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Board Governance Mechanisms in Listed Family-owned Firms: An Evidence from Bangladesh

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ABSTRACT

The study aims to examine the state of board governance mechanisms in listed family-owned firms of Bangladesh based on the perception of two major stakeholders - executive/non-executive directors and independent directors of the sample firms. The study takes into account 21 listed family-owned firms as samples of 5 industries dominant in size in Bangladesh and takes interview of 100 respondents from the samples. Developing a structured questionnaire in dichotomous and 5-point Likert scale formats for collecting primary data, the study uses some statistical tools for analyzing those data. The study finds that the sample respondents have shown a positive and coherent view on board issues like role of family members and board agenda and also indicate some opposite directions upon the respondents' views on some other board issues. They have strongly positively agreed on the role and responsibilities of the board but there is a significant mean difference. Again, they have strongly disagreed on the role of independent directors and the role of directors' report but the mean difference of their opinions is insignificant. This study provided a new insight to bridge the gaps that the outcomes of the coverage of corporate governance mechanisms specified by the SEC of Bangladesh.

Keywords: Corporate Governance, Board Governance Mechanisms, Board Agenda, Board Training, Independent Directors.

INTRODUCTION

Globally, family-owned businesses are the cornerstones of economic growth and improved standards of living (Viriri and Muzividzi, 2013), and thus they are considered as the dominant type of businesses around the world. Their contributions toward employment creation, poverty reduction, and wealth creation have been proven beyond any reasonable doubt. Family ownership may benefit from a good governance structure, regardless of the organization's size or nature. Firms with good governance structures would appear to have a more focused view of the organization, be able to take the opinions of 'outsiders' (i.e. non-family members) into account and benefit from them, and be in a better position to adapt and expand in the future (Mallin, 2007).

Family-owned business is defined as a business that is owned and managed (i.e. controlled) by one or more members of the family (Handler, 1989; Hollander and Elman, 1988). In this regard, Davis and Tagiuri (1982) stated that organization where two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights can be categorized as family-owned organization.

The role of family firms in the world businesses has been traditionally dominant since long. Some studies (viz. Claessens et al., 2000; Chau and Leung, 2006, etc.) found that a large proportion of publicly listed firms in the Southeast Asian countries are family-owned and their performances are directly related to the efficiency of the financial market. In Bangladesh, the importance of family-owned businesses to the economy is also increasing day by day. Their penetration to the capital market is also increasing at a good pace.

In recent years in the globe, the development of corporate governance has been driven by the need to restore investor confidence in capital market and the desire for more transparency and accountability (Mallin, 2004). The current corporate governance system in Bangladesh can generally be described as the system that belongs to the Anglo-American corporate governance because of a tendency of businesses to disperse their ownership structures, big public companies are trading on stock markets and shareholders remain in the arm's length of the management, and the key issue concerns those responsible for ensuring that corporate management is accountable to shareholders (Muzzaffar Ahmed vs. Bangladesh Bank, 2000).

To have a good corporate governance system, a solid corporate governance mechanism (i.e. a certain set of authorities and responsibilities) is must. Having an influential power on management decisions and eliminating the managers' discretionary space, corporate governance mechanisms act as controlling tools for creating a balance between principals and agents in power and cost and ensures in safeguarding the interests of stakeholders. Many authors (viz. Davoren (2020); Hennessey (2008); Gillan (2006); Denis and McConnell (2003)) characterized corporate governance mechanisms broadly from internal and external view points of the firm. Then the board structure, i.e. the structure of the board of directors, known as board governance mechanism, was commonly viewed as a vital factor of the internal corporate governance mechanism by the aforementioned authors.

A board structure containing the controlling shareholders (namely the directors of the board) is the integral part of corporate governance. The board, commonly known as the board of directors, is a significant body in a company, acting as a link between shareholders and managers and thus playing a key role in the company's governance (Dehaene et al., 2001) and hence an effective board is essential to the success of the company (Mallin, 2007). The board structure has thus a big impact on company development, and it is controlled and regulated by legal and regulatory frameworks to protect shareholders' interests and prevent fraud (Tripathi, 2013).

Under the above backdrop, taking family-owned firms into consideration, this study aims to evaluate the existing board governance mechanisms in the listed family-owned firms of Bangladesh. With a view to serve this purpose the structure of the study is designed with six major sections, viz. i) introduction, ii) objectives, iii) methods, iv) literature review, v) results, findings, and discussions, and vi) concluding remakes and suggestions.

