



The Impact of Corporate Governance and Ownership Structure on Managerial Myopic Behavior: Evidence from Emerging Market

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Abstract: Short-term orientation aimed at maximizing current period profits at the expense of long-term corporate performance and survival has become an emergent issue in corporate world. The current study has examined factors affecting managerial myopia from corporate governance and ownership structure perspective. For the purpose, the study has used listed firms in Pakistan stock exchange as a population and followed a stratified random sampling method and collected data from 319 firms listed in Pakistan stock exchange from 2010 to 2019. The study has used various proxies to measure managerial myopia i.e. negative changes in the capital expenditures, market and sale expenditures while reporting positive profits in those years. Insider-outsider CEO and variation in the management team. The study has used corporate governance variables as an explanatory variable such as board size, board independence, independence of audit committee, and external audit quality. The ownership structure variables include managerial ownership, institutional ownership and foreign ownership while control variables include age, size growth and leverage of the firm. The results of the study showed that among the corporate governance variables board size, board independence, independence audit committee and external audit quality is found to have negative effect on the changes in capital expenditures and sale and market expenditures. The insider-outsider regression results showed that board size, board independence and external audit quality has negative effect of the changes in capital expenditures and sale and market expenditures. Similarly, managerial ownership is found to have negative effect on the changes in capital expenditures and sale and market expenditures and outsider CEO. Whereas, institutional ownership has positive and significant effect the changes in capital expenditures and sale and market expenditures outsider-CEO. However, foreign ownership has positive but insignificant effect on the changes in capital expenditures and sale and market expenditures and CEO-outsider. In case of variations in the management team the board size, board independence, and external audit quality have significant and positive effect on the management team size. Moreover, managerial ownership is found to have negative but institutional ownership is reported to have positive effect on the management team size.

Keywords: Managerial myopia, Corporate governance, Managerial ownership

1. Introduction

Managerial myopia is phenomena where managers increase current revenue at the cost of future (long term) revenues (Stein, 1998; Bhojraj & Libby, 2005). Managerial myopia is considered the most fundamental problem to the modern businesses (Edmans, 2009). Graham, Harvey and Rajgopal (2005) analysis that 78% of top-level management gives up profitable projects in the long run if it looks to miss its target in the short run. Studies showed that managers' myopic behavior mainly focused on cutting R&D expenditure to get its different financial

objectives (Dechow, & Sloan, 1991; Bange, & De Bondt, 1998; Roychowdhury, 2006; Askar et al., 2011).

The debate on managers' myopic behavior started due to the fact that most of the US companies invoke managers to act myopically and exhibit the high profits and returns (Jacobs, 1991; Porter 1992). The perspective originates from the facts that the shareholders are more interested in contemporary revenues and will investors depress share prices if there is any decrease in the current earnings. Because the concession granted in the current Generally Accepted Accounting Principle the managers may avoid such investment instead of long term benefits. So, managers, induce invest less in R&D to show the impression that present and coming profitability of the company is greater than that of considered, this will rise the share prices of the company (Stein, 1989; and Hu et al., 2014). Previous empirical studies often show that managers have a more or less myopic affect behavior due to volatility (increased/decreased) of capital market pressure. In particular, managers first choice is to reduce Research & Development expenditure to avoid lost revenue anticipating stock offerings (Cohen, & Zarowin, 2010; Bhojraj, & Libby, 2005). Investors from institutions have great portfolio return and as well as busy in active trading or when there is a threat to the acquisition market (Bushee, 1998).

Similarly, Tian, (2013) point out that companies with higher analytical capabilities have fewer patents financial analysts with less influential impact, State stock markets put pressure on executives to achieve short-term goals, so they prevent companies from investing in future (long-term) innovation plans. Hu, et al. (2014) found that with the removal of revenue criteria, there is low pressure on managers to prepare reports of earnings to complete a series of guides and attention on most profitable activities according to long-term value.

Earlier studies produced combine results that the capital markets behave positively if the manager increases research and development expenditure (Jarrell, & Lehn, 1985; Woolridge, 1988) yet if R&D decreases current earnings of the period (Chan, et al., 1990). Bhojraj, Hribar, Picconi & McInnis, (2007) took data from 1988 to 2006 and analysis it, two groups were made from collected data, one is forecasts beater and the second one is forecast misses. The beater decreases the R&D or advertisement expenditure to increase the profit while the miss the earning forecast and do not decrease the R&D or advertisement expenditure. Managerial myopia is gaining short term investment while sacrificing the firms fixed assets. There are three assumptions of being myopic i.e. underinvestment in the fixed assets, the purpose of underinvestment to achieve short term targets and that underinvestment would paralyze the organization's long term assets or growth.

The existing literature uses R&D to find out the myopic behavior of the manager, but his / her underinvestment might not be due to the objectives of achieving current earning. So this study will contribute keeping in view the assumption two, i.e. cut in research and development spending with the objectives to achieve short term goals and also to check the market reaction towards manager myopic behavior. Following the preceding research (Baber, et al., 1991; Bushee, 1998; Goel, & Ram, 2001), This study consider non-financial companies whose income is decreased due to research and development, sale and advertisement and corporate responsibility related activities compared to the previous year but have decreased in the quantity that can be recovered by reducing research and development, advertising and sale expenditure and CSR. More importantly, if these companies do not reduce these optional expenses such as R&D, advertisement and corporate responsibility related activities spending, such a reduction is most likely intended to achieve earnings goals and, therefore, can be considered short-sighted.

This study enriches the literature theoretically and empirically in numerous means; theoretically it contributes to the fundamental theory of corporate governance - the Agency Theory. The theory was presented in 1976 by Jensen & Meckling which was based on Berle & Means (1932) seminal work. This theory postulates interest conflict stuck between shareholders and managers of firms. This study used managerial myopia as a situation where managers compromise on the long-terms goal and focused on the short-term targets that creates a conflict of interest amid opportunistic stockholders and managers. As these short-term targets are followed by the managers due to their financial compensation attached with such targets. This study used managerial myopia in the framework of agency theory for the first time that will broaden the scope of this theory in case of emerging markets like Pakistan.

The empirical contribution of the study includes; first, it has been a long time argues that due to market pressure, managers behave myopically. The literature shows that increases research and development investment or use minimizes industry-specific R&D changes measures of managerial myopia and produces mixed results (Jarrell, & Lehn, 1985; Woolridge, 1988). This study considered research and development, sale and advertisement and corporate responsibility related activities to examine the managerial myopic behavior of non-financial listed firms in Pakistani stock exchange (PSE) which have not been examined till date. Secondly, manipulating practical

operations such as R&D investments is a specific approach to income management but very diminutive research on the economic consequences of income management is available (Bhagat & Bolton, 2008). This research extends research route and examined the reduction in research and development, sale and advertisement and corporate responsibility related activities and response of the capital markets towards such reductions (Bhojraj et al. 2009). Thirdly, to examine the CEO's salary and compensation in relation with the myopic behavior which is not been examined in the context of Pakistan.

