

## Disclosure Factors of Executive Managers Remuneration: A Probit Model

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**Abstract: Problem statement:** The study contributes to the literature that argues that the convergence trend of corporate governance systems is either nominal or hasn't the impact that the advocates of this theory hypothesize. **Approach:** The objective of the study was to test this hypothesis the key issue of remuneration had been chosen to illustrate that the differences of corporate governance systems still exist and they have a substantial impact on business environment. Disclosure or not of information regarding these issues preoccupies regulating, legislative authorities as well as capital market participants. The study, using a probit regression analysis, examined whether these differences are observable in Greece. Greece is a country with the typical characteristics of a Continental Europe corporate governance system. The results were compared with the reported characteristics of Anglo-Saxon countries. The study analyzed data over a period of 6 years (2001-2006). The 60 firms largest, in terms of capitalization and free float, were used. **Results:** The major factors that affect the remuneration disclosure were the adoption of mergers and acquisitions as the method to expand firm's size, the investments risks that the firm is willing to take, stock market capitalization, board of directors size, capital to sales ratio, number of independent board of directors member dismissals and the quality of corporate governance. These differences were significantly different than the ones reported for Anglo-Saxon countries. **Conclusion:** The study had proven that remuneration disclosure levels in Greece are defined by a different set of factors than the ones in a typical Anglo-Saxon country. Policy and regulation makers should take into account these differences and not adopt isomorphic approaches to different problems and situations.

**Key words:** Probit model, Compensation, board of directors, corporate governance

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### INTRODUCTION

The study focuses on the decision to disclose information regarding executive remuneration levels. Its main research question is that the factors that influence this decision are different than the ones in the Anglo-Saxon countries. The study contributes to the literature that argues that the convergence trend (Van den Berghe, 2002) of corporate governance systems is either nominal or hasn't the impact that the advocates of this theory hypothesize.

Executive-shareholder interest alignment is the focal point of agency theory. The basic mechanism proposed to solve the issue is remuneration (Grossman and Hart, 1983; Jensen *et al.*, 2004). In order to establish a rationality in formulating remuneration policies the firm has to establish a method to verify the value of managers (Petra, 2005), managers' and

directors' contribution to financial performance (Letza *et al.*, 2008; Conyon *et al.*, 1995; Gregg *et al.*, 1993; Hassan *et al.*, 2003) and the overall value of the firm (Habib and Ljungqvist, 2005; Stulz, 1990). From the perspective of stewardship theory (Donaldson, 1990; 1991; Barney and Hesterly, 2007) managers are not motivated only or mainly through remuneration. Other researchers (Petra, 2005) argue that it is necessary to enforce managers in order to enforce productivity. Remuneration control is exerted by the General Shareholders Meeting, the Board of Directors (BoD) or by any committee that has been introduced to control and evaluate executive managers and their performance. The efficiency of these mechanisms has been the focal point of many studies (Petra, 2005; Conyon and Peck, 1998).

Some research findings (Bebchuk and Fried, 2004) showed that managerial power has dominated the process of negotiation for remuneration levels. BoD is

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responsible for determining these levels and the schemes of remuneration. "In light of the historically weak link between non-equity compensation and managerial performance, shareholders and regulators wishing to make pay more sensitive to performance have increasingly looked to and encouraged, equity-based compensation-that is, compensation based on the value of the company's stock" (Bebchuk and Fried, 2004). During the last two-three years a debate (i.e., Pittsburgh and London summits of G-20) has been initiated in order to determine the optimal mix of equity and non equity remuneration as well as the optimal level of remuneration.

The theory that executives and directors should be motivated to align their interests with the shareholders' interests, has led to multiply by 5 (Samimi *et al.*, 2009; Cassidy, 2002) the executives remunerations in a decade (1991-2001) and the disclosure of frauds. Furthermore executives are willing to invest free cash flows ineffectively, to retain the capital assets within the firm, rather than to distribute them to shareholders (Nguyen, 2005; Hellwig, 1998). The basic motive for the executives is the dominance in corporate power game. Dominance guarantees high remuneration and entrenchment.