The objective of the study is to examine the state of board governance mechanisms highlighting the board issues, such as i) role and responsibilities of the board, ii) board training – area and benefits, iii) role of independent directors, iv) board agenda, v) directors' report, and vi) role of family members – role in the board and employed in the firm as top executive, in listed family-owned firms of Bangladesh based on the perception of two major stakeholders, i.e. executive/non-executive directors and independent directors of the sample firms.

MATERIALS & METHODS

For the purpose of developing appropriate research question a broad literature review is conducted. Besides textbooks, research papers, various publications, and online data are used for the study. Data used in the study are solely from the primary source. The primary data are gathered by direct interview method, where a structured questionnaire comprising of the questions in dichotomous framework and a 5-point Likert scale is used.

Statistical Analysis

The data are analyzed using some statistical tools and techniques, such as mean, rank, spearman's rank correlation, chi-square (χ^2) test, mean difference, and t-test in a SPSS software. While using quotation and references, the American Psychological Association (APA) style of referencing is followed throughout the study.

The study considers only the listed family–owned firms and hence due to time and resource constraints, it uses a purposive sampling method and thus takes into account 21 (twenty one) family-owned firms as sample firms. The sample firms are listed in both Dhaka and Chittagong stock exchanges. Total 100 respondents from the stipulated number of sample firms are interviewed.

LITERATURE REVIEW

Corporate governance in family-owned businesses found to appear in different dimensions among countries in the world. But its practices came in effect among the Bangladeshi companies since 2006, though their boards are still not independent of the ownerships. Whereas, board issues are the most important mechanisms for a good corporate governance practice. One of the major responsibilities of the board is to ensure that the shareholders are provided with all material information relating to the corporate governance of the company (United Nations Conference on Trade and Development (UNCTAD), 2006). However, the following section reveals the findings of some prior studies, guidelines, and reports on the practices of corporate governance emphasizing some of its most important board governance mechanisms in firms.

1. Role and Responsibilities of the Board

Among the studies and reports that highlighted the board's role and responsibilities, The UK Combined Code (2018), Fung (2014), Mallin (2004) are worth mentioning. The UK Combined Code (2018) stated that the role of the board is to promote sustainable success of the company, generate value for shareholders, and contribute to the welfare of the society. The board should also establish a framework of prudent and effective control, which enables the company to assess and manage risk. Fung (2014) narrated that the board is the major driving force of governance in a corporation and it primarily determines whether a company has effective governance that may contribute to improve corporate performance. Beeks and Brown (2006) found that the companies with good governance provide additional information, but with poor governance are lack of financial disclosure and transparency.

Earlier Mallin (2004) pointed out that the board is responsible for: determining the goals and strategies; planning and making policies to achieve the objectives; monitoring progress in achieving those goals; and appointing a chief executive officer with appropriate leadership qualities.

The above literature guides the authors to examine the state of the role and responsibilities of the board in listed family-owned firms of Bangladesh by testing the following hypotheses.

$H1_1$ = There is a significant correlation of rank of opinions of the sample respondents on the role and responsibilities of the Board.

$H1_2$ = There is a significant difference of mean of opinions of the sample respondents on the role and responsibilities of the Board.

2. Board Training

Mahbub (2016) stated that the issues regarding board training include the opportunities and funds for training of individual directors and the development of the board to increase their skills and knowledge on directors' liabilities, best board practices, strategic planning and corporate governance orientation or training. Biswas (2009) also emphasized on directors' opportunities and funds for their training. He suggested that the board of directors of the company should have the arrangement of training for new and existing directors to improve their professionalism. A verdict of common law from Re Barings plc, Secretary of State for Trade and Industry vs. Baker, 2000 requires the directors to gain and maintain sufficient knowledge and understanding about the businesses of the company.

In this context, the study places greater emphasis on the directors' training program and intends to examine its state in listed family-owned firms of Bangladesh by testing the following hypotheses.

$H2_1$ = There is no association between the opinions of the sample respondents on the benefits of the board training.

$H2_2$ = There is a significant correlation of rank of opinions of the sample respondents on the areas of board training program.