2. Review of Literature

In this section models related to managerial myopia, Corporate Governance and Ownership Structure are studied and magnified along with empirical applications. The available literature on the research theme, which matches with the adopted hypothesis, has been analyzed. The essence is to divulge the connotation of the research field in general and proposed area for contribution in specific. The literature emphasizes on Corporate Governance and Ownership Structure theories – , *Upper Echelon theory*, and *Corporate Governance theory* – and studies their relationship, directly and indirectly, with managerial myopia. Evaluation of these theories and their specific nature that affects the managerial myopic behavior and performance of the firm have also been studied.

The research question, objective, and variable selection for research scheme have been derived from the literature, resulting in the further enhancement of their applications particularly for emerging economies, like Pakistan. The literature is organized thematically and explained in chronological detail, which will help the reader to understand the existing literature as it progresses through time and grasp the developments that happened sequentially.

2.1 Managerial Myopia

Kurz (1987) has indicated that the term myopia is a kind of stressed behaviour realizing short-term goals and overrunning long-term benefits. Stein (1988) referred MM to overlook long-term cash flows (or earnings) to manage current earnings. When managers compromised long term investments in order to elevate current earnings, that kind of behaviour is myopic and harmful for company's financial position in long run. (Bushee, 1998; Bange & De Bondt, 2003).

Vander Stede, (2000) tested “*Spillover Effect*” existence between “Budgetary slack controls” and “Managerial short term orientation”. The research outcomes exhibit management's myopic attitude compromising future financial impact over present performance. Graham et al. (2005) conducted a survey of 400 executives in USA to figure out their reporting and disclosure mechanism for corporate level financial decisions. Survey concludes that 78% of the executives lacerate long term value against smooth marked earnings.

Shleifer & Vishny (1989) anticipated the hitches related to influence disclosed information and fix decisions making issues at managerial level. Determination of long-termism information is easily handled in comparison to short-termism information. It is very difficult to manipulate disguised evidence as it increases capital cost and end result is to select short-termism stock and ignore long-termism

Stein. J. (1988) explains “Managerial Myopia” in “Takeover” context and argues that executives avoid “Takeovers” with assumption of investment endangerment. They sacrifice future long-term earning to generate short-term profits. In some situations it has been observed that hostile takeovers cause negative valuation of stocks in short run but benefit the shareholder in long run. Proper disclosures by managers can reduces retail traders stress, improve security analysts performance and “Takeover” projects valuation over securities. Experimental studies have explained that corporate executive preference is to formulate incomes estimates rather than R&D overheads. Managers could reduce company losses by emphasizing on short run targets and unheeded the potential risk. The Graham et al. (2005) examined that managers can give economic benefit in “Three-quarters” in term of reimburse as smooth earnings while 4th quarter's consensus earnings was absent which is a displeasing situation especially for institutional investor.

Bhojraj, & Libby,(2005) explained the rising pressure of capital market which forced the top management for myopic behavior. Diversification, expansion, and new project investments always faced biased approach of management to select projects with quick reimbursement over optimizing future cash flows.

Baber et al. (1991) and Dechow & Sloan (1991) conduct empirical analysis to establish influence relation between managers compensation, their proper disclosure in accounting statements and R&D expenditures. Using company level data (436 US companies for the period of 1977-87 and China listed companies for the period of 2007-2012) respectively. Research concluded significant relationship. Roychowdhury (2006) study investigates company's

earning management association with managers authorized and dedicated powers. Chinese listed company's data over a span of 2005-2014 was used for analysis and it shows manager's malified intentions to report controlled earning and losses in annual statements, so as to meet annual earnings estimates.

2.2 CEO Expertise

Noe & Rebello (1997) examined the management maturity level and intensification of education, awareness and understanding in context to MM. The uptrend in MM has been observed and debates the hitches to change the executive's investment behaviour. Aghion & Stein (2008) suggested that financial analysts are good enough to observe the stock market position for company's future investment. Manager only focuses and thinking for short-term while financial analysts are used their expertise with advanced knowledge to make financial decisions more desirably.

Custodio, C. & Metzger, D. (2014) found that financially expert executives are improbable to have been CEO of younger businesses with huge funds to grow and manage profitability. It has been overserved that CEOs with adequate financial acquaintance are able to capitalize investment, cash-flow control and actively handle firm's financial policies. Engagement of CEOs with inadequate market and economics understanding may cause under paid executives remuneration, no matter they even have pure knowledge of finance. Brandenburger & Polak (1996) examined that manager with deficient financial background is not averted by the market but financial expertise can boost-up the firm's value. The firm's value addition is very much depended on CEO's financial competency in combination to other factors. CEO's financial experience is not only helpful to control creditors and investors but also supportive to upsurge company's value.

Anjos (2017) suggested that financial analysts are less interested in personal professional skills and their main focus is on external means of information. Their investments decisions are based on market reports and even don't hesitate to select low grade investment projects. Ferreira et al (2011) focused on the low-NPV projects which are in favor of managers without enough financial competence. They often preferred schemes with low rate of return and less competition probability. Dow & Gorton (1997) studied that managers with fund market information and investment plans understanding provides sufficient information to investors guide them in decisions. Titman & Subrahmanyam (1999); Chen, Goldstein & Jiang (2007) investigated that in decision making process financial analysts will ignore their own expertise for acquiring stock due to adhoc effects. Capital market with sufficient information anticipate investment trend and profitability index.

2.3 Compensation

Lazear, & Rosen, (1981); Holmstrom, (1982) argued that employees and management efficiency can be increased by giving faire reward. Laffont, & Tirole (1987) suggested that CEOs are become long-term oriented when they are compensated well. Vishny, & Shleifer (1989) studied that the manager can make better investment decision in response to receive higher compensation during his tenure. Empirical researches show direct relations between shareholder's wealth and manager's compensation; increase in shareholder wealth ended with compensation benefits, schemes, and packages for management team. (Murphy, K. & Conyon, M. 2000).

In August 1990 Iraq occupied Kuwait which shaken oil market internationally and root upsurge in oil prices. Stock markets all over the world response to this variation in general but US markets responses were special and 18% decrease was witnessed in annual industrial growth. In next phase of 1990 US markets experienced new pecuniary horizon and exhibit production and investment growth at its best level. Industrial research indicated two managerial myopic trends in the markets: (1). intensely reduction in antagonistic takeovers and (2). administration officers (CEO) remuneration was unexpectedly elevated. During the period of 1992-98 CEOs earning were almost doubled to their income prior to period while 250% increase in pays was enjoyed by CEOs at S&P 500 companies (Jermann, U & Vincenzo, Q. 2002)

Antle, & Smith (1992) and Murphy (1999) investigated that salary contract of USA firm executives contains five elements: i). pay, ii). profit bonus, iii). limited stock, iv). share options, and v). long-term investment benefits. Executives' pay is a fix amount and generally calculated on annual bases. In prior literature, it is recognized that size and accounting practices of the firm is lined to basic salary. Short-termism metrics calculate incentives for current-year earnings only e.g. return on capital investment, cash benefits and credit transactions.