Agency theory addresses the issues that arise from organizational structure of firms that follow the Anglo-Saxon firm characteristics. There major differences, relevant to remuneration, between the Anglo-Saxon system and the one in the Continental Europe (Weimer and Pape, 1999) are: (a) Markets for corporate control, capital and labor market for directors are more active and effective (although there is a growing discussion about how efficient they are), (b) Executive managers may entrench themselves in their positions, making it difficult to oust them when they perform poorly (Shleifer and Vishny, 1989; 1997) argue in Anglo-Saxon countries, capital providers need specialized human capital and executives need capital providers, because they do not have enough capital themselves. On the contrary, in Continental Europe countries, executive directors are capital providers and in many cases, members of the dominant group of stakeholders and (c) The presence of a large shareholder is likely to result in closer monitoring and reduce of executive directors' power to impose the pursuit of their interests (Shleifer and Vishny, 1986).

In Continental Europe countries the fact that major shareholders are members of the BoD, CEOs and Presidents of the BoD, reduces the possibility of monitoring and transparency. These members have triple attributes or roles (major shareholder-part of the dominant group, member of the BoD and CEO-

President of the BoD). Greece is a typical Continental Europe system's country.

**Corporate governance status in Greece:** Greek firms are mainly family or controlled by a group of stockholders (Mavridis, 2002). Free float is relatively small in percentage (20-50%) and the ability to achieve control through the capital market is limited. The members of the family or the controlling group are actively involved in management and normally, there is no distinction between management and ownership. The Board of Directors can be characterized as one tier (without a supervisory board). Managers that are not members of the family or the controlling group are closely connected with these groups and their decisions are subject to their control and monitoring. Institutional investors, although they may be the catalyst for the adoption of CG mechanisms, have not actively been involved in management or in controlling and monitoring the decisions and actions of the controlling group.

Mertzanis (2001) (before the new law for the CG in Greece was enacted) noted: "The prevailing framework of corporate governance in Greece is not simply considerably outdated, but may cause potential problems, due to inadequate transparency and accountability, regarding the provision of cost-efficient finance that is required to increase investment and raise national competitiveness". So, the Hellenic Capital Market Committee and the Committee on Corporate Governance have made (44) basic recommendations (compiled in seven main categories: Rights and obligations of shareholders; the equitable treatment of shareholders; the role of stakeholders in corporate governance; transparency, disclosure of information and auditing; the board of directors; the non-executive members of the board of directors; Executive management. They have also proposed the adoption of International Accounting Standards (IAS) (now International Financial Reporting Standards-FRS)). Only a small number of these recommendations have been adopted and introduced.

Spanos (2005) notes that "the majority of medium and small capitalization (family-owned) companies have adopted the minimum mandatory requirements and lack further efficient CG mechanisms. As long as the competition for capital is increasing, listed companies have to realize that proper CG is a prerequisite in order to attract international capital. Moreover, corporate governance may meet one of the most significant challenges that family-run businesses face: management succession". The need for CG mechanisms is identified by all market participants as a substitute for trust (as a bonding and problem solving

element) among the major stockholders or family members, but they cannot agree on what the mechanisms/processes will be. Also, major stockholders/family members who are not willing to relinquish power and information control to “non-trust worthy” stockholders or professional executive managers. As a result the governing/administrative bodies do not function according to statutes or laws and the process that they provide, but according to the common will of the family members. Furthermore, an effective market for corporate control does not exist.

The BoD is mostly acting as a passive body in the company where it follows the decisions of the management. Non-executive board members don't fulfill their role as shareholders' agents to efficiently supervise the management (Schulze *et al.*, 2003). This is the case in the majority of (family) public companies in Greece, where significant costs result from bias in favoring family interests over the firm's interests (such as non-family shareholders), because of loyalty toward the family (Schulze *et al.*, 2003). Even though the rules mandate specific requirements regarding board independence, it's difficult in practice to identify whether the board meets these rules (Spanos, 2005). In countries with concentrated ownership structure (continental Europe, Japan and other OECD countries), large dominant shareholders usually control managers and expropriate minority shareholders, in order to extract private control benefits. The question is therefore posed as how to align the interests of strong block-holders and weak minority shareholders (Noor, 2008; Spanos, 2005; Becht, 1997).