3. Role of Independent Directors

In the recent years, independent directors are regarded as a cornerstone of good corporate governance structure. Bangladesh Securities and Exchange Commission (BSEC)'s Corporate Governance Code requires that every company shall ensure effective representation of the independent directors on their board of directors so that the board as a group can include core competencies that to be considered relevant in the context of the company. BSEC's Corporate Governance Code, 2018 allows listed companies in Bangladesh to follow a unitary board system and the existing regulations require the listed companies to appoint at least one-fifth of the total board members from independent, non-shareholder category. Choudhury (2017) also opined that a higher proportion of independent directors in the board will be indicative of companies' keenness towards good governance particularly in the context of the country's family controlled corporate culture which, in turn, will protect and promote the general shareholders' interest. Deb (2013) also narrated that an independent director with many years of experience acts as a guide for the company by playing an important role in the risk management, functioning as watchdogs, and playing an active role in various committees to be set up by the company to ensure good governance. Higgs (2003) review report identified that being independent, unbiased and detached from managerial link, independent directors are well positioned to play the role of managerial watchdog, may reduce the agency cost of the firm (by keeping a vigilant eye on the managerial activities in a conscientious manner), may improve the overall performance of the board (by accomplishing their dual duties), and may help minimizing the breaches of duties by the executive directors.

In this backdrop, the study intends to examine the state of the role of independent directors in listed family-owned firms of Bangladesh by testing the following hypotheses.

$H3_1$ = There exists significant correlation of rank of opinions of the sample respondents on the role of independent directors.

$H3_2$ = There exists significant difference of mean of opinions of the sample respondents on the role of independent directors.

4. Board Agenda

Board agenda is a list of items to be discussed at a formal board meeting. It is an important instrument of corporate governance in the hands of the board members because it underscores the need for furnishing relevant information to them in order to make timely and informed decision. The Bangladesh Enterprise Institute (BEI) Report (2004) provides specific guidelines on what matters/issues, such as annual operating plans and budgets, capital budgets, manpower and overhead budgets, quarterly results for the company as a whole and its business segments, internal audit reports, recruitment of senior officers, labor issues, etc. are to be placed before the board. According to the USA Business Roundtable (BRT) Report (2002), a carefully planned board agenda is important for effective board meetings. In the context of the United States, the chairman in consultation with the board typically determines the items on the agenda and subjects are also proposed by various external board members. The Code of Corporate Governance Pakistan (CCGP) (2002) also requires the companies to place issues alike the issues mentioned in BEI report before board meetings. Under this Code, companies are required some additional issues to include in the board agenda, viz. a letter of management issued by external auditors; promulgation or amendment of a law, rule or regulation, enforcement of an accounting standard and such other matters as may affect the listed company; payment for goodwill, brand equity or intellectual property; etc.

In this background, this study aims to examine the significance of board agenda in listed family-owned firms of Bangladesh by testing the following hypotheses.

$H4_1$ = There is a significant correlation of rank of opinions of the sample respondents on board agenda.

$H4_2$ = There is a significant difference of mean of opinions of the sample respondents on board agenda.

5. Role of Directors' Report

A directors' report is an important document for communication between shareholders and the board of directors. BEI Report (2004) defines directors' report as the part of the company's annual report that refers to the highlights of the company explaining its past results, board decisions, and future strategic plans including all the events which reasonably have material effect (having any exposure greater than one percent of the net worth or ten percent of net profits) to company's operating results. A good number of corporate governance codes and/or guidelines around the world, such as International Corporate Governance Network (ICGN) Principles (2005), the Organization for Economic Co-operation and Development (OECD) Principles (1999), and Cadbury (1992) report require the board to provide shareholders and other stakeholders with all material information on the financial and operating results of a company as well as on corporate governance to enable them to properly understand the company's current state of affairs and how it is being developed for the future. Under similar consideration, in Bangladesh, legal and regulatory requirements provide emphasis on directors' report as a principal means of disclosure to the shareholders. As much the board of the company needs a lot of sections to describe the relevant and mandatory aspects only to make disclosure in directors' report which is to be prepared under section 184 of The Companies Act, 1994.

Based on this background, the study aims to examine the significance of directors' report in listed family-owned firms of Bangladesh by testing the following hypotheses.

$H5_1$ = There is a significant correlation of rank of opinions of the sample respondents on the role of directors' report.

$H5_2$ = There is a significant difference of mean of opinions of the sample respondents on the role of directors' report.