Gibbons, & Murphy (1992) founded that the cash-based compensation of CEO is depended on stock market performance and reaching to retirement of CEO; Barber et al. (1998) finds that increasing of accounting earnings,

cash-based compensation of CEO is increased along with approaching to retirement. Results of study suggested that board of director increase exact enticements for CEO when they sense that career concern is diminish.

Dechow et al. (1992) studied that CEO incentives enhancement is positively associated to earning-based performance of the company. Chief executives concentrate on accounting practices and solicitous in decision-making procedures to increase earning-based benefits. Empirical studies confirm the link and exhibit that compensation committee adjust the cash incentives and restrict CEO to rational decisions. They also focus on compensation-committee role regarding the cash rewards for executives.

2.4 Unrestricted Expenses

Roychowdhury. S. (2006) founded that unrestricted expenses is comprise of marketing expense, R&DD expenditure, trade and operational expense. Annual financial transactions are controlled by managers to circumvent losses and decrease in unrestricted expenses is one of the common variables among sale discounts, volume production and receivable turnover.

Dechow & Sloan (1991) argued that managers with myopic behaviour reduce discretionary expenses to escalate earnings for current period. They avoid long termism investment, control interest or depreciation expenditures to gain short termism returns. The research and development (R&D), marketing and maintenance cost is directly linked with cash payment at the time of occurrence. Companies reduce discretionary expenditures to raise their reported earnings and may have option to reduce spending of resources to their relatively low levels (Expenditure is directly connected with revenue). End result of compromised productivity investment decisions is mislaying of sophisticated and potential long term investor.

Bhojraj et al. (2009). Managers adjust discretionary expenditure to accomplish performance goals and bring improvements. Two potential motives are associated with their decision; First, myopic management theory which emphasis on current (short-termism) design and overlooking extended investments. Such actions finally increase short-term profitability by compromising unrestricted expenditures, which is most frequent technique used by management and surrendering off future earnings. The second concept is to cut workforce and control their cost. In this situation management also controlled the unrestricted spending with intention to elevate overall performance not the reported income. Decrease in optional expenditures provides low return in future to the company but a positive net present value. Adopting management myopic behaviour to reduce the unrestricted expenditure is adverse for the company.

2.5 Capital Expenditures (CapEx.) Reduction

All financial experts support and understand the importance of capital expenditure for fixed assets and new investments by the firm. Funds utilization for acquisitions, upgradations and maintenance of existing assets emanates CapEx. It has been proofed empirically that CapEx increase the firm's revenue and earnings in long run. The cash preservation strategy is one of the major causes for CapEx reduction and epitomize myopic approach by the firm.

Asker. J. et al. (2015) & Edmans. A. et al. (2013) study public and private firm's outflow conduct and stock liquidity effect on investment choices respectively. Research concluded that firms with short run approach impound the CapEx and exhibit myopic behaviour regarding the investment decisions. Kraft. A. ET al (2017) establishes the relation between firm investment decisions strategies and frequent reporting phenomena. They examines the factors which implies fiscal reporting shift to quarterly reporting system and conclude that decline in reporting span is revelation of myopic approach and reduction in firm's economic decisions in long run. Hirshleifer, (2001); Rappaport (2005) argue the importance of investor's psychology regarding CapEx. The businesses mostly avoid economic run CapEx to strong their cash-flow statement and upsurge progress in short run.

Bettis et al. (2013) discussed the managerial deficiencies to achieve modest systematic principles of management which can intensify the company outcomes. Good governance at top level is competent enough to justifying the sinking situation of company and employees performance. Top executives are involved in decisions making process regarding the CapEx and operational expenditure (OpEx) of the company and empirically it has been observed that they select project with short run to strengthen current revenue.

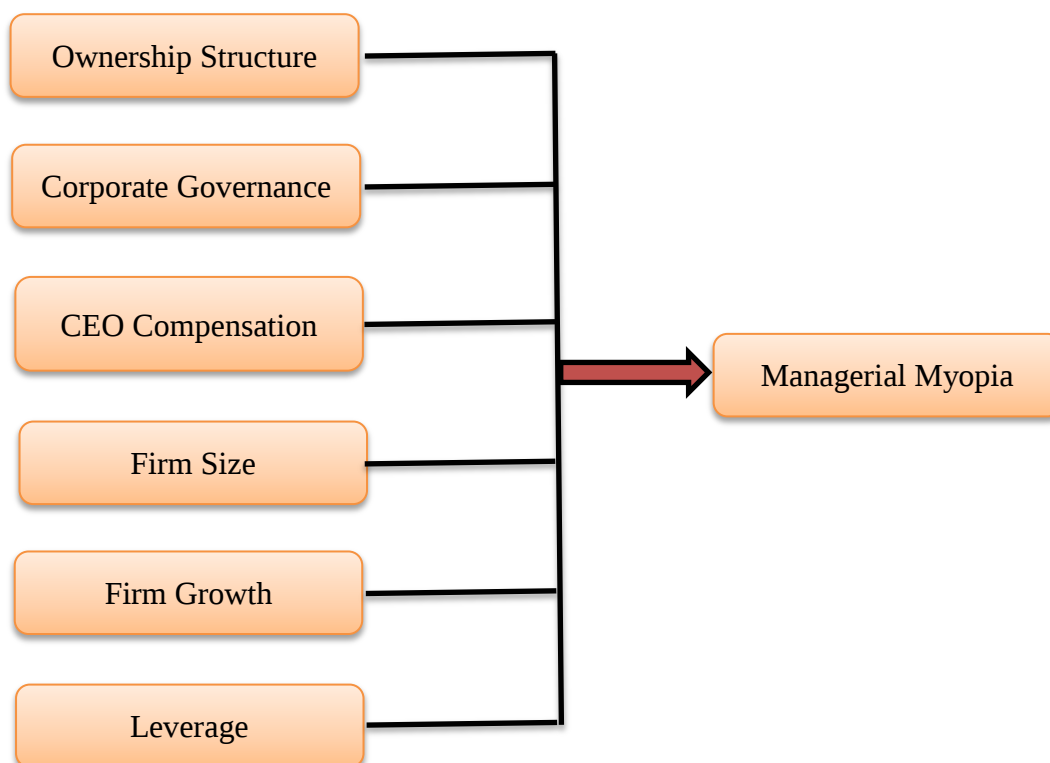
Ladika & Sautner (2014) concluded that improvement in company's cash-flow and profit by amendments / alteration in given policies move stock value positively. Managers with myopic attitude downscale CapEx and

concentrate on unrestricted allocations to attain current position. They compromise R&DD and other economic expenses to upsurge current profit and cash-flow which means they decrease CapEx to upturn company's value in short run and enjoy personal associated benefits.