On the other hand, investors usually use their exit options if they disagree with the management or if they are disappointed by the company's performance, signaling-through share price reduction-the necessity for managers to improve firm performance (Spanos, 2005; Hirschman, 1970). The lack of market liquidity creates problems in the effectiveness of the shareholders exit option and governing problems (since the main governing body is the general shareholders meeting, but participation is not an easy task). The cost of involvement with management and control for the minor stockholder is greater than the cost of exit and so they may easily choose to sell their stock (“they vote with their feet”) if they are not content with the managements' choices. The shareholders encirclement does not necessarily mean participation in the company administration. In countries where business has traditionally been based on relationship and trust, corporate information is thought of as secret and it is an accepted practice to keep different sets of books, e.g., one for taxes, one for outside investors and one for the majority shareholder (Fremond and Capaul, 2002). There is a vicious circle whereby managers consider

secrecy as imperative so that shareholders do not vote with their feet and through it they can cover up their lack of efficiency or impotence; minority shareholders (major shareholders already have the information because they are members of the BoD, management or the relevant cost for them is not too high) do not actively demand information because the cost of acquiring and processing it is too high for them.

Remuneration is considered to be closely connected with financial performance (positively), firm size (positively), the organizational structure (negatively) and corporate governance mechanisms (negatively). Furthermore, a connection of ownership structure and executives' remuneration has been well established (theoretically and empirically) in the literature (agency theory). The study argues that the disclosure of remuneration levels is dependent on variables that are relevant to internal and external mechanisms of CG, performance and growth perspectives.

## MATERIALS AND METHODS

The study analyses data over a period of 6 years (2001-2006). The 60 firms largest, in terms of capitalization and free float, are used. These firms are in the 2 major stock indexes (FTSE-20 and FTSE-40) of the Greek Capital market. Their annual reports are the basic source for the data collection. The data was supplemented by information collected by the corporate web sites. Total sample size is 303 observations. Although remuneration disclosure is mandatory, from the 303 available annual reports only 109 contain information about the executive board members. This is a strong indication of the trend to conceal “sensitive” information. As Alpu and Kurt (2004) argue executives have an incentive to “camouflage” their remunerations, in order to minimize the “outrage” of outsiders. In this case the major shareholders are the stakeholder that conceals information.

To address the issue, limited variable models (Probit) can be used. The Probit model has some significant statistical problems (normality of residuals, heteroscedasticity) and the usual measures of fitness are inefficient. One of the main advantages of probit models is that they allow the use of panel data and also they can take into account the factor of time. A correlation matrix has shown that independent variables are not correlated in a manner ( $-0.3 \leq r \leq 0.3$ ) that may create problems of result reliability and colinearity. The use of panel variables helps to identify the quality variables that formulate the depended variable. Finally, marginal effects methodology can be applied. Four variables for the construction of panels were used in the present research Table 1.