6. Role of Family Members

Among few studies on the role of family members in the family-owned firms, Pontet and Pendergast (2016) argued that as director(s) of the firm, the family members have a fiduciary responsibility to ensure the business is well-managed and to fulfill this responsibility, they must have a solid understanding of the dynamics of their industry, the strategy of their business and the drivers of financial performance. Meanwhile, in investigating the practice of corporate governance in the family firms of Bangladesh and Sri Lanka, Ahmed et al. (2016) found that the majority of the family companies in both countries have CEO from the controlling family and there are some important relationships of board independence with family ownership and family CEO.

In this background, this study identifies six factors that need to be taken into account while determining the role of family members and aims to examine their significance in listed family-owned firms of Bangladesh by testing the following hypotheses.

$H6_1$ = There is a significant correlation of rank of opinions of the sample respondents on the role of family members.

$H6_2$ = There is a significant difference of mean of the opinions of the sample respondents on the role of family members.

$H6_3$ = There is no association between the opinions of the sample respondents on family member employed in the firm as top executive.

RESULTS AND DISCUSSION

Using the data collected from the sample respondents of the sample firms, the study elaborately examines board issues covering the role and responsibilities of the board, board training, role of independent directors, board agenda, directors' report, and role of family members in the board. The findings of the study with regard to each of the board issues are presented below.

1. Role and Responsibilities of the Board

The study identifies as many as twelve role and responsibilities of the board from the literature and attempts to examine their significance based on the sample respondents' (executive/non-executive directors and independent directors) opinions which are sought in a 5-point Likert scale. The obtained data are presented in Table 1 and analyzed under hypothesis 1.

Table 1: Tabular Presentation of Rank, Rank Correlation, and Mean Difference of the Respondents' Opinion on Role and Responsibilities of the Board

Sl. No.	Statement	Executive /Non-Executive Directors		Independent Directors		Rank Correlation (p Value)	Mean Difference (p Value)
		Mean	Rank	Mean	Rank		
1	Setting strategy and giving overall direction	5.00	1	4.76	2	R= 0.700 p = 0.011	D= 0.293 t = 2.870 p = 0.006
2	Hiring and firing CEO and Top Executives	4.60	11	4.32	9		
3	Managing, controlling, and supervising Top Executives	4.76	9	4.24	10.5		
4	Ensuring shareholders' interest	4.92	4	4.24	10.5		
5	Safeguarding the interest of the company	4.92	4	4.72	3.5		
6	Determining the company's vision and mission to guide and set the current operations and future development	4.96	2	4.96	1		
7	Safeguarding the interests of the employees and the shareholders	4.92	4	4.64	5		
8	Ensuring that company complies with all relevant law and regulations	4.88	6	4.40	8		
9	Reviewing and evaluating present and future opportunities, threats, and risks in the external environment and current and future strengths, weaknesses, and risks relating to the company	4.84	7	4.72	3.5		
10	Acting on a fully informed basis, in good faith and in due diligence and care, and in the best interest of the company and shareholders	4.80	8	4.48	7		

11	Exercising independent judgment	4.68	10	4.56	6		
12	Accepting a benefit from a third party conferred by reason of - (a) his being a director, or (b) his doing (or not doing) anything as director	3.24	12	2.96	12		
Correlation is significant at 5% level (2-tailed). T-test is applied.							

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Table 1 shows that executive/non-executive directors recognize that setting strategy and giving overall direction is the most important role and responsibility of the directors, but the independent directors recognize that determining the company's vision and mission to guide and set the current operations and future development is the most important role. These two roles get second highest priority reciprocally to the above two groups of respondents. Executive/non-executive directors who indeed have a practical experience of running the board give importance with rank 4 equally to three role and responsibilities, such as ensuring shareholder's interest, safeguarding the interests of the employees and the shareholders, and safeguarding the interest of the company. On the other hand, independent directors have accorded high regard with rank 3.5 equally to two roles, such as reviewing and evaluating present and future opportunities, threats, and risks in the external environment and current and future strengths, weaknesses, and risks relating to the company and safeguarding the interest of the company.

The Spearman's Rank-Order Correlation is used to assess correlation of the opinions of both groups of the respondents on 12 (twelve) points board's role and responsibilities. It is evident that there is a strong positive correlation ($r = 0.700$, $p = 0.011$) between the opinions of them.

The descriptive analysis shows that the mean difference between the opinions of both groups of the respondents is 0.293 and t-test shows that these two groups of the respondents maintain a significant difference ($p = 0.006$) (See Table I).