2.6 Theoretical Framework for Myopic Causes

After reviewing all the relevant literature, dependent & independent variables were identified to establish a theoretical framework as:

Figure No.1. Theoretical Framework



3. Methodology

This portion comprise of the methodology used for investigation. This study has used panel data, thus the method identified for the study is panel regression to capture the relationship among variables. This technique is consistent with methodology used by Nora & Rejab (2013); Bonin et al. (2004); Bikram (2003) in their studies. Most recent and accurately available data on variables for year 2010 to 2019 will be used for broader coverage. To choose between fixed effect model or random effect model redundant fixed effects likelihood tests and Hausman tests were used.

3.1 Population

The study population is comprised of 456 non-financial registered firms in Pakistan Stock Exchange (PSE). List of firms is attached in Annex- I.

3.2 Sample Framework and Sample Size

The study has used two stage sampling method. At first step, strata were selected from non-financial sectors listed in Pakistan Stock Exchange. At second stage, representative firms were selected from each unit randomly for the time period of 2010 to 2019. The sample size of the study is 319 non-financial firms used for analysis since the

complete data for only these firms were available out of the total 456 listed non-financial firms. The study has dropped those firms for which the variables data available for the time period of 2010 to 2019.

3.3 Data and Sources

The study is based on secondary data which is collected from the annual reports of the firms and official website of the individual firms selected as a sample for the investigation study.

3.4 Research Models

The following research model has estimated to test the hypotheses and achieved the objectives by addressing the research questions.

$$M.M_{i,t} = \alpha + \beta_1 B.S_{i,t} + \beta_2 NED_{i,t} + \beta_3 CEO.Sal_{i,t} + \beta_4 IND.Audit.Com_{i,t} + \beta_5 INS.O_{i,t} + \beta_6 M.O_{i,t} + \beta_7 F.O_{i,t} + \beta_8 EAQ_{i,t} + \beta_9 LEV_{i,t} + \beta_{10} F.S_{i,t} + \beta_{11} F.G_{i,t} + \eta_i + \lambda_t + \mu_{i,t} \text{ ----- [Eq - i]}$$

In regression model dependent variable, Managerial Myopia, will be assessed and relationship with independent variables will be investigated. Where:

MM	Managerial Myopia	M.O	Managerial Ownership
B.S.	Board Size	F.O	Foreign Ownership
NED	Non-Executives Director	EAQ	External Audit Quality
CEO Sal	CEO Salary	LEV	Leverage
IND.Audit.Com	Independent Audit Committee	FS	Firm Size
INS.O	Institutional Ownership	F.G	Firm Growth

3.5 Variables of the Study

The study will use different variables to measure myopic behavior and capital market response and compensation policy.

- i. Managerial myopia will be computed through changes in the research and development, sale and advertisement and insider-outsider CEO and variations in the management team size and at the same time increase in the reported earnings.
- ii. Firm level determinants include firm growth measure through changes in sale, firm size will be measure through log of total assets, leverage will be computed through debts to equity, firm profitability will be measured through net profit margin year effect and firm effect and industry effect will be capture by including firm, industry and year dummy.
- iii. Compensation policy will be measured through a proxy of cash compensations and total salary of the CEOs.
- iv. Ownership structure will be measured through various proxies such as managerial ownership, institutional ownership and foreign ownership.
- v. Corporate governance will be measured through board size, board independence, independent audit committee, external audit quality.

4. Results and Discussions

Descriptive statistics represents distributional properties of the data as most of the analysis is carried out through statistical tests, so it is necessary to know and understand the properties of the data. To identify potential outliers and take corrective measures accordingly. Table 1 shows descriptive analysis of various variables used for investigation and hypotheses testing. The study has used two proxy variables to compute the stock market reactions i.e. Tobin’s Q and market adjusted returns. The mean value of market adjusted returns (Mar) is 0.101, its maximum value is 2.718 and minimum value is -1.23. The standard deviation value of market adjusted returns (Mar) is 1.008. Moreover, Tobin’s Q (TQ) mean value is 1.223, its maximum value is 3.98 and minimum value is 0.17 while its standard deviation value is 1.008.

The main variables used to measure the managerial myopia are changes in capital expenditures including research and development (CapEx), sales and marketing expenditures (MSGa), CEO from inside or outside (IOCEO),

variations in management team size (LTMTSIZE). The mean value of the capital expenditures including research and development (CapEx) is 0.56, its maximum value is 1 and minimum value is 0.0. CapEx standard deviation value is .5. The mean value of the sales and marketing expenditures (MSGA) is .49, its maximum value is 1 and minimum value is 0, where its standard deviation value is 0.511. The inside or outside CEO (IOCEO) mean value is 0.75, its maximum value is 1 and minimum value is 0 while its standard deviation value is 0.4. Variations in management team size (LTMTSIZE) mean value is 1.464, its maximum value is 3.599 and minimum value is 0 where its standard deviation value is 0.82.

The corporate governance is measured through various proxies i.e. board size (BS), board independence (BI), independent audit committee (AC), and external audit quality (Auditq). The mean value of the board size (BS) is 8.012 and its max value is 20 where is the minimum value is 7 that is statutory requirements under the corporate governance code 2012. The BS standard deviation value is 1.544. The board independence (BI) mean value is .604, its maximum value is 0.947 and minimum value is 0.947. The board independence (BI) standard deviation value is 0.201. The independent audit committee (AC) mean value is 3.299, its maximum value is 9 and minimum value is 3 that is statutory requirements under the corporate governance code 2012. The independent audit committee (AC) standard deviation value is 0.67. The external audit quality (Auditq) mean value is 0.417, its maximum value is 1 and minimum value is 0. The external audit quality (Auditq) standard deviation value is 0.493.

The corporate ownership structure is measured through various proxies i.e. managerial ownership (MSO), Foreign ownership (FSO) and Institutional ownership (INSO). The mean value of the managerial ownership (MSO) is .284, its maximum value is 0.975 and minimum value is 0. The managerial ownership (MSO) standard deviation value is .271. The foreign ownership (FSO) mean value is .044, its maximum value is 1 and minimum value is 0. The foreign ownership (FSO) standard deviation value is .145. The Institutional ownership (Inso) mean value is 0.672, its maximum value is 1 and minimum value is 0.219. The Institutional ownership (Inso) standard deviation value is 0.279.