Table 1: Variables

Variable	Type	Description
Herf	Percentage	Square of the sum of ownership percentages of the biggest five shareholders
ROA	Continuous	Return on Assets
TQ	Continuous	Tobin's Q
CG	Ordinal	Quality of CG (Lazarides and Drimpetas, 2008), is measured by 13 binary variables representing CG good practices (mandatory or not). The binary variables are: Duality of roles of CEO and president of the board Audit committee Number of independent members in audit committee (≥2) Remuneration committee Nominee committee for board members Committee for the evaluation and recruitment of executives Internal statute Code of ethics-CG Disclosure of board members' biographical notes Disclosure of board members' compensation Disclosure of executives' compensation Number of independent members (≥3)
MERGER	Binary	M-A (1), no M-A (0)
DE	Continuous	Debt Ratio (Debt / Equity)
OWNCEO	Binary	Main shareholder is the CEO (1), No (0)
CEOCHAIR	Binary	CEO is the President of the board of directors-duality of roles (1), No (2)
BOD	Ordinal	Number of members in the board of directors
BEXEC	Ordinal	Number of executive board members
BPS	Ordinal	Number of firms that the board members participate as members of their board of directors
BDIS_P	Percentage	Secessions-resigns of board members to the total number of board members
BDISI_P	Percentage	Secessions-resigns of board independent members to the total number of board members
TA	Continuous	Total assets
SMCAP	Continuous	Stock market capitalization
PE	Continuous	Price to equity capital
PRICE	Continuous	Stock market share price
EMPL	Continuous	Number of employers
OC_S2	Continuous	Square of own capital to sales
YEARF	Continuous	Foundation year

**Model construction:** The dependent variable (E\_REM) records the decision of the firm to disclose its executives' remunerations. What has been recorded in the study is the cash-salary payments made to the executives. No other way of remuneration (e.g., stock options) could be tracked through annual reports. This may result to the omission of some of the remuneration mechanisms. The omission of these mechanisms, which are important ones in the Anglo-Saxon countries, is less critical for countries like Greece where these mechanisms are rarely used, as in other Continental Europe countries (Kakabadse, 2001).

The model is:

$$\begin{aligned}
 E\_REM_{it} = & \alpha + \beta_1 ROA_{it} + \beta_2 TQ_{it} + \beta_3 CG_{it} + \beta_4 MERGER_{it} \\
 & + \beta_5 DE_{it} + \beta_6 HERF_{it} + \beta_7 OWNCEO_{it} + \beta_8 BOD_{it} \\
 & + \beta_9 BEXEC_{it} + \beta_{10} BPS_{it} + \beta_{11} BDIS\_P_{it} \\
 & + \beta_{12} BDISI\_P_{it} + \beta_{13} PRICE_{it} + \beta_{14} TA_{it} \\
 & + \beta_{15} EMPL_{it} + \beta_{16} SMCAP_{it} + \beta_{17} OC\_S_{it} \\
 & + \beta_{18} OC\_S2_{it} + \beta_{19} YEARF_{it} + u_{it}
 \end{aligned}
 \tag{1}$$

Where:

$$\begin{aligned}
 i &= 1 \dots N \\
 t &= 1 \dots T
 \end{aligned}$$

Disclosure of remuneration of the executives although it is an administrative, but not voluntary decision (Greek law (Law 3016/2002) has relevant provision), is a strong indication of transparency. Good performing firms and firms with growth prospective do not have the incentive to withhold this information. Firms that are managed by professionals have the incentive to link remuneration with performance, as the agency theory suggests.

The variables of CG quality index (for the construction of the index Lazarides and Drimpetas (2008)) and the binary value of mergers and acquisitions should have a positive impact on disclosure of remuneration levels. BoD's size (BoD, number of members), independent BoD members are a measure for the determination of the monitoring efficiency. On the contrary, high numbers of executive members (BEXEC) of the BoD and secessions-resigns of board members (BDIS\_P), to the total number of board members may lead to lower remuneration disclosure levels.

Firms depending heavily on debt to finance their operations, present high uncertainty and risk for future returns. This, in turn should lead to reduced levels of remuneration disclosures. Large firms have the tendency to depend more on professional managers and hence they have the tendency disclose more their policies and amount regarding remuneration. Concentrated ownership (variables OWN and HERF) has the opposite result. Family or high ownership concentrated firms do not need or they do not have the incentive to release this kind of information to the public. The same conclusions can be drawn for the variance OWNCEO (the biggest shareholder is the CEO).