2. Board Training

Referring to the exiting literature on the directors' training program, the study seeks opinions of the sample respondents first on the merit of board training in dichotomous framework and then on the areas of the board training in a 5-point Likert scale in order to examine their significance. The obtained data are presented in Table 2 and 3 and analyzed under hypothesis 2.

Table 2: Tabular Presentation of Chi Square of the Respondents' Opinion on the Benefits of the Board Training

Types of Opinion	Executive/ Non- Executive Directors	Independent Directors	Chi Square	Sig. p Value
YES	18	20	$\chi^2 = 0.439$ *	p = 0.508
NO	7	5		
Total	25	25		
* Insignificant at 10% level.				

Source: Field study. Statistical software package, SPSS has been used for data analysis.

It is evident from Table 2 that both groups maintain a very positive view on the value of board training. In such a context, χ^2 test shows that there is an association between the opinions of the groups as the derived value of $\chi^2 = 0.439$ ($p = 0.508$) is less than the table value of χ^2 (2.71) at 10 percent level of significance.

Table 3: Tabular Presentation of Rank and Rank Correlation of the Respondents' Opinion on the Areas of Board Training

Sl. No.	Areas of Board Training	Executive/ Non-Executive Directors		Independent Directors		Rank Correlation	Sig. p Value
		No. of Respondent	Rank	No. of Respondent	Rank		
1	Orientation program	14	5	13	6	R = 0.836	p = 0.010
2	Company and security law	19	4	23	3		
3	Code of corporate governance	25	1	25	1.5		
4	Marketing aspects of business	13	6	14	5		
5	Financial aspects of business	22	3	25	1.5		
6	Industry related issues	23	2	20	4		
7	Others, if any	12	7	7	7		
	Total						
Correlation is significant at 1% level (2-tailed).							

Source: Field study. Statistical software package, SPSS has been used for data analysis

Table 3 shows that executive/non-executive directors have recognized board training as the instrumental to better corporate governance, so do the independent directors. Thus the chairman of the board and company secretary of the listed companies in Bangladesh who usually play prime role in arranging training programs for directors need to pay more attention to this area of board training. As to aspect of training, the executive/non-executive directors have recognized code of corporate governance (rank 1), industry related issues (rank 2), financial aspects of business (rank 3), and company and security law (rank 4) as important areas whereas the independent directors have given high priority to code of corporate governance (rank 1.5), financial aspects of business (rank 1.5), company and security law (rank 3) and industry related issues (rank 4). It is also evident that both groups have given less importance to orientation courses, marketing aspects of business, and others.

The Spearman's Rank-Order Correlation is applied to find out the correlation between both groups of the respondents on the area of board training. It is found that there is a very strong correlation (r = 0.836, p = 0.010) between the opinions of them on this area.

3. Role of Independent Directors

The existing literature leads the study to identify total nine roles of independent directors which are placed to the sample respondents for their opinions in a 5-point Likert scale in order to examine their significance. The obtained data are presented in Table 4 and analyzed under hypothesis 3.

Table 4: Tabular Presentation of Rank, Rank Correlation, and Mean Difference of the Respondents' Opinion on the Role of Independent Directors

Sl No.	Statement	Executive / Non-Executive Directors		Independent Directors		Rank Correlation (p Value)	Mean difference (p Value)
		Mean	Rank	Mean	Rank		
1	Acting as a guide to the company	4.56	3.5	4.24	6.5		
2	Improving corporate credibility and governance standards that function as a watchdog	4.56	3.5	4.24	6.5		

3	Playing a vital role in risk management	3.88	8	4.36	3.5	R = 0.211 p = 0.586	D = 0.066 t = 0.319 p = 0.751
4	Maintaining regular presence in the board meeting and monitoring the financial reporting process and disclosure of the company's financial information	4.88	1	4.52	1		
5	Ensuring compliance with listing and other legal requirements, disclosure of related party transactions, and qualification in the draft audit report, among other things	4.60	2	4.08	8		
6	Overseeing the interests of minority shareholders	4.40	6	4.36	3.5		
7	Objectively contributing to the governance process of the company and evaluating the best interests of the company	4.32	7	4.32	5		
8	Ensuring that all decisions are arrived at in the best interests of the company and all shareholders are treated fairly	4.44	5	4.48	2		
9	Playing an active role in determining company's social responsibility performance measures	3.48	9	3.92	9		
Correlation is not significant even at 10% level (2-tailed). T-test is applied.							