The study has also used various control variables in different models such as firm age, size of firm, growth and leverage. The mean value of the log of age (Lage) is 3.465, its maximum value is 5.063 and minimum value is 0.693. The log of age (Lage) standard deviation value is .572. The firm size (Fsize) mean value is 9.21, its maximum value is 14.87, and minimum value is 3.98. The firm size (Fsize) standard deviation value is 1.956. The growth (Growth) mean value is 1.955, its maximum value is 4.848, and minimum value is -2.69. The growth (Growth) standard deviation value is 1.203. The leverage (LEV) mean value is 0.584, its maximum value is 2.819, and minimum value is -1.29. The leverage (LEV) standard deviation value is 0.493. The data is winsorized at a 10% level of significance to address the issue of abnormalities.

Table 1: Descriptive Statistics

S.No.	Variable	Obs	Mean	Std. Dev.	Min	Max
1	Market Adjusted Return (Mar)	4200	.101	1.008	-1.238	2.718
2	Tobin's Q (Tq)	4311	1.223	.596	.17	3.98
3	Capital Expenditure (CapEx)	4311	.506	.511	0	1
4	Sales & Marketing Expenditures (MSGA)	4311	.491	.325	0	1
5	Management Team Size (LTMTSIZE)	4311	1.464	.82	0	3.599
6	Inside/outside CEO (OCEO)	4307	.751	.433	0	1
7	CEO Compensation (CEOCOMP)	4309	.625	.484	0	1
8	Board Size (BS)	4200	8.012	1.544	7	20
9	Board Independence (BI)	4200	.604	.201	.067	.947
10	Independent Audit Committee (AC)	4200	3.299	.672	3	9
11	External Audit Quality (Auditq)	4200	.417	.493	0	1
12	Managerial Ownership (MSO)	4200	.284	.271	0	.975
13	Foreign Ownership (FSO)	4200	.044	.145	0	.922
14	Institutional Ownership (INSO)	4200	.672	.279	-.319	1

15	Log of Age (Lage)	4311	3.465	.572	.693	5.063
16	Firm Size (Fsize)	4311	9.021	1.956	3.89	14.87
17	Growth	4311	1.955	1.203	-2.699	4.848
18	Leverage (Lev)	4200	.584	.494	-1.29	2.819

Table 1 showed descriptive statistics of variables used in the study like corporate governance, ownership structure, managerial myopia proxies and control variables. The details of the variables is given in the variable definition section of the study

4.1 Pearson Correlation Matrix

The Correlation analysis represents degree of association among two variables. This inspection is carried-out to check the association between dependent and independent variables and among the independent variables to ascertain any issue of intense correlation that may cause multicollinearity in the regression analysis. The results in Table 2 show the correlation estimates of various variables used for analysis and hypotheses testing.

The results of the managerial myopia variables such as changes in capital expenditures, including research and development (CapEx), sales and marketing expenditures (MSGa), CEO from inside or outside (IOCEO), variations in management team size (LTMTSIZE), found to have a negative association with board size, board independence, independent audit committee and external audit quality. These results imply that a larger board with more non-executive members, an independent audit committee and an external audit from big4 would reduce the probability of myopic managerial behavior. An increase in board size with more non-executive members, independence of audit committee and external audit from big4 would reduce managerial discretion to take short-term decisions rather would improve their focus on the long terms goals to maximize shareholder wealth. Thus, good governance practices are negatively associated with managerial myopia; hence, the firm with more good governance will focus more on the firm's long-term goal. The results also support that higher compensation to the CEO also has a negative association with managerial myopia. It is expected that increase in CEO compensation improve the long-term orientation of firm's managers and shareholders. These results are consistent with Tong and Zhang (2015) study findings and Wang and Wu (2007) also suggested a negative association between corporate governance and myopic managerial behavior.

The correlation results of the managerial myopia variables found to have negative association with the managerial ownership. The negative association is consistent with the view that the higher level of managerial ownership will prefer to focus on the long-term performance of the firms relative to short term as being the real beneficiary of the firms. However, institutional ownership and foreign ownership is found to have a negative association with all managerial myopic variables. This negative association is consistent with the view that institutional investors and foreign investors invest for the short term and that they are more focused on such decisions that can increase their short-term profits. The presence of more institutional and foreign ownership would promote managerial myopic behavior that can be balanced by improving the corporate governance mechanisms at place. The results show that there is a negative association of the managerial myopia variables such as changes in capital expenditures including research and development (CAPX), sales and marketing expenditures (MSGa), CEO from inside or outside (IOCEO), variations in management team size (LTMTSIZE) with capital market response variables like Tobin's Q and market access returns. These results imply that managerial myopia has negatively effect on the firm market-based performance. Thus, firms with higher level of myopic behavior will have adverse effect on their market value. The capital market punishes those firms by lowering their value relative to the firms with no managerial or less myopic behavior. These results are consistent with the agency theory that firm managers or shareholders may focuses more on the short term my reporting higher profits by curtailing the necessary expenditures that could benefit the firm in long terms. Moreover, this agency conflict has been realized by the capital market and firms expecting higher level of myopic behavior would expect to be valued lower.

Table 2: Pairwise Correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
(1) mar	1.00																		
	0																		
(2) tq	0.12	1.00																	
	6	0																	
(3) capx	-	-	1.00																
	0.02	0.00	0																
	1	1																	
(4) msga	-	-	0.03	1.00															
	0.03	0.02	0	0															
	5	8																	
(5) ltmtsize	-	-	0.04	-	1.00														
	0.02	0.14	0	0.04	0														
	9	3		0															
(6) ioceo	-	-	0.00	0.01	0.29	1.00													
	0.03	0.02	8	9	6	0													
	5	1																	
(7) ceoexp	0.00	0.05	-	-	-	-	1.00												
	5	1	0.03	0.01	0.03	0.01	0												
			1	1	1	5													
(8) bs	0.03	0.16	-	-	-	-	-	1.00											
	0	7	0.00	0.02	0.32	0.25	0.06	0											
			4	7	8	2	9												
(9) bi	0.06	0.04	-	-	-	-	-	0.08	1.00										
	4	6	0.00	0.02	0.01	0.19	0.03	1	0										
			9	6	5	4	9												
(10) ac	0.02	0.16	-	-	-	-	-	0.47	0.06	1.00									
	7	6	0.01	0.02	0.34	0.22	0.09	9	8	0									
			7	9	0	4	7												
(11) auditq	0.00	0.24	-	-	-	-	-	0.29	0.05	0.31	1.00								
	6	3	0.03	0.02	0.40	0.21	0.01	9	2	0	0								
			7	3	7	7	7												
(12) ceocomp	-	0.10	-	-	-	-	0.07	0.24	-	0.24	0.29	1.00							
	0.02	9	0.05	0.04	0.54	0.27	1	8	0.07	7	9	0							