High investments levels (INVP) are positively related with the disclosure of remuneration levels, if the assumption that investment can lead to better short-term financial results. Otherwise, the relation is negative. Younger firms tend to present higher risks and hence firms are reluctant to have relatively high remuneration levels and in many cases there aren't able to provide cash remuneration. As time passes the firm loses the initial family characteristics due to diffusion of shares (through IPO's, capital increases and succession). This leads to a higher reliance on professional managers.

## RESULTS

**Findings-statistical results:** The sample was divided in two main categories: (a) the observations of the firms

that are ranked in the FTSE-20 index (the biggest 20 firms in terms of capitalization) of the Athens Stock Exchange and (b) the observations of the firms that are ranked in the FTSE-40 index (the next 40 firms in terms of capitalization). No significant differences were found.

Disclosure levels are higher in the Non Financial sector Table 2. Non Financial firms seem to disclose more information than the financial firms. The literature on the subject of disclosure differences between financial and non-financial firms is contradicting. Eng and Mak (2003) report that there are no differences, whereas Boolaky and Thomas (2010) report that the opposite.

As Table 3 depicts, firms with higher ownership concentration, better corporate governance level (Lazarides and Drimpetas, 2008) and better Tobin's Q, seem to disclose more information. Time variance of disclosure is also very interesting. CG seems to affect gradually disclosure. Another point that should be noted is that when disclosure is stratified with ROA then in years 2003 and 2004 disclosure is greater than in the previous and following years. This behavior can be explained if the investment schedules of the firms are taken into account.

The fitness of the model, is satisfactory (McFadden Pseudo R<sup>2</sup> is 0.2494, Log Likelihood Function is -148.58 and Estrella is 0.3125). The model can predict the 61.468% (67/109) of the cases that there is disclosure (E\_REM variable = 1) and the 86.08% (167/194) of the cases that no disclosure took place (E\_REM variable = 0).

Table 2: Disclose frequency of remuneration in relation with the activity sector

	Non financial	Financial	Total
Disclosed remuneration	96 (37.1%)	13 (29.5%)	109 (36%)
Non disclosed remuneration	163 (62.9%)	31 (70.5%)	194 (64%)
Total	259 (100%)	44 (100%)	303 (100%)

Table 3: Disclose frequency of remuneration in relation with other variables (2001-2006)

Disclose	2001	2002	2003	2004	2005	2006	Total
<b>Ownership concentration (OWN)-mean</b>							
No	0.53	0.53	0.53	0.48	0.48	0.47	0.50
Yes	0.59	0.60	0.54	0.55	0.61	0.52	0.57
Total	0.55	0.56	0.53	0.51	0.51	0.48	0.52
<b>Corporate Governance index (CGC)-mean</b>							
No	2.16	2.11	2.28	2.93	3.00	3.03	2.64
Yes	3.35	3.76	4.40	4.13	3.92	4.42	3.97
Total	2.69	2.83	3.10	3.47	3.22	3.35	3.13
<b>Return On Assets (ROA)-mean</b>							
No	0.08	0.06	2.87	2.32	0.07	0.09	0.88
Yes	0.10	0.07	0.08	0.08	0.07	0.10	0.08
Total	0.08	0.06	1.80	1.31	0.07	0.10	0.59
<b>Tobin's Q (TQ)-Mean</b>							
No	2.39	1.23	1.26	1.22	1.69	1.82	1.60
Yes	1.87	1.52	3.62	1.54	1.52	1.98	2.02
Total	2.16	1.36	2.17	1.37	1.65	1.86	1.75