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Table 4 exhibits that the role of independent directors that both groups of the respondents have placed the equal emphasis on maintaining regular presence in the board meeting and monitoring the financial reporting process and disclosure of the company's financial information as the most important one (rank 1) and playing an active role in determining company's social responsibility performance measures as the least important one (rank 9). Further, independent directors have given priority to ensuring that all decisions are arrived at in the best interests of the company and all shareholders are treated fairly (rank 2) whereas, executive/non-executive directors given importance to ensuring compliance with listing and other legal requirements, disclosure of related party transactions and qualification in the draft audit report (rank 2). For other roles of independent directors as given, both groups of respondents have a minor difference of opinions ranging from the ranks 3.5 to 8.

By applying Spearman's Rank-Order Correlation, it is found that there is a poor positive correlation (r = 0.211, p = 0.586) between the opinions of both groups of the respondents on nine-point role of the independent directors.

The result further reveals that the mean difference between the opinions of both groups of the respondents is 0.066 and t-test shows that these two groups of the respondents maintain an insignificant difference (p = 0.751) (Table 4).

4. Board Agenda

Based on the existing literature on board agenda, the study identifies total sixteen agenda items which are to be essentially resolved at board level and seeks the opinions of the sample respondents in a 5-point Likert scale to examine their significance. The obtained data are presented in Table 5 and analyzed under hypothesis 4.

Table 5: Tabular Presentation of Rank, Rank Correlation, and Mean Difference of the Respondents' Opinion on Board Agenda

Sl. No	Statement	Executive / Non-Executive Directors		Independent Directors		Rank Correlation (p Value)	Mean difference (p Value)
		Mean	Rank	Mean	Rank		
1	Receive, consider, and adopt the audited financial statements of the company	4.96	1	4.80	1	R = 0.650 p = 0.006	D = 0.240 t = 2.870 p = 0.091
2	Declaration and approve dividend	4.92	1.5	4.16	13.5		
3	Elect/ re-elect the directors of the company	4.48	12.5	4.40	8		
4	Approval of the appointment of independent director(s)	4.88	4	4.52	6		
5	Appointment of auditor and fix their remuneration	4.76	6	4.20	11.5		
6	Appointment of professional for certification on compliance of corporate governance code	4.48	12.5	4.16	13.5		
7	Annual business plan, cash flow projection forecasts, and long-term plans	4.84	5	4.68	3		
8	Quarterly operating results for the company as whole and its operating divisions or business segments	4.92	1.5	4.76	2		
9	Internal audit reports, including specific material cases of theft, irregularities, and misconduct	4.72	7	4.64	4		
10	Management letter issued by the external auditors	4.52	11	4.60	5		
11	Details of joint ventures, collaboration or agreements with distributors or agents	4.24	16	4.04	16		
12	Promulgation or amendment of a law or regulation or rule, enforcement of an accounting standard and such other matters as may affect the company	4.56	9	4.28	9.5		
13	Status and implication of law suits or proceeding of material nature, filed by or against the company	4.44	14	4.20	11.5		
14	Show cause, demand and prosecution notices received from revenue authorities which are materially important	4.28	15	4.12	15		
15	Default in payment of principal and/or interest including penalties on late payments and other dues to a creditor bank or financial institution or defaults in payment of public deposit	4.56	9	4.44	7		
16	Failure as to recover the material amount of loans, deposits, and advances made by the company including trade debts and inter – corporate finance	4.56	9	4.28	9.5		
Correlation is significant at 1% level (2-tailed). T-test is applied.							

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Table 5 shows that both groups of the respondents have placed the highest emphasis on receiving, considering, and adopting the audited financial statements of the company (rank 1). They also have been almost identical in selecting 'quarterly operating results for the company as a whole and its operating divisions or business segments' as the second most priority agenda item (rank 1.5 for executive/non-executive directors and rank 2 for independent directors). Among other prioritized agenda items, there have been little differences of their opinions, viz. annual business plan, cash flow projection forecasts, and long-term plans (rank 5 for executive/non-executive directors and rank 3 for independent directors), and approval of the appointment of independent director(s) (rank 4 for executive/non-executive directors and rank 6 for independent directors). But among the agenda items for which they have given largely disagreeable opinions, declaration and approve dividend was the most (rank 1.5 for executive/non-executive directors and rank 13.5 for independent directors). So it is observed that the both groups of the respondents have given likely opinions for the majority board agenda items.