	1	8	4	9	4	3													
(13) mso	-	-	-	-	-	-	0.10	-	-	-	-	-	-	1.00					
	0.04	0.15	0.03	0.02	0.26	0.23	1	0.20	0.22	0.20	0.28	0.09	0						
	0	4	2	7	2	9		0	8	3	0	0							
(14) fso	0.00	0.21	0.01	0.01	0.15	0.07	0.02	0.01	-	0.04	0.21	0.09	-	1.00					
	4	5	9	7	0	4	7	8	0.07	2	0	9	0.21	0					
									8				2						
(15) inso	0.03	0.02	0.02	0.01	0.16	0.18	-	0.18	0.26	0.17	0.16	0.02	-	-	1.00				
	7	4	0	6	4	6	0.11	5	2	6	3	9	0.86	0.31	0				
							2						1	5					
(16) lage	0.03	0.15	-	-	-	0.04	-	0.16	-	0.01	0.02	-	-	0.13	0.02	1.00			
	7	6	0.01	0.01	0.04	4	0.02	9	0.01	7	0	0.03	0.10	9	2	0			
			4	4	7		4		7			4	6						
(17) fsize	0.01	0.01	0.06	-	0.84	-	0.09	0.37	-	0.42	0.35	0.56	-	0.05	0.20	-	1.00		
	2	4	0	0.04	5	0.30	7	2	0.03	4	2	8	0.25	8	8	0.00	0		
				1		5			3				3			2			
(18) growth	0.03	0.00	0.21	-	0.51	-	0.00	0.12	-	0.13	0.11	0.29	-	0.02	0.00	0.06	0.54	1.00	
	9	3	6	0.09	8	0.08	9	2	0.06	4	5	8	0.01	4	1	9	8	0	
				4		2			0				5						
(19) Lev	-	-	-	0.07	0.36	-	-	0.15	0.04	0.20	0.13	0.21	-	-	0.17	-	0.39	0.07	1.00
	0.02	0.14	0.06	1	1	0.10	0.00	4	1	4	6	1	0.17	0.01	5	0.17	6	6	0
	7	1	5			6	9						5	0	2				

4.2 Determinants of Managerial Myopia

Table 3 and 4 show results of the binary logistic regression model where the dependent variable is managerial myopia measured through sales and marketing expenditures (MSGA) where explanatory variables include corporate governance variables such as board size, board independence, independent audit committee, external audit quality and CEO-compensation, ownership structure variables include managerial ownership, foreign ownership and institutional ownership. Moreover, control variables include age of firm, growth, size of firm and leverage. Table-3 represents regression results with coefficients whereas the Table-4 represents the results of Odd ratio which are more meaningful to be interpreted.

The chi-square value of the model clearly showed that the model is best fit. Moreover, the coefficients of the corporate governance variables such as board size, board independence, independent audit committee and external audit quality have negative and significant value which indicates that there is a negative and significant effect of the larger board, more non-executive directors on the board, independent audit committee and audit from big4 on the probability of using sale and marketing expenditures as a tool of managerial myopia. However, CEO compensation is found to have negative but insignificant in relationship. Thus, stringent corporate governance measures would reduce the probability of the use of sale and marketing expenditures myopically. Firms with larger board size, more non-executive directors on the board, more independent members in audit committee and engaging big4 for external audit will leads to reduce the probability of managerial short-termism and they will focus on long terms goal of firm.

The coefficients of the ownership structure variables such as managerial ownership is found to have negative and significant effect on the sale and marketing expenditures as a tool of managerial myopia whereas, institutional ownership is found to have a positive and significant effect on the sale and marketing expenditures to be used as a tool of managerial myopia. However, foreign ownership is also found to have positive but insignificant relationship with the sale and marketing expenditures. These results imply that higher level of managerial ownership will reduce the probability of managers to use sale and marketing expenditures as a tool of managerial myopia and will focus on long term goal relative to short-term. However, institutional ownership is found to promote the use of sale and marketing expenditures as a tool of managerial myopia. The institutional or foreign investors invest their savings for the purpose of returns so they are more interested in short term profit maximization and promote short-termism whereas managerial ownership represents the real owner of the firm and they mostly focus on the long term goal of the firms and take decisions that could have long term benefits.

The coefficients of the control variables such as age, size and leverage have positive probability to be used the sale and marketing expenditures as a tool of managerial myopia. However, all of these variables are statistically insignificant. Moreover, the growth variable has negative and significant effect on the sale and marketing expenditures used as a tool of managerial myopia. These results further signify that growing firms have less chance to be exploited through managerial myopia.

Table 3: Logistic Regression

Msga	Coef.	St.Err.	t-value	p-value
BS	-.128	.061	-2.10	.036
BI	-.458	.043	-10.6	.000
AC	-.125	.012	-9.91	.000
Auditq	-.400	.201	-2.12	.021
Ceocomp	-.004	.004	-0.98	.325
MSO	-.395	.181	-2.26	.001
FSO	.063	1.276	0.05	.961
INSO	.279	.117	2.5	.001
Lage	.038	.145	0.26	.793

Fsize	.123	.071	1.73	.084
Growth	-.17	.075	-2.25	.024
Lev	.343	.209	1.64	.101
Constant	-2.43	1.462	-1.66	.097
Mean dependent variable	0.126	SD dependent var		0.332
Pseudo r-squared	0.018	Number of obs		1282.000
Chi-square	21.001	Prob > chi2		0.050
Akaike crit. (AIC)	977.272	Bayesian crit. BIC)		1044.302