Table 4: Independent variable statistical significance tests

Variable	$\beta$	St. error	Statistical significance
Constant	-0.04069544	0.06684466	0.5427
MERGER	-0.51686016	0.23118191	0.0254**
HERF	-0.54085256	0.46594677	0.2457
INVP	1.72709874	1.04301981	0.0977***
EMPL	0.452284D-04	0.254154D-04	0.0751***
PRICE	-0.03432601	0.01759272	0.0510***
SMCAP	-0.00023691	0.816376D-04	0.0037**
PREMPL	-0.366606D-04	0.00170245	0.9828
BOD	-0.13876668	0.02814053	0.0000*
BIND	-0.08122871	0.05228162	0.1203
BEXEC	0.07691526	0.04339091	0.0763***
BPS	-0.01153220	0.02598562	0.6572
PE	0.01469979	0.00685374	0.0320**
OC_S2	-0.02800604	0.01216943	0.0214**
BDISL_P	-2.73330806	1.47221973	0.0634***
BDIS_P	-0.04501015	0.42112210	0.9149
TA	0.254997D-04	0.114179D-04	0.0255**
CG	0.42408891	0.02726609	0.5241
TQ	0.04667804	0.03307440	0.1582

\*: p< 0.01; \*\*: p< 0.05; \*\*\*: p< 0.10

Table 5: Independent variable statistical significance tests (final model)

Variable	$\beta$	St. error	Statistical significance
MERGER	-0.5149	0.219	0.0188**
INVP	1.796	0.9455	0.0575***
SMCAP	-0.00021	0.5996D-04	0.0005*
BOD	-0.1097	0.01829	0.0000*
BIND	-0.09522	0.50528	0.0595***
OC_S2	-0.0204	0.009511	0.0319**
BDISL_P	-2.729	1.34428	0.0423**
TA	0.21064D-04	0.102874D-04	0.0406**
CG	0.3799	0.53555	0.0000*

\*: p< 0.01; \*\*: p< 0.05; \*\*\*: p< 0.10

Chi square tests indicate that at least one of the independent variables is statistically significant ( $X^2[18]$  (prob) = 98.71 (0.0000)). The test to identify which independent variables are statistically significant (at the level  $\alpha = 0.05$  or  $\alpha = 0.10$ ) are shown in the Table 4 that follows. Nine out of 19 variables seem to be statistically significant. An interesting statistical finding is that the Constant term of the Model is not statistically significant. This means that if all independent variables are equal to zero, then the dependent variable is most likely zero as well. This finding is important because it proves that if all other variables are constant there is a tendency to not release any information regarding the executives' remuneration.

The model was further processed to reduce the independent variables, in order to contain only the variables that are statistically significant and to minimize econometric problems (variable EMPL has found to have high correlation with CG and SMCAP and for that reason it was omitted for the model). Although BOD, BIND and CG also present relatively high correlation (0.5-0.6) their omission didn't affect the econometric characteristics of the model.

This procedure has left nine (9) independent variables to be statistically significant (Table 5). The fitness of the final model, is satisfactory (McFadden Pseudo  $R^2$  is 0.22, Log Likelihood Function is -154.33 and Estrella is 0.2776). The model can predict the 54.13% (59/109) of the cases where the remuneration policy is disclosed (E\_REM variable = 1) and the 85.57% (166/194) of the cases that no disclosure took place (E\_REM variable = 0). The combined total prediction capability of the model is 74.26%. Nine out of 19 variables seem to be statistical significant.

Finally, the data were regressed using marginal effects. Marginal effect is the change of possibility due to the change of the independent variable by one unit. Two variables were used to measure their marginal effects on the dependent variable (OwnCEO, CEOCHAIR). The analysis of marginal effects is shown at Table 6.

As Table 6 shows that the combination of roles (shareholder and CEO, chairman of the BoD and CEO) contributes to the tendency of disclosure of executives' remuneration. This finding is a paradox.

Table 6: Marginal effects

Variable	Values of group variables		
	OWNCEO = 0	OWNCEO = 1	All observations
MERGER	-0.05195	0.16936	-0.08104
INVP	0.18119	0.59074	0.28266
SMCAP	-0.00002	-0.00007	-0.00003
BOD	-0.01107	-0.03608	-0.01726
BIND	-0.00961	-0.03132	-0.01499
OC_S2	-0.00206	-0.00671	-0.00321
BDISI_P	-0.27531	-0.89758	-0.42948
TA	0.00000	0.00001	0.00000
CG	0.03833	0.12496	0.05979
	CEOCHAIR = 0	CEOCHAIR = 1	All observations
MERGER	-0.16147	-0.00783	-0.08104
INVP	0.56320	0.02730	0.28266
SMCAP	-0.00007	0.00000	-0.00003
BOD	-0.03439	-0.00167	-0.01726
BIND	-0.02986	-0.00145	-0.01499
OC_S2	-0.00640	-0.00031	-0.00321
BDISI_P	-0.85574	-0.04148	-0.42948
TA	0.00001	0.00000	0.00000
CG	0.11913	0.00577	0.05979