In order to find out the correlation between opinions of both groups of the respondents on board agenda items, the study applies Spearman's Rank-Order Correlation and finds that there is a strong positive correlation (r = 0.650, p = 0.006) between the groups as to sixteen agenda items presented in the Table 5.

The findings also demonstrate that the mean difference between the opinions of the groups is 0.240 and t-test reveals that it is insignificant at 5 percent (p= 0.091) level (See Table 5).

5. Role of Directors' Report

The study identifies as many as nineteen elements of directors' report from the literature and seeks the opinions of the sample respondents in a 5-point Likert scale to examine the significance of those elements. The obtained data are presented in Table 6 and analyzed under hypothesis 5.

Table 6: Tabular Presentation of Rank, Rank Correlation, and Mean Difference of the Respondents' Opinion on Role of Directors' Report

Sl. No.	Statement	Executive / Non-Executive Directors		Independent Directors		Rank Correlation (p Value)	Mean difference (p Value)
		Mean	Rank	Mean	Rank		
1	Outlook and possible future developments in the industry	4.80	8	4.52	10.5	R = 0.364 p = 0.125	D = 0.225 t = 1.540 p = 0.130
2	Internal and external risk factors, threat to sustainability, and negative impact on environment, if any	4.88	4.5	4.56	7		
3	Continuity of any extraordinary activities and their implications (gain or loss)	4.52	14.5	4.52	10.5		
4	Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, etc.	4.52	14.5	4.08	17.5		
5	Explanation on any significant variance occurs between quarterly financial performances and annual financial statements	4.88	4.5	4.76	1		
6	Detail of directors compensation and remuneration including independent directors	4.48	16	4.04	19		
7	Statement that the financial statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity	4.60	11.5	4.64	3.5		
8	Proper books of accounts of the issuer company have been	4.56	13	11.5	4.64		

	maintained						
9	Appropriate accounting policies have been consistently applied in preparation of the financial statements	4.60	11.5	4.52	10.5		
10	Status of IAS or IFRS that have been followed in preparation of the financial statements and any departure there from has been adequately disclosed	4.24	17	4.36	15.5		
11	Director's shareholding and any change in their shareholdings	4.12	18.5	4.52	10.5		
12	Protection of minority shareholders from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly	4.12	18.5	4.60	5.5		
13	Summary of operating and financial data of at least preceding five (5) years	4.76	9	4.48	14		
14	Declared dividend (cash or stock)	4.88	4.5	4.52	10.5		
15	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend	4.64	10	3.36	15.5		
16	Appointment or reappointment of a director	4.84	7	4.08	17.5		
17	Detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements	4.88	4.5	4.64	3.5		
18	Declaration or certification by the CEO and the CFO to the Board	5.00	1	4.52	10.5		
19	Status as to compliance with code of corporate governance	4.96	2	4.68	2		
Correlation is not significant even at 10% level (2-tailed). T-test is applied.							

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Table 6 exhibits that executive/non-executive directors have paid the highest regard to declaration or certification by the CEO and the CFO to the board (rank 1) whereas the independent directors have given lesser importance to this disclosure item (rank 10.5). In contrast, independent directors have considered the disclosure of explanation on any significant variance occurs between quarterly financial performances and annual financial statements as the most significant content of directors' report (rank 1) while executive/non-executive directors rank on this item have been 4.5. Table VI also reveals a good number of variations in rankings between the groups of the respondents as to their opinions for all other disclosures except the status on compliance with code of corporate governance (rank 2 equally for both groups) and detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements (executive/non-executive directors rank 4.5; independent directors rank 3.5).

For interpreting the data presented in Table 6, Spearman's Rank-Order Correlation is applied and it shows that there is poor positive correlation (r = 0.364, p= 0.125) between the opinions of both groups of the respondents on director's report.

Further, it is evident from the table that the mean difference between the opinions of them is 0.225 and t-test shows that they maintain an insignificant difference (p= 0.130) (Table 6).

6. Role of Family Members

On the basis of the existing literature, the study identifies six factors that need to be taken into account while determining the role of family members. In order to examine their significance, the study seeks opinions of the sample respondents first on the role of family members in the board in a 5-point Likert scale and then on family members employed in the firm as top executive in dichotomous framework. The obtained data are presented in Table 7 and 8 and analyzed under hypothesis 6.

