3$  is the estimate for executive benefits and bonuses (EXEBEN) and is -0.1458353.  $\beta_1$  and  $\beta_3$  are negative meaning that the CEO benefit and bonus ratio and executive benefits and bonuses are capable of reducing information asymmetry

embedded in managerial opportunistic behaviour as measured by analysts’ following of the firm. However, the p-values of the t-statistics for these variables are 0.617 and 0.103 respectively, which is greater than 0.05, the value for a 5% significance level. Therefore, these variables are not statistically significant. Implicitly, their influences are not strong enough to reduce information asymmetry. The statistically insignificant t-values are at variance with the findings of Elbadry et al. (2015). Notwithstanding, the sign of the parameters are negative and therefore consistent with apriori expectations and the submissions of Kang et al. (2006) and Goh et al. (2016).

$\beta_2$  is positive with a probability value of 0.011 for the t-statistics. This is lower than the cut-off for the 5% significance level, hence the CEO long term mix is significant in explaining managerial opportunistic behaviour. However, it increases opportunistic behaviour as it widens information asymmetry. Though this result is not consistent with the apriori expectation of a statistically significant negative relationship, it does however support Maseko (2015) showing that executive incentive compensation can encourage managerial opportunism, and also Benmelech et al. (2010) by indicating that

**TABLE 4: REGRESSION RESULTS**

Source	SS	df	MS
Model	7.87020422	3	2.62340141
Residual	88.1916515	93	.948297327
Total	96.0618557	96	1.00064433

ANAFO	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
$\beta_1$ (CEORAT)	.0476738	.0950169	0.50	0.617	-.1410111 .2363586
$\beta_2$ (LONCEO)	.215346	.0834848	2.58	0.011	.0495618 .3811302
$\beta_3$ (EXEBEN)	-.1458353	.0886751	-1.64	0.103	-.3219265 .030256
$\beta_0$ (cons)	1.39426	.3159951	4.41	0.000	.7667566 2.021764

Number of obs = 97; F(3, 93) = 2.77; Prob > F = 0.0462; R-squared = 0.0819  
 Adj R-squared = 0.0523; Root MSE = .97381  
 Source: Authors’ Estimate (2018); STATA 13.0

CEO stock based compensation can encourage asymmetric recognition of bad news.

It is important to also look at the joint influence of the independent variables on the dependent variable. For this purpose, F-statistics are used. Table 4, shows the F-value is 2.77 with a probability value of 0.0462. This value is less than the cut-off for the 5% significance level indicating that it is statistically significant. Accordingly, the null hypothesis of no significant influence of corporate governance on information asymmetry is not accepted. Hereby, when all the executive compensation variables of corporate governance are combined together, they significantly influence information asymmetry. In terms of practical implications, the findings of this study are useful to investors who evaluate analysts following of the firm by CEO compensation. It is also suggestive of investors referencing analysts' contributions to production and dissemination of information in designing appropriate CEO compensation schemes.

## 5. CONCLUSION AND RECOMMENDATION

This study has examined the impact of corporate governance on managerial opportunistic behavior. The failure of large conglomerates like Adelphia, Enron, Etoys and the Asian Financial Crisis of 1997 to mention but a few, have amplified the importance of corporate governance in organizations. A good corporate governance mechanism can mitigate the agency crisis through reduction of managerial opportunism. In general, this paper found evidence of a weak inverse relationship between corporate governance and management opportunistic behavior, specifically regarding the CEO benefits and bonuses ratio and executive benefits and bonuses, which maintained the expected theoretical relationship though were found to be not statistically significant.

Clearly, in checking opportunistic behaviour by managers using a performance

related compensation scheme as a corporate governance mechanism, this study recommends, though not strongly, the use of benefits, bonuses and stock options for executives other than the CEO, while for CEOs, the ratio of annual benefits and bonuses to total income should be used. This ratio should be above the threshold of 35 percent suggested by Florackis and Ozkan (2009) in order to make it significant. CEO long term mix should not be used as it will amplify information asymmetry.

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