Table-4 show results of the regression model where odd ratio is computed that is more convenient to interpret the results of the binary logistic regression. The chi-square value of the model clearly showed that the model is best fit. The coefficients of the corporate governance variables such as board size is 0.888, board independence is 0.158, independent audit committee is 0.133 and external audit quality 0.100 suggested that increase in one member on the board will reduce the probability of the of using sale and marketing expenditures as a tool of managerial myopia by 0.888. Similarly, for one-member increase as a non-executive member in the board will reduce the probability of using sale and marketing expenditures as a tool of managerial myopia by 0.158 and increase in a non-executive member in the audit committee will reduce the probability of using sale and marketing expenditures as a tool of managerial myopia by 0.133. Moreover, engaging external auditor among big4 will reduce the probability of the of using sale and marketing expenditures as a tool of managerial myopia by 0.100. These results support the negative and significant effect of the larger board, more non-executive directors on the board, independent audit committee and audit from big4 on the probability of using sale and marketing expenditures as a tool of managerial myopia. However, CEO compensation is found to have negative but insignificant in relationship. Thus, stringent corporate governance measures would reduce the probability of the use of sale and marketing expenditures myopically. The coefficients of the ownership structure variables such as managerial ownership is 0.736 which suggested that increase in one percent managerial ownership will reduce the probability of using sale and marketing expenditures as a tool of managerial myopia by 0.736 and representing a negative and significant effect on the sale and marketing expenditures as a tool of managerial myopia whereas, institutional ownership is has a coefficient 0.835 which implies that one percent increase in the institutional ownership will increase the probability of using sale and marketing expenditures as a tool of managerial myopia by 0.835. Furthermore, a positive and significant effect on the sale and marketing expenditures with the institutional ownership suggested that increase in institutional ownership will increase the probability of using sale and marketing expenditures as a tool of managerial myopia. However, the foreign ownership is also found to have positive but insignificant relationship with the sale and marketing expenditures having value of 1.9. These results suggested that increase in the level of managerial ownership is expected to reduce the probability of managers to use sale and marketing expenditures as a tool of managerial myopia or focus on short-term. However, institutional ownership is found to support the use of sale and marketing expenditures as a tool of managerial myopia. Goodness of fit tests clearly showed that the overall model is statistically significant. The explanatory power models clearly support all models and these models have explanatory power above 80%.

Table 4: Logistic Regression

S.No.	Variables	Odd Ratio	St. Error.	t-value	p-value
1	Msga				
2	BS	.8800675	.0536671	-2.10	0.036
3	BI	.1580841	.0068299	-10.6	0.000
4	AC	.1132945	.0014281	-9.9	0.000
5	1.auditq	.1004461	.0020223	-2.00	0.040
6	Ceocomp	1.9959283	.004132	-0.98	0.325
7	MSO	.7367997	.0870066	-2.6	0.01

8	FSO	1.9393512	1.198858	-0.05	0.961
9	INSO	.8359047	.0097811	15.1	0.000
10	Lage	1.038768	.1509159	0.26	0.793
11	FSISE	1.130533	.0803785	1.73	0.084
12	Growth	.8437309	.0636574	-2.25	0.024
13	Lev	1.409677	.2950788	1.64	0.101
14	_cons	.0880756	.1288101	-1.66	0.097
Mean dependent var		0.126	SD dependent var	0.332	
Pseudo r-squared		0.018	Number of obs	1282.000	
Chi-square		21.001	Prob > chi2	0.050	
Akaike crit. (AIC)		977.272	Bayesian crit. BIC)	1044.302	

Logistic Model for MSGA, Goodness-of-Fit Test

(Table collapsed on quantiles of estimated probabilities)

Number of Observations	=	1282
Number of Groups	=	319
Hosmer-Lemeshow chi2(249)	=	235.07
Prob > chi2	=	0.7278

Log-Lik Intercept Only:	-484.477	Log-Lik Full Model:	-475.636
D(1268):	951.272	LR(12):	17.681
		Prob > LR:	0.126
McFadden's R2:	0.018	McFadden's Adj R2:	-0.011
Maximum Likelihood R2:	0.014	Cragg & Uhler's R2:	0.026
McKelvey and Zavoina's R2:	0.035	Efron's R2:	0.013
Variance of y*:	3.410	Variance of error:	3.290
Count R2:	0.874	Adj Count R2:	0.000
AIC:	0.764	AIC*n:	979.272
BIC:	-8122.760	BIC':	68.193

Table 5 and 6 show results of the binary logistic regression model where the dependent variable is managerial myopia measured through research development and capital expenditures (CAPX) where explanatory variables include corporate governance variables such as board size, board independence, independent audit committee, external audit quality and CEO-compensation, ownership structure variables include managerial ownership, foreign ownership and institutional ownership. Moreover, control variables include age of firm, growth, size of firm and leverage. Table-5 represents regression results with coefficients whereas the Table-6 represents the results of Odd ratio which are more meaningful to be interpreted.

The chi-square value of the model clearly showed that the model is best fit. The coefficients of the corporate governance variables such as board size, board independence and external audit quality have negative and significant value however, independent audit committee is negative but insignificant coefficient. These results show that there is a negative and significant effect of the larger board, more non-executive directors on the board and audit from big4 on the probability of using research development and capital expenditures for managerial myopic behavior. However, CEO compensation and independent audit committee are found to have negative but insignificant in relationship. These results support the view that improvement in corporate governance measures would reduce the probability of using research development and capital expenditures myopically.

In case of research development and capital expenditures the coefficients of managerial ownership are negative and significant. This negative and significant effect implies that firms where managerial ownership is high are less expected to use research development and capital expenditures myopically. Contrary to these results the coefficient of the institutional ownership is a positive as well as significant in relationship with the research development and capital expenditures to be used as a tool of managerial myopia. Thus, firms where institutional ownership is high relative to other firms. There will be more chance to use research development and capital expenditures by focusing on achieving short term profits while sacrificing long term shareholders' wealth maximization. However, foreign ownership is also found to have positive but insignificant relationship with the research development and capital expenditures. These results imply that higher level of managerial ownership will reduce the probability of managers to use research development and capital expenditures as a tool of managerial myopia. However, institutional owners will promote the use of research development and capital expenditures as a tool of managerial myopia. Due to the reason that these the institutional or foreign investors are speculators and their aim of investing is to earn higher returns so they are more interested in short term profit maximization and promote short-termism.

The coefficients of the control variables such as growth and leverage have positive probability to research development and capital expenditures as a tool of managerial myopia. However, age and size are negatively related with research development and capital expenditures used as a tool of managerial myopia.

Table 5: Logistic Regression

S.No.	Capx	Coef.	St. Error.	t-value	p-value
1	BS	-.139966	.0449112	-3.10	0.755
2	BI	-.1563238	.0296784	-5.3	0.000
3	AC	-.0101257	.1038033	-0.10	0.922
4	Auditq	-.7051231	.1335945	-5.30	0.000
5	Ceocomp	.0011573	.0036012	0.32	0.748
6	MSO	-.6363441	.0853465	-7.5	0.000
7	FSO	.1774149	.9154467	0.19	0.846
8	INSO	.333553	.0845540	3.91	0.000
9	Lage	-.1678821	.1127472	-1.49	0.136
10	FSIZE	-.1436198	.0556278	-2.58	0.010
11	Growth	.4959829	.0697092	7.12	0.000
12	Lev	.3119726	.1420552	2.20	0.028
13	_cons	1.105466	1.071203	1.03	0.302
	Mean dependent var	0.126	SD dependent var		0.332
	Pseudo r-squared	0.018	Number of obs		1282.000
	Chi-square	21.001	Prob > chi2		0.050
	Akaike crit. (AIC)	977.272	Bayesian crit. BIC)		1044.302

Table-6 reported results of the regression model where odd ratio is computed that is more convenient to interpret

the results of the binary logistic regression. The chi-square value of the model clearly showed that the model is best fit. The coefficients of the corporate governance variables such as board size is 0.98, board independence is 0.11, independent audit committee is 1.9 and external audit quality 0.107 suggested that increase in one member on the board will reduce the probability of the of using research development and capital expenditures as a tool of managerial myopia by 0.98. Similarly, for one-member increase as a non-executive member in the board will reduce the probability of using research development and capital expenditures as a tool of managerial myopia by 1.9 and increase in a non-executive member in the audit committee will reduce the probability of using research development and capital expenditures as a tool of managerial myopia by 0.107. Moreover, engaging external auditor among big4 will reduce the probability of the research development and capital expenditures for managerial myopia by 0.107. These results support the negative and significant effect of the larger board, more non-executive directors on the board, independent audit committee and audit from big4 on the probability of using research development and capital expenditures for managerial myopia. However, CEO compensation is found to have negative but insignificant in relationship.