Table 7: Tabular Presentation of Rank, Rank Correlation, and Mean Difference of the Respondents' Opinion on Role of Family Members

Sl. No.	Statement	Executive / Non-Executive Directors		Independent Directors		Rank Correlation (p Value)	Mean difference (p Value)
		Mean	**Rank**	**Mean**	**Rank**		
1	Sit in the boardroom to serve on behalf of the full ownership group.	4.04	3	3.96	4	R = 0.829 p = 0.042	D = 0.020 t = 0.076 p = 0.939
2	Must have a solid understanding of the dynamics of their industry, the strategy of their business, and the drivers of financial performance.	4.28	1	4.28	1		
3	Adequately monitor and control the business and affairs of the firm.	3.88	5	4.00	3		
4	Discuss with family members who are employed in the business to make sure that they're adding value and being a good representative of the business	3.92	4	3.84	5		
5	Monitor the progress of family members who are employed in the company and aspire to top leadership roles including who aspire to become CEO or chairman of the board	3.56	6	3.44	6		
6	Exercise fiduciary responsibility to ensure the business is well-managed	4.08	2	4.12	2		
Correlation is significant at 5% level (2-tailed). T-test is applied							

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Table 7 shows that both groups of the respondents have paid highest importance on good understanding of the dynamics of industry, the strategy of business, and the drivers of financial performance (rank 1) followed by the exercise of fiduciary responsibility to ensure that the business is well-managed (rank 2). Further, they also have equally given less importance to monitoring the progress of family members who are employed in the company and aspire to top leadership roles including who aspire to become CEO or chairman of the board (rank 6). On the other defined roles of the family members, their opinions have slightly dispersed with the ranks from 3 to 5 from each other.

For the purpose of interpreting data presented in Table 7, it is found by applying Spearman's Rank-Order Correlation that there is a strong positive correlation ($r = 0.829$, $p = 0.042$) between the opinions of the groups on these 6 factors.

The findings further indicate that the mean difference between the opinions of the groups is 0.020 and t-test shows that the groups maintain an insignificant difference ($p = 0.939$) (See Table 7).

The study also examines the opinions of the groups as to see the family members in the top position of the family firms. Table 8 shows the result of the findings.

Table 8: Tabular Presentation of Chi Square of the Respondents' Opinion on Family Member Employed in the Firm as Top Executive

Types of Opinion	Executive /non- Executive Directors	Independent Directors	Chi Square	p Value
YES	7	8	χ^2 = 0.095 *	p = 0.758
NO	18	17		
Total	25	25		
* Insignificant at 10% level.				

Source: Field study. Statistical software package, SPSS has been used for data analysis.

It is evident from the table that both groups maintain almost the same positive and negative views on family members employed in the firm as top executive. In this regard, χ^2 test shows that there is an association between the opinions of the groups as the derived value of $\chi^2 = 0.095$ (p = 0.758) is less than the table value of χ^2 (2.71) at 10 percent level of significance.

CONCLUSION

Corporate governance is fairly a new concept in Bangladesh. As to practice and perception relevant to corporate governance in listed family-owned firms, this study examines the views of the board members, particularly the executive/non-executive directors and the independent directors, covering the important issues of board governance mechanisms. The findings of the empirical study reveal that in most of the cases the respondents from each group maintain the likely view of the corporate governance practices in listed family-owned firms in Bangladesh. It is found that the board member respondents have no significant differences of opinions on the usefulness of the board issues like board training, family members employed in the firm as top executive. Further it is found that a strong positive correlation consistent with insignificant differences is revealed between the board members opinions on other board issues like role of family members and board agenda. But some incompatibilities also are observed in the test results of the correlation between the opinions of the board member respondents on the issues relating to the role and responsibilities of the board (strong positive correlation but significant mean difference) and to the role of independent directors and the role of directors' report (weak correlation but insignificant mean difference).

The study suggests that in formulating/amending the governance guidelines, the regulator should concentrate more to some items relating to board issues that are revealed in this study as disagreeing facts between the board member respondents. The items are i) role and responsibilities of the board, ii) role of independent directors, and iii) role of directors' report. To ensure the regular presence of independent director(s) and their monitoring functions in the board meeting of the listed family-owned firms, this study suggests the BSEC to promulgate a new guideline regarding this issue.

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