The analysis of CG status, ownership concentration and organizational structure may lead the reader to the conclusion that the concentration of power and control when a person holds two position of power will give the opportunity and capability to these persons to withhold information and to create opacity for the firm's activities. The paradox can be explained by the fact that most of the executives belong to the dominant group or they are closely connected with it. So the firm hasn't anything to lose. On the contrary the firm has the opportunity to show to stakeholders that is compliant with the CG principles of transparency, responsibility and accountability.

### DISCUSSION

One major finding of this study is that only 36% (109/303) of the firms have disclosed in their annual reports the remuneration levels of their executive members, although disclosure is mandatory by law. The selection of non disclosure is conscious. Major shareholders, groups of shareholders and families are the dominant stakeholders in the firm. They are unwilling to release information that may shake the status quo or question their power to make decisions. The fact that nine variables were found to be statistically significant shows that the phenomenon of remuneration disclosure is complex. Statistically significant variables may be grouped into three major groups. The first group is firm's size (TA, SMCAP, OC\_S2), the second the Board of Directors (BoD, BIND, BDISI\_P) and the third (MERGER, INVP, CG) the external and growth factor group.

Financial performance was measured with many variables (PREPL, TQ, PE, ROA), but none of them were found to have significant impact on remuneration disclosure. The lack of connection between them is contrary to agency problem theory. Although it seems that stewardship theory might be more valid in the case of Greece, the facts are suggesting differently. The majority of the executives managers are members of or closely connected with the dominant group and those that are not members of the group are directly dependent on it, in order to retain their position. This type of relations formulates a top management team that its main concern is not to produce good financial results but to retain the status quo. This is contrary to the stewardship theory as well. Lazarides *et al.* (2008) in their empirical study have shown that the level of remuneration in Greece is strongly dependent on financial performance. There should not be any confusion about these findings. The decision to disclose is very different from the decision to regulate remuneration levels using financial performance as a benchmark to evaluate executives. Mergers and Acquisitions (MA) have a negative impact on remuneration disclosure. The reasons are the same as the ones of financial performance.

Time and corporate governance have a surprisingly positive impact on disclosure. Firms are honoring selectively their legal obligations and they are testing their capability to preserve the status quo while, simultaneously, exhibiting to stakeholders their will to be transparent and accountable.

The Board of Directors, its composition and function play a crucial role in disclosure. The duty of

the BoD is to monitor and control executives, to formulate strategy and to serve as an interface with the external environment. The study did not confirm these duties. Larger BoD (BoDO, bigger number of independent board members (BIND) doesn't seem to have the expected positive impact. The only BoD related variable that has the expected effect is the variable of independent board member dismissal-resigns. Independent board members need time to affect firm's principles, policies and tactics. Firm's and especially dominant stakeholder group in their effort to comply with the law, have in their boards sufficient number of independent members, but they do not wish to empower them. So the frequency of independent board member changes is relatively high.

### CONCLUSION

Overall the study has proven that remuneration disclosure levels in Greece are defined by a different set of factors than the ones in a typical Anglo-Saxon country. Mergers have the opposite effect. The age-size of firms, BoD, as well as corporate governance quality have a catalytic impact on remuneration levels) than the ones in an Anglo-Saxon country. Externally imposed mechanisms (BIND, CG) and organizational structures create a trend to homogenize the factors of remuneration disclosure, but their effects are, currently, of minor importance. Policy and regulation makers should take into account these differences and not adopt homeomorphous approaches to different problems and situations.

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