The coefficients of the ownership structure variables such as managerial ownership is 0.529 which suggested that increase in one percent managerial ownership will reduce the probability of using research development and capital expenditures for managerial myopia by 0.529 and representing a negative and significant effect on the research development and capital expenditures for managerial myopia whereas, institutional ownership is has a coefficient 0.716 which implies that one percent increase in the institutional ownership will increase the probability of using research development and capital expenditures for managerial myopia by 0.716. Furthermore, a positive and significant effect on the research development and capital expenditures with the institutional ownership suggested that increase in institutional ownership will increase the probability of research development and capital expenditures as a tool of managerial myopia. However, the foreign ownership is also found to have positive but insignificant relationship with the research development and capital expenditures having value of 1.83. These results suggested that increase in the level of managerial ownership is expected to reduce the probability of managers to use research development and capital expenditures as a tool of managerial myopia or focus on short-term. However, institutional ownership is found to support the use of research development and capital expenditures as a tool of managerial myopia. Goodness of fit tests clearly showed that the overall model is statistically significant. The explanatory power models clearly support all models and these models have explanatory power above 80%.

Table 6: Logistic Regression

S.No.	Capx	Odd Ratio.	St.Err.	t-value	p-value
1	BS	.9861009	.044287	-3.11	0.755
2	BI	.1169205	.0347001	-5.31	0.000
3	AC	1.9899254	1.1027575	-0.10	0.922
4	1.auditq	.1073058	.0143354	-5.31	0.000
5	CEOCOMP	1.001158	1.0036053	0.32	0.748
6	MSO	.5292237	.0451674	-7.50	0.000
7	FSO	1.8374323	1.7666246	-0.19	0.846
8	INSO	.7163739	.0605723	-3.90	0.000
9	Lage	1.8454535	1.0953225	-1.49	0.136

10	FSIZE	.866217	.0481857	-2.58	0.010 ^L
11	Growth	.642112	.1144704	7.12	0.000
12	Lev	.366117	.1940641	2.20	0.028
	Mean dependent var	0.126	SD dependent var		0.332
	Pseudo r-squared	0.018	Number of obs		1282.000
	Chi-square	21.001	Prob > chi2		0.050
	Akaike crit. (AIC)	977.272	Bayesian crit. BIC)		1044.302

Logistic Model for CapEx, Goodness-of-Fit Test

(Table collapsed on quantiles of estimated probabilities)

Number of Observations	=	1282
Number of Groups	=	319
Hosmer-Lemeshow chi2(249)	=	310.78
Prob > chi2	=	0.0047

Logistic Model for CapEx, Goodness-of-Fit Test

Number of Observations	=	1282
Number of Covariate Patterns	=	1282
Pearson chi2(1269)	=	1288.16
Prob > chi2	=	0.3477

Measures of Fit for Logit of CapEx			
Log-Lik Intercept Only:	-888.559	Log-Lik Full Model:	-847.826
D(1268):	1695.651	LR(12):	81.466
Prob > LR:		0.000	
McFadden's R2:	0.046	McFadden's Adj R2:	0.030
Maximum Likelihood R2:	0.062	Cragg & Uhler's R2:	0.082
McKelvey and Zavoina's R2:	0.079	Efron's R2:	0.064
Variance of y*:	3.571	Variance of error:	3.290
Count R2:	0.631	Adj Count R2:	0.255
AIC:	1.345	AIC*n:	1723.651
BIC:	-7378.381	BIC':	4.408

5. Conclusion

Under pressure to meet short-term profits targets, many managers inflate earnings, often by cutting expenditures. Short-term orientation aimed at maximizing current period profits at the expense of long-term corporate performance and survival has become an emergent issue in corporate world. The current study taken advantage of the neglected area and examined factors affecting managerial myopia from corporate governance and ownership structure perspective. Moreover, the study also examined the response of the capital markets in terms of performance shocks to the managerial myopic behavior firm valuation by the capital markets. The study has used listed firms in Pakistan stock exchange as a population and followed a stratified random sampling method and

collected data from 319 firms listed in Pakistan Stock Exchange from 2010 to 2019. The study has used various proxies to measure managerial myopia i.e. negative changes in the capital expenditures, market and sale expenditures while reporting positive profits in those years. Insider-outsider CEO and variation in the management team. The study has used corporate governance variables as an explanatory variable such as board size, board independence, independence of audit committee, and external audit quality. The ownership structure variables include managerial ownership, institutional ownership and foreign ownership while control variables include age, size growth and leverage of the firm. For dummy dependent variable such as changes in capital expenditures, sale and market expenditures, insider-outsider CEO Binary logistic regression model is used to estimate the results. Whereas, in case of variations in the team size panel data analysis conducted where on the basis of Hausman test fixed effect model found to have a best fit the data. The results showed that corporate governance variables board size, board independence, independence audit committee and external audit quality is found to have negative effect on the changes in capital expenditures and sale and market expenditures. The insider-outsider regression results showed that board size, board independence and external audit quality has negative effect of the changes in capital expenditures and sale and market expenditures. These results support the view that strong governance practices would reduce managerial myopic behavior and prone to focus on long term goals of firms.

The results of managerial ownership are found to have negative effect on the changes in capital expenditures and sale and market expenditures and outsider CEO. Whereas, institutional ownership has positive and significant effect the changes in capital expenditures and sale and market expenditures outsider-CEO. However, foreign ownership has positive but insignificant effect on the changes in capital expenditures and sale and market expenditures and CEO-outsider. Thus, firms where managerial ownership is high are expected to have a long-term orientation and exhibits no managerial myopia. In case of variations in the management team the board size, board independence, and external audit quality have significant and positive effect on the management team size. Moreover, managerial ownership is found to have negative but institutional ownership is reported to have positive effect on the management team size.

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